

An Analysis of Trade and the Employment in Indian Economy at the Advent of Corona Pandemic

Paper Submission: 15/11/2020, Date of Acceptance: 26/11/2020, Date of Publication: 27/11/2020



Bharat Bhushan Sharma

Research Scholar,
Dept. of Commerce,
Agrasen PG College,
Sikandrabad, Bulandshahr,
U.P. India



Arun Prakash Gupta

Principal
Agrasen PG College,
Sikandrabad,
Bulandshahr, U.P. India

Abstract

Present paper endeavors to put forward, the real scenario of economy, pertaining to trade both at internal and external level in addition to the employment opportunities, available to the people in the times of corona pandemic. The pandemic has affected trade in a very negative way and has led, to widespread loss of employment for people, leading to their migration to their native lands. This has cast additional pressure, on the rural infrastructure and has led to, various other problems for people residing both in rural and urban areas. Paper aims to analyze the situation at length, at the level of economy as a whole and oversee, the type of tendencies, going on in the economy for self recovery. Various initiatives taken by the government has started bearing fruits and economy has started recovery, though gradually at a very slow pace. The methodology undertaken by the present paper includes use of secondary data, published in national and international reports and news coverage. The data so collected, has been thoughtfully analyzed, to arrive at fruitful conclusions. Various challenges faced by the economy are expected to subside if the phenomenon of self recovery works for Indian economy on account of the policies and measures undertaken by the government, along with the recovery of the supply chain and kick start of the festivities in Indian subcontinent. Paper also presents various suggestions, to counter the situation and lead to, faster recovery both in terms of trade and employment opportunities.

Keywords: Corona Pandemic, Trade, Employment, Dual Shock of Demand and Supply, RBI, Festivities.

Introduction

India the land which has been practicing foreign trade, since the times when nations barely knew the nuances of internal exchange within national boundaries, have once again girded up its waist to lay foundation of still another chapter, which will play its decisive role in shaping the future of India post corona pandemic, which has caused a catastrophic effect, on the lives businesses and of India.

The pandemic has led to contraction of business activities, restricted the consumer footfall to minimal levels. It has led to unprecedented fall in business which is unparalleled and devastating. Prior to the advent of corona, the government of India heralded, on the foreign trade policy of India for the years of 2015-20. The initiatives that were taken to take the economy of India on new horizons of performance included special policy measures for smaller ancillary industries, GST refunds to exporters, and hassle free provision of input credit.

The policy as adopted was meant to promote, the integrated functioning of different government departments, to assure maximum returns to importers as well as the exporters of India. In addition to that it endeavored to lay down the basic framework, for full swing adoption of the initiatives like Make in India, Skill India, better policies for the exporters of MSMEs, and larger sectors like agriculture, defense and giant conglomerates. All these initiatives were given a form of Merchandise Exports Scheme (MIES) and Services Exports from India Scheme (SEIS). All these steps were taken to incentivize the exports sector of India. But before these initiatives could bear any fruits, the economy of India got gripped, by the lethal and devastating pandemic named corona. The paper analyses the overall impact of corona on the trade and employment of

Indian economy in addition to the tendencies of recovery which can heal the economy and again rail it on the path of development.

Review of Literature

There have been many researches, pertaining to the role of startups, in providing employment to the growing workforce around the world and in India specifically, there has been plethora of research and evidence.

Dharmaraj K. (2015) in his work "The Foreign Trade in Indian Settings" aimed at the exposure of condition of Indian trade and its standing in international markets. It has been a matter of experience, from the figures of trade that trade of India especially the exports have failed to register the required amount of momentum and magnitude. He also focused on the need of mobilizing resources for the industry which could lead to better exports. Government can take initiatives and promote industries and sectors, which hold better promise, for the growth of exports and forward economy on the trajectory of growth and lead to the betterment of economy and people as a whole.

Druvan T. (2015) stated in his work that, India has all the basic features which can make a global hub out of it. India can become leader of the whole world, if some of its policies receive a corrective dose. Natural resources which are spread across Indian subcontinent tend to act as its powerhouse, if stimulated in proper direction. India needs to recognize its natural endowments and work towards, utilizing them in the best possible manner so that the exports become a normal feature of Indian economy.

