ORIGINAL RESEARCH PAPER

Economy

IMPACT OF COVID-19 ON INDIAN ECONOMY

KEY WORDS:

Ishan Batra

ABSTRACT

The **economic impact of the COVID-19 pandemic in India** has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the corona virus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signaling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

In view of the scale of disruption caused by the pandemic, it is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand & increased unemployment is going to alter the business landscape. Adopting new principles like 'shift towards localization, cash conservation, supply chain resilience and innovation' will help businesses in treading a new path in this uncertain environment. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. An attempt is made to analyze the impact and possible solutions for some key sectors.

INTRODUCTION

Ever since the first outbreak of corona virus (covid19) in Wuhan, China, the world has changed in more ways than one. Apart from the devastating effects of the pandemic, the death toll and struggling healthcare systems, the virus has left the economies world-wide staggering and even drowning in many parts of the world.

While some of the effects of Covid on the economy are short term, many can have lasting impacts. The lockdowns have hugely impacted the supply-chain management and sent the GDP and import-export cycle plummeting. There are three major areas of impact for Indian businesses which are linkages, supply chain and macroeconomic factors. This is indeed the worst recession since the Great Depression in the 1930s.

Although the majorly affected sectors include travel and tourism, logistics, auto, metals, drugs and pharmaceuticals and retail, among others, education as we know it, has completely changed and is impacted too.

Here's a brief look at how some major industries have been affected due to the pandemic:

Education and E-learning–While the world that we live in has been evolving with time and technology, a few things have always been primarily 'old school', pun intended. Education and the way it's imparted has always relied mostly on the traditional methods of classroom learning and teaching albeit with a comfortable integration of technology where and when required.

An integral approach was the most preferred, but the devastating effects of the pandemic has left educational institutions and educators with an immediate need to step up and change the way education is delivered to the students. The imperative nature of quality of education is something no one can compromise on and educational institutions in our country have seamlessly transitioned into e-learning and online teaching with the unanimous goal of students' progress and uninterrupted learning.

It would not be an exaggeration if one were to say that we embarked on e-learning within a very short time. The efforts of the educators who adapted to technology, video lessons and live classes online cannot be understated. With limited resources but enough passion, educators across the world have been striving hard and will continue to do to deliver quality lessons and education.

Aviation and Tourism – One of the biggest hit industries, this sector has a high probability of suffering most from the recession without the direct intervention from the government. Since people are unlikely to travel for leisure for months to come, it will impact the inflow of tourists in all the countries drastically reducing the money flow in this sector.

Restaurant services – The National Restaurant Association of India (NRAI) which represent the majority of Indian restaurants had advised its members to shut down their dine-in services when the lockdown began which majorly impacted the dine-ins, pubs, cafes and also food delivery platforms such as Swiggy and Zomato which faced drop of 60% in revenue.

Raw materials and Electronic parts – Nearly 55% of electronics imported by India originate from China. These imports have dropped to 40% due to the pandemic and hence Indian government came up with the promotion of Atmanirbhar or indigenous production in a bid to reduce dependency. The lockdown has also resulted in reduced exports of raw materials like organic chemicals, cotton, mineral fuels resulting in substantial trade deficit for India.

Pharmaceutical Industry – With a major percentage of Active Pharmaceutical Ingredients (API) having to be imported from China, the economic toll on this industry is of major concern. With Covid spreading rapidly, the demand for medication has become primary and a major reduction in import of APIs adversely affects the manufacturing of drugs which will inevitably lead to a surge in drug prices.

Auto Sector – Due to falling demands, income levels and global recession, the manufacturing the auto parts and automobiles have taken a major hit. With continuing lockdown, a downward slide of this sector is expected.

Textiles Industry – Due to the halting of operation of textile factories in China, the export of raw materials such as cotton, other fabric, yarn from India has been majorly affected. The raw material unavailability, depletion in work force and working capital constraints has resulted in reduced demands and purchasing capacities.

IT industry – The dependence of the IT sector on many of the above-mentioned sectors such as manufacturing, retail, hospitality, communication etc. has resulted in major impacts on purchasing ability and investing patterns on IT services. This has impacted the requirement of additional work-force and inflow of revenue in this sector.

