



# Resuming India's Economy Resourcefully after Covid-19 Outbreak

DR. VARSHA R. VASAIYA  
Assistant Professor,  
S.T.T College, Visnagar

## 1. Introduction

During the Freedom movement, Mahatma Gandhi could unite a country as diverse as ours against the British livelihood primarily because of his moral authority. Similarly, during the 1965 India-Pakistan war, when the then Prime Minister Bahadur Shastri encouraged Indians to sacrifice one meal a week, the countrymen re-joined with a resounding 'indeed'. States, too, acted in tandem. The Kerala health apparatus was in overdrive; Maharashtra, Karnataka and Rajasthan, swung into action; Delhi and UP showed pro-activeness. Together, they have been at the forefront of this national battle. It's, however, going to be a long haul. And, the crisis has multiple dimensions, healthcare management, humanitarian, societal, sociological, and, of course, economic. It's every single Indian's life that counts the most, of course.

As PM Modi said in his nationwide talk, "Jaan hai to jahan hai".

Economically, India, already facing a slowdown, is in for a prolonged challenge. The IMF says we are in a recession, and it could be worse than 2009 (the global financial crisis). NITI Aayog's Vice-Chairman, Rajiv Kumar, believes there could be zero growth next quarter. A report says India Inc is already experiencing its biggest contraction in the last 20 years. Faced with the present challenge, the MSMEs and the unorganised sector are going to take the biggest hit. This economic downturn, therefore, calls for India's own "New Deal".

Several multilateral agencies, including the World Bank and the International Monetary Fund, have drastically cut their India GDP growth forecasts for 2020-21 after economic activity in the country halted due to the 40-day coronavirus lockdown. While the World Bank expects India to grow at 1.5-2.8 percent in 2020, the IMF predicts a 1.9 percent expansion. The global economy, meanwhile, is in the throes of the worst recession since the Great Depression in 1930s.

During his meeting with Finance Minister Nirmala Sitharaman, PM Modi held detailed discussions on the state of the economy, sources said, adding that resource mobilisation for taking on future challenges was also highlighted. The government has constituted an empowered group headed by Economic Affairs Secretary Atanu Chakraborty, to suggest measures which can bring the economy back on track quickly post the lockdown. It has also been asked to work on relief and welfare measures for various sectors of the economy as well as for the poor and needy. In his address to the nation on Tuesday, PM Modi had expressed concern over the problems being faced by the poor, daily wage workers and farmers.

"The government has made every possible effort to help them through Pradhan Mantri Gareeb Kalyan Yojana. Their interests have also been taken care of while making the new guidelines," he had said.

To ease the pain and misery, the finance minister last month announced a Rs 1.7 lakh crore stimulus that included free foodgrains and cooking gas to the poor for three months, and cash doles to women and poor senior citizens. While the lockdown may have been necessary to limit the spread of the coronavirus, it will not solve the problem, as many have assumed. It only provides some breathing space for the government to produce and distribute more testing kits, increase the rates of testing, ramp up supply of ventilators, and ensure the safety of medical workers, among other things. Without these measures, the lockdown will only postpone the problem.

Meanwhile, the most vulnerable sections are bearing the brunt of the crisis. The greater part of the non-agricultural work force will have no livelihood for at least next days. In the absence of massive public intervention, there will be widespread increases in poverty. Desperate migrant workers crowding into buses or trying to walk several hundred kilometres back to their villages provide only one indication of the severity of the crisis, which is intense even among people who have not tried to move.

Furthermore, this lockdown affects supply. The dramatic curtailment of production and distribution means that relatively soon, all sorts of shortages will appear. Consumption demand, the bedrock of the Indian economy, will also fall due to the collapse of incomes, and private investors will be shaken and uncertain. Many small entrepreneurs will be wiped out as well. Construction and services sectors will be affected, and finance will also be in deep distress. Besides banking, which is already grappling with a bad loans crisis, insurance companies may see their business become unviable depending on the claims that will be made when the dust settles.

A complete lockdown is, therefore, unjust, inequitable and, in any case, unsustainable for too long. Even during a successful lockdown, the supply and distribution of essential goods and services (at the very least, medicines, food items, etc.) should continue unhindered. Putting these items on a list of “exemptions” from curfew, though, is not good enough. It is crucial to ensure their continued production.

## **2. How covid-19 has upset Indian economy**

Due to logistical problems following the lockdown tea estates were unable to harvest the first flush. The impact of this on the second flush is not known. The entire Darjeeling tea based tea industry will see significant fall in revenue. Tea exports could drop up to 8% as a result. From 20 April, under the new lockdown guidelines to reopen the economy and relax the lockdown, agricultural businesses such as dairy, tea, coffee and rubber plantations, as well as associated shops and industries, will reopen. Major companies in India such as Larsen and Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, the fashion and retail wing of Aditya Birla Group, Tata Motors and Thermax have temporarily suspended or significantly reduced operations in a number of manufacturing facilities and factories across the country. iPhone producing companies in India have also suspended a majority of operations. Nearly all two-wheeler and four-wheeler companies have put a stop to production till further notice. Many companies have decided to remain closed till at least 31 March such as Cummins which has temporarily shut its offices across Maharashtra. Hindustan Unilever, ITC and Dabur India have shut manufacturing facilities except for factories producing essentials. Foxconn and Wistron Corp, iPhone producers, have suspended production following the 21 days lockdown orders.