Murali S. (2016) noted in his work that industrial structure of India, is basically centralized and this mars the overall trade prospective of India. Indian trade both at the national and international level is not regularized. Even the policies for the establishment of industries in general and startups are very hard to cope and even muster. They are very complicated and common people dread, the cumbersome process of setting up any new venture, to add to their income and to the economy of India. India is among one of the nations, where the exit policy for industries to oust from and particular business, is still very complicated, even after significant improvement during the regime of Modi Government.

Vrinda P. (2016) pointed towards a very important fact, regarding the trade structure of India. She studied the trade basket of India both at the national and international level. She analyzed the data and came to a conclusion that the trade basket of India has been randomly recognized. Industries are loosely established and do not run on productive and professional basis. This very fact mars the robust prospective of growth of Indian trade both at the domestic level and international markets.

Ruhela L. (2017) emphasized the concept of decentralization of industries to forward the growth of industries in rural areas and increase the prospect of not only national but international trade as well. He holds in his work that it is imperative for the government of India, to take all necessary steps to

ease the norms of establishing industries and lead the nation, towards better future.

Fantunio S. (2017) in his work noted that the labor engaged in industries which produce goods for exports should be given better facilities and training, so that they can give their hundred percent, towards the production of goods and services of better quality. The labor norms of India do not support and guarantee the safety and job security of labors, which affects the psyche of the workers, in negative direction and lead to lower level of inputs and of degraded quality.

Objective of the Study

Present paper proposes to highlight, the importance of policy norms undertaken by the government and self recovery phenomenon of economy. It also studies the impact of pandemic on the trade and employment of Indian economy, at the advent of corona.

Data and Methodology

The study in general uses secondary data from different published and unpublished resources and websites, for the purpose of analyzing the situation. With the help of data collected, it discusses how the pandemic has led to widespread loss of trade opportunities for India and the number of jobs, available to the people. It also discusses the dual shock of lesser demand for commodities and decreased supply of goods and services.

Effect of corona on Indian trade

The economic growth of India got shaved off, as a result of carnage inflicted by the corona pandemic. There have been many challenges that are being faced by economy, on the front of domestic as well as international trade. There was roughly a dip of 16 percent in the import basket of India and exports too felt the heat of the pandemic and came down by the figure of 8.2 percent. Keeping the dismal condition of economy and domestic requirements, India took a decision to ban the exports of sanitizers and the respiratory devices which fall in the artificial category. On the contrary, the exports of iron spiked owing to increased demand for the same in china.

Dual shock

World as a whole is destined to witness a dual shock of lack of demand and supply, as per the views of a study done by professor Andrea Galeotti and Paolo Surico of the London business school. According to their study the world is heading towards a dual shock of supply and demand (Dripcapital). In the paper "Feedback Loop Between Aggregate Supply And Demand". They have discussed in the paper that the measures taken by all the major economies of the world, at the wake of corona pandemic, which include lockdown, and blockage of supply chains is sure to spell a period of demand and supply shock. With all the major economies of the world resorting to the measures of partial and full lockdowns in their respective economies, The production capacities has come to a virtual standstill and labor force has been thrown out of their jobs. This has reduced the supply of various commodities. This initial supply shock will surely cast an impact on demand and that will slowly but surely plummet. This

again will lead to shocks in supply and result in decreased liquidity. Business houses as a result of this, would be forced to go bankrupt. There is every possibility of further layoffs and reduced consumptions levels and reduced demands.

As per their reading of the situation and views of Professor Andrea Galeotti and Paolo Surico "The looming crisis on our hands is particularly worrisome as it poses a dual demand and supply shock to the global economy. The disruption in global supply chains, and lockdowns instituted by various governments reducing the supply of human resources, are bound to provide an initial supply shock. As more and more countries face lockdowns, demand will start plummeting. This, in addition, impacts the supply as low liquidity forces firms to shut businesses or declare bankruptcy. The potential

layoffs will drive lower consumption, thereby depressing demand further."

The figure given below, sums up the situation clearly. The initial supply curve, with the name of Aggregate Supply Curve⁰ takes a leftward shift and become Aggregate Supply Curve¹ this in turn forces the demand to plummet. This further sets a momentum and leads the initial demand curve, Aggregate Demand Curve⁰ to shift leftward and become Aggregate Demand Curve¹. This action and reaction of aggregate demand and supply leads to further shifting aggregate supply and demand curves towards left and reach new lows of Aggregate Supply Curve² and Aggregate Demand Curve² to low dampened supply and demand.