AIM AND OBJECTIVES

- The aim of this research paper is to investigate the major causes and impacts of the COVID-19 on the Indian Economy.
- To complete the above aim, this research specifies certain key objectives which shall aid in completion of the aim. The research specific objectives for the study are as under
  - To understand the impact of the pandemic on different industries and sectors of the economy.
  - To investigate the economic situation of the country.
  - To look into the steps taken by the government to improve the situation.
  - To evaluate and discuss the steps needed to be taken on the path of economic recovery.

LITERATURE REVIEW

The **economic impact of the COVID-19 pandemic in India** has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before.

According to Nomura India Business Resumption Index economic activity fell from 82.9 on 22 March to 44.7 on 26 April. By 13 September 2020 economic activity was nearly back to pre-lockdown. Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 140 million (140 million) people lost employment while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over 32,000 crore (US$4.5 billion) every day during the first 21-days of complete lockdown, which was declared following the coronavirus outbreak. Under complete lockdown, less than a quarter of India's $2.8 trillion economic movement was functional. Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an "essential" is and what is not. Those in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.

Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst loses in history on 23 March 2020. However, on 25 March, one day after a complete 21-day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

The Government of India announced a variety of measures to tackle the situation, from food security and extra funds for healthcare and for the states, to sector related incentives and tax deadline extensions. On 26 March a number of economic relief measures for the poor were announced totaling over 170,000 crore (US$24 billion). The next day the Reserve Bank of India also announced a number of measures which would make available 374,000 crore (US$52 billion) to the country's financial system. The World Bank and Asian Development Bank approved support to India to tackle the coronavirus pandemic.

The different phases of India's lockdown up to the "first unlock" on 1 June had varying degrees of the opening of the economy. On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic including 50,000 crore (US$7.0 billion) special finance to NABARD, SIDBI, and NHB.[17] On 18 April, to protect Indian companies during the pandemic, the government changed India's foreign direct investment policy. The Department of Military Affairs put on hold all capital acquisitions for the beginning of the financial year. The Chief of Defence Staff has announced that India should minimize costly defense imports and give a chance to domestic production; also making sure not to "misrepresent operational requirements".

On 12 May the Prime Minister announced an overall economic stimulus package worth 20 lakh crore (US$280 billion). Two days later the Cabinet cleared a number of proposals in the economic package including a free food grains package. In December 2020, a Right to Information petition revealed that less than 10% of this stimulus had been actually disbursed. By July 2020, a number of economic indicators showed signs of rebound and recovery. On 12 October and 12 November, the government announced two more economic stimulus package, bringing the total economic stimulus to 29.87 lakh crore (US$420 billion).

ACTIONS TAKEN BY GOVERNMENT

Globally in a poll by the 'Edelman Trust Barometer', out of the 13,200+ people polled, 67% agreed that "The government's highest priority should be saving as many lives as possible even if it means the economy will recover more slowly"; that is, life should come before livelihood. For India, the poll showed a ratio of 64% to 36%, where 64% of the people agreed that saving as many lives as possible was a priority, and 36% agreed that saving jobs and restarting the economy was the priority.

In India the life versus livelihood debate also played out, with the government first announcing that life would be prioritized over livelihood, which later changed to an equal importance being given to life and livelihood. By mid-May the center was keen to resume economic activities, while the Chief Ministers had mixed reactions.

Prime Minister Modi announced the first 21 days of India's lockdown on 24 March. During this address to the nation he said, "*Jaan hai toh jahaan hai*" (transl. Only if there is life there will be livelihood). On 11 April, in a meeting with the Chief Minister's of India, the Prime Minister said "Our mantra earlier was *jaan hai toh jahaan hai* but now it is *jaan bhi jahaan bhi* (transl. Both, lives and livelihood matter equally)." On 14 April, another address to the nation was made by Modi in which he extended the lockdown, with adjustments, to 3 May. In the Prime Minister's fifth meeting with the Chief Ministers on 11 May, the Prime Minister said that Indians must prepare for the post coronavirus pandemic world, just as the world changed after the world wars. During the meeting Modi said "*Jan se lekar jag tak*" (transl. From an individual to the whole of humanity) would be the new principle and way of life. On 12 May, the Prime Minister addressed the nation saying that the coronavirus pandemic was an opportunity for India to increase self-reliance. He proposed the *Atmanirbhar Bharat Abhiyan* (Self-reliant India Mission) economic package.