Figure 1 Dual Shock of Decreased Demand and Supply

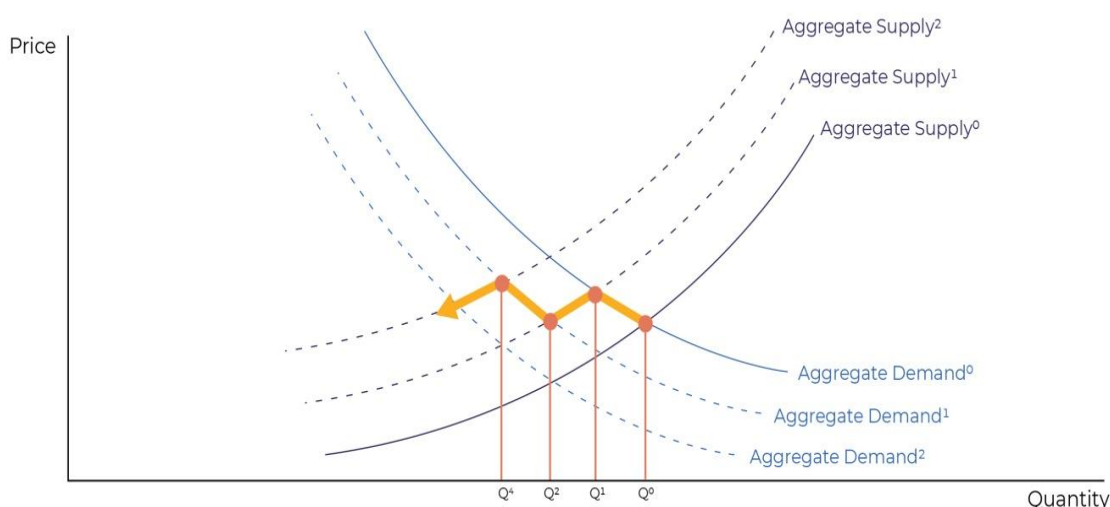


Fig: Aggregate demand and supply depressing the economic growth through a feedback loop.

Source: Research of Andrea Galeotti and Paolo Surico from the London Business School.

Downloaded from dripcapital.com retrieved on July 10 2020

Expectations of Trade and Employment

In the wake of the dual shock that is being experienced by demand and supply, it is very early to make predictions, regarding the real nature of problem, of loss in trade and job and magnitude of employment opportunities that are expected after the pandemic stops inflicting carnage. But one thing is certain, there would be widespread job losses, owing to faulty lockdown at several places and havoc and fear that is attached with this pandemic. The trade as a whole has witnessed huge losses and the future of trade is still hard to predict. Trade has received severe jolts and the condition, will take significant time to improve.

The trade and commerce of India, has come under scanner and it is uncertain, what would be the real loss that would be visible at the end of this crisis. The grim scenario, regarding employment opportunities, may further get aggravated, depending on the strategies that are adopted by the government of the nation, to counter the gigantic problem of corona inflicting negative impact on lives and livelihood. All the sectors of internal economy and the trade, has suffered inexplicable losses and

consequently there has been tremendous pressure on economy, to provide employment opportunities, to the people who were employed and has lost jobs and people who were already unemployed. The picture of real losses to employment count cannot be presented at least until the end of 2021.

India has taken various measures to contain virus and save its economy like cut of 75 basis points in repo rates and the relaxed norms of cash reserve ratio, may bring back positive sentiments of business and which in turn may lead, to healthy increase in employment levels. It would be at least 12 months down the line that real magnitude and nature of employment opportunities, can be fully assessed in economy.

Despite all this gloom and despair there is a view, held by some industry experts and economists that economy will revive in less than one year and the previous grace and level of growth, along with employment levels would be restored. Chief economist of J P Morgan is of the view that if proper policy measures are adopted by the government and the economy functions accordingly, there is every possibility for the economy to revive in Q3 or Q4 of 2020. There are certain factors which hold promise for the economies revival in India which are written as under:

1. Economy can get a kick start from the expenditure that is due in festival months of India, lying between October to April. All these months offer a good

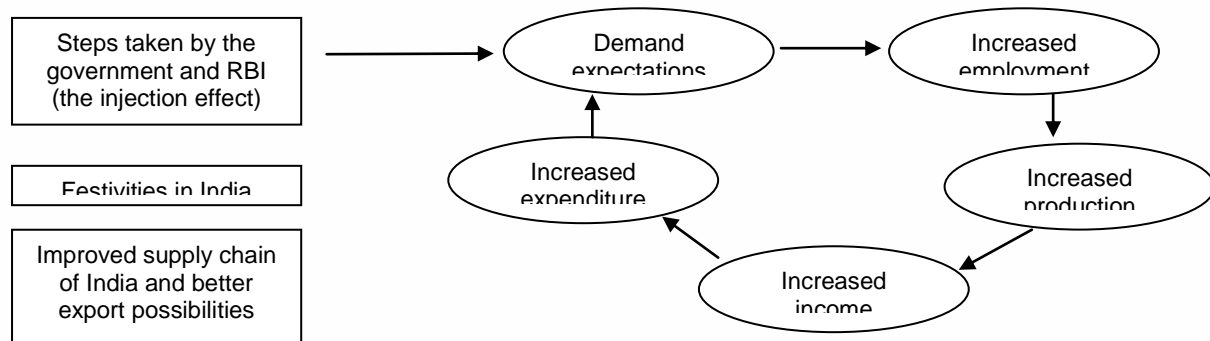
- possibility, as all the major festivals of India fall during these months, chief being the Janmashtami, Rakshabandhan, Ganesh Chaturthi, Eid e Milad, Dusshetra, Diwali, Govardhan, Bhaiduj, Chhat Puja, Christmas and the Twelvetide of Chirstams.,. To meet the demand of customers during these months production houses will have to produce and employ people. This step of corporate India, may lead to creation of jobs, which may further lead to boost in expenditure of income of people who are employed and general sentiments of public.
2. Weakened national currency of India may lead to generation of demand in overseas countries and this may generate employment opportunities to accommodate people in large numbers.
 3. India has come up as a pharma of the whole world and this has strengthened the supply chain of India. Apart from that India enjoys a goodwill that can be availed, to create demand for Indian products, in the areas where it has been exporting pharma products.
 4. The Reserve Bank of India has offered rates that are historically low and if the corporate sector takes cognizance and invests accordingly, with all marketing tools and bullish strategies, it may lead to

creation of business along with required employment opportunities.

5. Mr Saurabh Mukherjea the founder and CIO of Marcellus Investments Managers opines in his blog that India still holds strong possibilities of early recovery which may cushion it from the bad effects of aftermath of pandemic. He made an analysis and has drawn a correlation between fall in yields of bonds issued by US government for 10 years, fall in prices at global level, contraction in US economy which took place simultaneously. These types of changes in the economy of US, has helped India in previous times, which gives us every reason to believe that economy holds strong possibility, to recover earlier than anticipated.

All the above mentioned positive aspects may work, towards early recovery of Indian economy and may lead much needed generation of employment opportunities, which in turn will develop positive sentiments and develop a wave of recovery in different sectors of economy and oust the economy from the possibility of recession that India faces at the wake of pandemic. Following diagram can explain the phenomenon of these changes and effects.

Chart 1, Measures Taken By the Government and Spiral of Recovery



Source: Self Analysis Based on the Findings of the Paper

The chart given above shows the combined effect of the measures, taken by RBI in recent times, the festivities in India which kick started from Ganesh Chaturthi and improved supply chain of India and better export possibilities. It shows that owing to the combined effect of all the measures and festivities, the demand may increase with all probabilities. With increased demand from people, production houses will be motivated to produce more of goods and services which in turn will require more manpower. When more man power would be required by the firms, it will result in increased employment. Increased employment will lead to increased production of the all the goods and services, in the consumer basket of India and other commodities as well. Increased production will guarantee increased income, to all the factors of production which are engaged in productive activities. Increased income again in turn will result in increased production, by the people in general and which again will result in better demand expectations, in the economy for production of required goods and services. All these conditions interlinked, will result in occurrence of other phenomenon. All these conditions will complete the whole spiral and lead to better growth conditions in the economy and provide a

launch pad for the Indian economy, to again come on the track and ensure better production for sale and employment for people in general. Along with the internal economy of country, the effect of this spiral effect is expected to further increase the prospects of exports and lead to better scenario of international trade in world markets.

Findings

Paper has discussed the effect of corona pandemic on the trade and employment of India. The findings that can be drawn from the paper are written as under:

1. There have been widespread losses in employment and trade owing to the carnage inflicted by corona pandemic.
2. The economy is expected to receive a dual shock, in the form of decreased demand from people and decreased supply from the producing units, owing to the launch of onslaught of corona pandemic and its effects.
3. Trade, internal as well as external, has come under scanner, due to the gloomy situation of economy.
4. Various measures of the reserve bank of India, have led to some hope in the economy.