India's overall economic package was announced as 20 lakh crore (US$280 billion), 10% of India's GDP. The package, though announced on 12 May by the Prime Minister, included previous government actions, including the RBI announcements. The previous RBI announcements included around 8 lakh crore (US$110 billion) liquidity.The economic package also included the Finance Minister announcement of a package totaling 170,000 crore (US$24 billion) on 26 March. The strategy of combining fiscal and monetary, liquidity measures was defended by the government. Sitharaman explained that other countries had also done the same. Estimates of the size of India's fiscal stimulus as a percentage of GDP varied between 0.75% to 1.3%. The Finance Minister, for five days, between 13 and 17 May, held press conferences in which the details of the economic package was explained.

The economic package consisted of a mix of reforms, infrastructure building, support to stressed businesses and a certain amount of direct cash support. The "collateral-free loans" that the package provided aimed to "resume business activity and safeguard jobs". Changes in FDI policy, privatization of the power sector, provident fund contribution and ease of doing business measures were also announced. Land reforms at the state level which were not mentioned in the economic package are also part of the overall changes.

Reports though stated the economic package did not address short term demand concerns, which may in turn pull down the economy even more; with most of the announcements being related to supply. It was also reported by economists such as Sonal Varma, Nomura Global Market Research, that "long pending politically sensitive reforms" have been pushed through during this time and with this package. While the economic package was criticised on various fronts, it was also given neutral to positive responses on other fronts such as for the necessary caution the government showed in its spending.

ECONOMIC SITUATION

In India up to 53% of businesses have specified a certain amount of impact of shutdowns caused due to coronavirus on operations, as per a FICCI survey in March. By 24 April the unemployment rate had increased nearly 19% within a month, reaching 26% unemployment across India, according to the 'Centre for Monitoring Indian Economy'. Around 140,000,000 (140 million) Indians lost employment during the lockdown. More than 45% households across the nation reported an income drop as compared to the previous year. Various business such as hotels and airlines cut salaries and laid off employees. Revenue of transport companies such as Ola Cabs went down nearly 95% in March–April resulting in 1400 layoffs. It was estimated that the loss to the tourism industry will be 15,000 crore (US$2.1 billion) for March and April alone. CII, ASSOCHAM and FAITH estimate that a huge chunk of the workforce involved with tourism in the country faces unemployment. Live events industry saw an estimated loss of 3,000 crore (US$420 million).

A number of young startups have been impacted as funding has fallen. A DataLabs report shows a 45% decrease in the total growth-stage funding (Series A round) as compared to Q4 2019. According to a KPMG report venture capital in Indian startups has fallen over 50% in Q1 2020 from Q4 2019.

Government revenue has been severely affected with tax collection going down, and as a result the government has been trying to find ways of reducing its own costs. On 10 May 2020, Union Minister Nitin Gadkari said that some states didn't have enough money to pay salaries in the near future. In April, former Reserve Bank of India chief Raghuram Rajan said that the coronavirus pandemic in India may just be the "greatest emergency since Independence", while the former Chief Economic Advisor to the Government of India said in April that India should prepare for a negative growth rate in FY21.

The Indian economy was expected to lose over 32,000 crore (US$4.5 billion) every day during the first 21 days of the lockdown, according to Acuité Ratings. Barclays said the cost of the first 21 days of shutdown as well as the previous two shorter ones will total to around 8.5 lakh crore (US$120 billion). Confederation of Indian Industry (CII) had sought an economic fiscal stimulus package of 1% of India's GDP amounting to 2 lakh crore (US$28 billion). The fiscal package and fiscal policies approach is being compared to what has happened in other countries such as Germany, Brazil and Japan.[204] Jefferies Group said that the government can spend 1.3 lakh crore (US$18 billion) to fight the impact of coronavirus.[205] Bloomberg's economists say at least 2.15 lakh crore (US$30 billion) needs to be spent. Former CEA Arvind Subramanian said that India would need a 10 trillion (US$140 billion) stimulus to overcome the contraction.

India had also been witnessing a pre-pandemic slowdown. Even before the pandemic, since FY 2018–19, India's growth was falling, 8% in Q4 FY18 to 4.5% in Q2 FY20. In January 2020 itself, well before India's lockdown or reactions to the pandemic, the International Monetary Fund reduced India's GDP estimates for 2019 and also reduced the 2020 GDP forecast. The 2016 Indian banknote demonetisation and goods and services tax enactment in 2017 led to severe back to back disruptions in the economy. On top of this there had been numerous banking crises such as the Infrastructure Leasing & Financial Services crisis and government scheme failures such as that of 'Make in India'. There was also a significant "income crunch" for both rural and urban sectors in the year prior to the lockdown.

On 27 March, Moody's Investors Service (Moody's) revised its estimate of India's GDP growth for 2020 from 5.3% to 2.5%. Fitch Ratings revised its estimate for India's growth to 2%. 'India Ratings & Research' also downgraded the FY21 estimate to 3.6%. In April 2020, the World Bank and rating agencies downgraded India's growth for fiscal year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. On 12 April 2020, a World Bank report focusing on South Asia said that India's economy is expected to grow 1.5% to 2.8% for FY21. The World Bank report said that the pandemic has "magnified pre-existing risks to India's economic outlook".

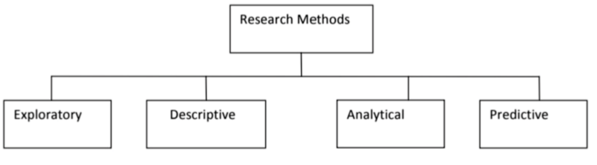
On 28 April the former Chief Economic Advisor (CEA) to the Government of India has said that India should prepare for a negative growth rate in FY21. On 22 May the RBI Governor Shaktikanta Das also said India's GDP growth will remain negative in FY21. Following the announcement of India's economic package numerous agencies downgraded their GDP predictions for FY21.

RESEARCH METHODOLOGY

The reason why research methodology is very important is that it defines the entire steps via which the research shall be conducted and provides basis for a more systematic approach (see Kothari, 2004). It is therefore necessary to have a dedicated chapter that describes the methods used for the research and gives a pathway for the entire research to be completed. Many definitions have been given in the literature regarding research methodology and its importance to a research In its simplest of forms, a research is a scientific investigation into a real world problem and a methodology is the list of solutions that are designed to resolve the problem (Silverman, 2016). In other words, a research is an organized set of activities undertaken to study and develop a model or a procedure to find the result of the realistic problem that is supported by relevant literature (see Paneerselvam, 2014). Research methodology is classified in many ways. It is thus imperative to look at these methods in order to understand the best possible method to conduct the current research.

Types of Research Methods:

Research methods are broadly classified into four broad categories viz. exploratory, descriptive, analytical and predictive (see Bisnardi, 2008). Each group of research is different and sets out problem solving from based on the need of the study. While an exploratory study is conducted when there is a need for initial ideas to be provided (see Wilson, 2006), a descriptive research is one where observations of the real world are put in practice to resolve problems. An analytical research is a higher version of descriptive research where data is analyzed before investigation to check for solutions to existing problems (Bisnardi, 2008). The last set of group is the predictive type of researches where situation variables dictate one another. For instance, to investigate the effect of internet marketing on branding such types of researches can help since there is one variable whose impact is to be tested against another. The types of researches are given in the below diagram.



Adopted from Binsardi 2008,

Data analysis:

Irrespective of any of the above groups of research to be conducted, every research needs to have data analysis. The type of data to be analyzed has been categorized as primary and secondary. This bifurcation happens through the source of the data. If the source of the data is a direct one such as an interview or a survey of customers or observation of the problem, it is classified as primary data. Secondary data is the supporting data in the form of literature revie or peer reviewed articles from the related field. The type of data used depends on the natur problem under scrutiny. Two major strategies are used for conducting academic researches qualitative and quantitative. It is essential to understand basic differences in order to choose for the study.

Qualitative v/s Quantitative Researches:

A significant bifurcation of research type is via the type of analysis done on data. While a quantitative research is based on measurement of quantity and is probabilistic in nature, a qualitative research is the one which is concerned with qualitative phenomenon involving quality or kind (Kothari, 2004). Further differences have also been noted between the two types. For instance, a qualitative research is selective and distant to the nature of the object while a quantitative research is based on quantifying the subject to a certain variable (see Zikmund, 2000). A qualitative research generally scrutinizes concepts in their natural settings while a quantitative research makes use of mathematical formulae structured analysis on data to arrive at conclusions (Cresswell, 2003). The data used for both these types of researches are also different.

While a qualitative research uses data in the form of focus groups, in-depth interviews and peer reviewed literature, quantitative research uses methods such as surveys, structured interviews and similar records.