5. The festivities the, measures taken by the Reserve Bank of India and the export prospects in international markets, owing to improved supply chain of India is expected to play a decisive role, for the future prospects of Indian economy.

Suggestions

Despite all the efforts by the central bank of the nation and the positive expectations, owing to the commencement of festivities in the Indian subcontinent and the positive expectations, for experts with improved supply chain of India there can be still many lags in the operation, of all these measures and the underlying phenomenon, of improvement of economic indicators and growth as a whole. So it is imperative for the government to take specific measures to ensure the desired impact of the above mentioned measures and factors. The measures that can be undertaken, by the central government and the state governments of India are mentioned below:

1. Government should take all possible measures, to ensure that people do not throng any particular place and act as a catalyst for the spread of the pandemic.
2. It should spread the correct information regarding, the spread of pandemic and ask people, to take precautionary as well as preventive measures.
3. Government should take measures by which the taxation of industrial produce can be decreased so that they do not incur losses and are motivated to produce more.
4. Various employment schemes of the government that are running in various states, basically in the form of rural employment guarantee schemes, should be further extended, so that people are not forced to move towards the cities, for the want of food and shelter.
5. Measures would be taken, to give boost to international trade basically the exports, which can earn foreign exchange for India.
6. During the festive season government should telecast messages on media, to motivate people, to increase their purchases of different items, so that production can be increased and this will lead to better job opportunities and better income in turn for the workforce of India and ensure prosperity.

Conclusion

The onslaught launched by the most lethal virus in today's times, on India along with almost all the nations of the world, had a devastating impact not only on the health and lives of people, but it has also jeopardized the economies of the respective nations, which have come under the attack of the deadly virus. The economy of India is no exception and it too had become a prey, to the malicious impact of virus. Government has been taking various measures, ranging from precautionary directions given on phones, before accessing the connectivity, to spreading information on television, to stop the spread of this lethal virus. Even different commercials, featured during advertisement hours, targeting their individual sales are spreading information, regarding the precautions people should take to prevent infection. Government has gone to the extent of

forcibly taking infected people, to the hospitals for treatment. Despite all these measures it has not been possible, to contain the spread of this virus, in the desired manner and magnitude. The effects of corona include decreased trade and reduced number of jobs available to people, in all the sectors of economy. This led to exodus of people to their native places. The government came forward as a savior in this critical situation and provided employment, to people at their doorsteps, in the form of various employment schemes, run by the central and the state governments. But the measures taken by the central bank of India, the Reserve Bank of India, the initiation of various other measures, along with the kick start of festive season in India and improved supply chain of India, seems to be a silver lining amidst the dark clouds of dangerous effects, of the pandemic both on the life of people and the economic health of the nation. If the steps taken by the government and the phenomena, of self recovery by the economy works than India can hope for early recovery, from the harm done by pandemic in the Indian economy.

References:

1. Dharmaraj, K. (2016). *The Foreign Trade in Indian Settings. National Journal of Trade Movements*, p 108
2. Druvan, T (2015). *Managing the Foreign Trade of India. International Journal of Economics, Commerce and Research*, pp 103-105
3. Murali, S (2016). "Trade Dilemmas", Pp 102-103
4. Vrinda P. (2016). "Better Trade Norms" P 174
5. Ruhela L. (2016). "Trade Dimensions" Pp 104-107
6. Fantunio, S. (2017), "Trade Of India since Independence". *Journal of National Issues*, P 111
7. https://economictimes.indiatimes.com/news/economy/foreign-trade/the-effect-of-coronavirus-pandemic-begins-to-show-up-in-indias-foreign-trade-numbers/articleshow/74806259.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
8. <https://economictimes.indiatimes.com/news/economy/foreign-trade/the-effect-of-coronavirus-pandemic-begins-to-show-up-in-indias-foreign-trade-numbers/articleshow/74806259.cms?from=mdr> retrieved on 10 July 2020
9. <https://www.forbes.com/sites/benjaminlaker/2020/04/07/3-severe-implications-of-coronavirus-on-global-trade/#38f8c2d03d11> retrieved on 10 July 2020
10. <https://www.dripcapital.com/en-in/resources/blog/coronavirus-impact-indian-exports-global-trade> retrieved on 10 July 2020
11. <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-allows-additional-3569-tonne-sugar-exports-to-us/articleshow/76195222.cms>