Research Tools:

Irrespective of the type of research to be conducted, every research uses certain tools to arrive at conclusions. These tools are used for data analysis and comprise of the subject matter that is to be investigated. The basic tools for any research include but are not limited to experiments, case studies, pilot studies, questionnaires and interviews. For the purpose of this research, since there is a need to investigate causes and reasons of demonetization, we shall adopt a secondary data source via authentic and trusted media and academic sources to arrive at logical conclusions. By merely presenting the data and its reasons, the study will be able to arrive at expected outcomes.

Research Methods for Current Study:

After looking at the various methodologies available, it is fair to suggest that this research shall apply an analytical qualitative method. It is a descriptive study that describes the event of COVID-19 pandemic as it happened to understand its implications on the economy.

ANALYSIS AND DISCUSSION

There were concerns as to where would the government find the funds to fight coronavirus and keep the economy alive. Experts suggested measures such as looking into NPA norms, tax payments and income support to those in the unorganised sectors. A direct cash transfer scheme for the most vulnerable is also being considered, as has happened in other countries.

On 8 April 2020, the managing director of Bajaj Auto, Rajiv Bajaj, wrote in an opinion piece in the Economic Times that the "lockdown makes India weak rather than stronger in combating the epidemic," and that the current "arbitrary" lockdown was totally unsustainable and a "recalibration" is needed. Rajiv Bajaj writes that "India may have to sell itself out of the coronavirus crisis". Post the economic package, Barbara Harriss-White criticised the "shock tactics" of the Modi government during the COVID-19 pandemic, the same "shock tactics" that were seen during demonetization.

The Press Information Bureau brought out a fact check that stories about a financial emergency being imposed in India are fake. A financial emergency has never been imposed in the history of India as yet. Numerous companies are carrying out measures within their companies to ensure that staff anxiety is kept at a minimum. Hero MotoCorp has been conducting video townhall meetings, Tata Group has set up a task force to make working from home more effective and the task force at Siemens also reports on the worldwide situation of the COVID-19 pandemic.

Following the lockdown, certain essential supply chains broke down. Britannia Industries, supporting the lockdown, urged the government to ensure inter-state movement of the raw material for the food processing industry was not hampered. The Managing director of Britannia stated that "if even one link in the supply chain is broken, the country could run out of stocks of packaged food in the next 7–10 days." Although inter-state travel has been banned, it doesn't apply to essentials, and in places like Maharashtra the state police are yet to streamline the process, disrupting supply chains. Vidya Krishnan writes in The Atlantic that due to the lockdown even movement of medical goods were affected.

On 29 March the government allowed the movement of all essential as well as non-essential goods across the country during the lockdown. The milk and newspaper supply chains are also allowed to function.

The Prime Minister on 19 March urged businesses and high income segments of society to take care of the economic needs of all those who provide them services. During the live telecast, he also appealed to families to not cut the pay of domestic help. Following the lockdown, the government circulated advisories and directives ordering companies to keep paying employees among other things.

A few days later worries grew as to how wages could continue being paid and if the directive was legal or not. There were also concerns raised by migrant workers regarding the implementation of the orders as many daily-wagers have no records of being sacked or salaries being paid or deducted; the concerns also expand to uncertainty in the government's ability to enforce minimum wages under lockdown when it couldn't even do so during normal times.

On 15 May, the Supreme Court announced that the government should not take "coercive action" against employers for not paying wages during the lockdown. The court was commenting on 29 March government order.

CONCLUSION AND RECOMMENDATIONS

In view of the scale of disruption caused by the pandemic, it is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand & increased unemployment is going to alter the business landscape. Adopting new principles like 'shift towards localization, cash conservation, supply chain resilience and innovation' will help businesses in treading a new path in this uncertain environment.

In the second week of May, companies started preparations for restarting operations. Some companies opened offices with the maximum permitted strength of 33% while others took a more cautious approach of as low as five per cent. The beginning of June saw companies further reopen and making plans to reopen. A study by Elara Securities Inc. found that five Indian states, Kerala, Punjab, Tamil Nadu, Haryana and Karnataka, are contributing 27% to India's GDP as India emerges from a total lockdown. By mid-June, unemployment levels were back to pre-lockdown levels. Online sales reached pre-COVID-19 level sales by June end. Hindustan Unilever registered pre-COVID-19 levels in sales in late June.

On 2 July 2020, *The Times of India* reported that a number of economic indicators such as the manufacturers Purchasing Managers' Index, goods movement, GST collections, electricity usage and rail freight transport showed significant improvement as compared to previous months.[346] Localised intermittent shutdowns in July were seen to negatively affect aspects of the country's economic recovery. On 29 July 2020, the Cabinet of India passed the National Educational Policy 2020 aimed at strengthening the economy. By 13 September 2020, Nomura India's Business Resumption Index showed that economic activity was nearly back to pre-lockdown levels.

By mid-January 2021 only agriculture, forestry and fishing saw positive growth. Sectors such as manufacturing, real estate, professional services, constructuion, tourism, public utility and defence were still in recession. The economic survey of India for 2021, tabled during the Budget Session of the Parliament on 31 January 2020, stated that "starting July (2020), a resilient V-shaped recovery is underway". This conclusion was based on indicators such as E-Way Bills, GST revenue statistics, commercial paper, steel demand and recovery in GDP growth. On 26 February 2021, India's GDP was back to pre-lockdown levels. Due to low base effect a number of infrastructure sectors such as natural gas and cement saw high double digit growth in March 2021; a number of related sector such as coal were still in recession. In April the output of the core infrastructure sectors again saw high growth, again a consequence of the low base effect.

Big impact is likely on the GDP growth rate at least for the year 2020–2021. Same is the finding in case of unemployment. Inflation too is likely to rise in the short term at least. Base lending rate is expected to come down further as the government would like the banks to create more credit in the market. The industrial output is slated to take a strong beating at least in the year 2020–2021.

The economic impact in the long run will depend on the recovery mode. Three such modes, namely, strong ; moderate and weak are initiated. The recovery will happen in phases and gradually. The recovery will be severely constrained by the concern of controlling the spread of COVID-19. Effectively it can be assumed that 2020–2021 will be actually of 6 months only. Thus, for 2020–2021 one should be prepared to take on the worst. A global recession has already been predicted by all leading economic and financial experts and some of them think that in June/July 2020 the big impact of the recession will be felt in the US and Europe. Strong leadership efforts will be required from the government. But it will take time to get into action at all levels. The year 2020–2021 would be a forgettable year for the Indian economy and people will remember it as a year of a 'life-leveller' or a 'life-reset'.

It is suggested that the government should adopt a two-pronged approach to deal with the economic crisis. It will have to gear up its machinery to ensure a quick and strong recovery. First, these will involve major contributions from the central bank, the commercial banks, the financial institutions and other agencies in manoeuvring policies as per the demand of the situation. Second and importantly, it will have to motivate and involve the general public and private enterprises in responding to the situation. The mammoth nature of the problem warrants strong support from all the stakeholders. The government should make it pretty clear that everything should not be left to the government alone. A strong sense of responsibility will have to be inculcated amongst the general public, private enterprises, industrialists, workers and all other non-government stakeholders. There is a limit up to which the government alone can take on the fight. It is important, therefore, that the government initially only prepares other stakeholders for assuming a good amount of responsibility in taking on the recovery process.

REFERENCES

1. "India's economic activity almost at pre-lockdown levels but Covid looms: Nomura". The Economic Times. 15 September 2020. Retrieved 15 September 2020.
2. Vyas, Mahesh (21 April 2020). "Unemployment rate touches 26%". Centre for Monitoring Indian Economy. Retrieved 24 April 2020.
3. Sharma, Yogima Seth (24 June 2020). "Unemployment rate falls to pre-lockdown level: CMIE". The Economic Times. Retrieved 24 June 2020.
4. Goyal, Malini (22 March 2020). "Covid-19: How the deadly virus hints at a looming financial crisis". The Economic Times. Retrieved 23 March 2020.
5. Research, Centre for Policy. "Podcast: How has India's lockdown impacted unemployment rates and income levels?". Scroll.in. Retrieved 24 April 2020.
6. "Covid-19 lockdown estimated to cost India $4.5 billion a day: Acuité Ratings". Business Line. 2 April 2020. Retrieved 11 April 2020.
7. PTI (25 March 2020). "Experts peg India's cost of coronavirus lockdown at USD 120 bn". The Hindu @businessline. Retrieved 25 March 2020.
8. "Lockdown relaxation — more than half of India's economy may reopen from Monday, says Nomura". Business Insider. Retrieved 18 April 2020.