India is facing an unprecedented economic crisis due to coronavirus outbreak. Most credit rating agencies have drastically cut India's FY21 GDP forecast from their earlier projections. India's forex reserves are drying, the rupee has taken a hit, and exports are refusing to pick up pace amid closed borders. The country remains virtually shut since March 25 and businesses face an uncertain future. In this BusinessToday.In infographic, we try to explain how coronavirus has worsened India's financial

position to an all-new low. In India up to 53% of businesses have specified a certain amount of impact of shutdowns caused due to COVID-19 on operations (FICCI survey). Various business such as hotels and airlines are cutting salaries and laying off employees. 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 Indian lost employment in the lockdown. More than 45% households across the nation have reported an income drop as compared to the previous year.

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 taskforce at Siemens also reports on the worldwide situation of the COVID-19 pandemic. Night lights and economic activity are connected. In Delhi, night light radiance fell 37.2% compared to 1-31 March 2019. This was the biggest fall for any metro in India. Bangalore fell 32% while Mumbai dropped by 29%.

Live events industry has seen an estimated loss of ₹3,000 crore (US\$420 million). A number of young startups have been impacted as funding has fallen. A Data Labs report shows a 45% decrease in the total growth-stage funding 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.

On 4 April, former Reserve Bank of India chief Raghuram Rajan said that the coronavirus pandemic in India may just be the “greatest emergency since Independence”. The former Chief Economic Advisor to the Government of India has said that India should prepare for a negative growth rate in FY21 and that India would need a ₹720 lakh crore (US\$10 trillion) stimulus to overcome the contraction.

In the third week of March, Amazon announced that it would stop sale of non-essential items in India so that it can focus on essential needs. Amazon has followed the same strategy in Italy and France. BigBasket and Grofers also run restricted services, facing disruptions in services due to the lockdown. Delhi Police began issuing delivery agents curfew passes to make it easier for them to keep the supply chain open. E-commerce companies also look for legal clarity related to what are “essentials”.

On 20 April, Telangana extended the lockdown to 7 May. Swiggy and Zomato will not be allowed to function during this extension period. The Department of Military Affairs led by the Chief of Defence Staff has postponed all capital acquisitions until the coronavirus pandemic recedes. No new major defense deals will be made in the beginning of the financial year 2020–21. While the delivery of S-400 missile systems won't be affected, the delivery of Rafale fighter jets might be.

Stock marketsEdit

On 23 March 2020, stock markets in India post worst losses in history. SENSEX fell 4000 points (13.15%) and NSE NIFTY fell 1150 points (12.98%). However, on 25 March, one day after a complete 21-day lock-down was announced by the Prime Minister, SENSEX posted its biggest gains in 11 years, adding a value of ₹4.7 lakh crore (US\$66 billion) crore for investors. On 8 April, following positive indication from the Wall Street that the pandemic may have reached its peak in the US, the stock markets in India rose steeply once again. By 29 April, Nifty held the 9500 mark.

### 3. Conclusion

The government, meanwhile, needs to ensure that essential services, heavy industries, steel plants, mining, ports, to name a few, are operational in controlled environments. It would be incumbent upon these players to see that physical distancing and highest standards of personal hygiene and safety are enforced to the fullest.

It needs to be re-emphasised that India is undergoing a crisis of unimaginable proportions. The political class has closed ranks. India Inc stands shoulder to shoulder with the government. The citizens, though anxious, are ready for the long-drawn fight ahead. In these testing times, we must ensure that the last man standing in the queue is taken care of. As an immediate step, the ongoing reverse migration of unorganised sector workers needs to be handled sensitively. And then the Direct Transfers to those living on the fringes, already begun by some State governments, needs to be universalised. Both industry and civil society can lend a helping hand.

The government, however, has responded well. The ₹1.7-lakh crore corona package, as also the RBI intervention, is welcome. Women, farmers, MGNREGA workers, organised sector workers, the middle class and industry have reasons to feel many of their concerns have been addressed. The private sector, facing multiple challenges, feels reassured by the pro-activeness shown by the government. Steel industry captains had a meeting with the union steel minister and steel secretary recently and were happy to see that the industry's concerns were playing on their minds.

### References

1. Biman. Mukherji (23 March 2020). "Coronavirus impact: Indian industry seeks relief measures to aid economy". Livemint. Retrieved 11 April 2020.
2. Chaudhry, Siraj A. (26 March 2020). "Covid-19 puts India's food supply chain to a stress-test". The Hindu @businessline. Retrieved 9 April 2020.
3. Covid-19 lockdown estimated to cost India \$ 4.5 billion a day: Acuite Ratings. Business Line. 2 April 2020. Retrieved 11 April 2020.
4. Covid-19: Govt allows transportation of all essential, non-essential goods. Business Standard India. Press Trust of India. 30 March 2020. Retrieved 12 April 2020.
5. Das, Goutam (30 March 2020). "136 million jobs at risk in post-corona India". Livemint. Retrieved 12 April 2020.
6. Economic cost of lockdown is nothing compared to people's lives: PM Modi. Business Standard. ANI. 14 April 2020. Retrieved 14 April 2020.
7. Ghosh, Deepshikha (6 April 2020). "Greatest Emergency Since Independence": Raghuram Rajan On COVID-19". NDTV. Retrieved 10 April 2020.
8. Goyal, Malini (22 March 2020). "Covid-19: How the deadly virus hints at a looming financial crisis". The Economic Times. Retrieved 10 April 2020.
9. IMF projection for India's GDP growth highest in G-20, says RBI Governor Shaktikanta Das". India Today. 1 April 2020. Retrieved 13 April 2020.
10. Is declaration of economic emergency inevitable, asks Subramanian Swamy. The Week. 21 March 2020. Retrieved 11 April 2020.
11. Lockdown hurts economy but saving life is more important: PM Modi. India Today. 10 April 2020. Retrieved 14 April 2020.
12. Lockdown relaxation — more than half of India's economy may reopen from Monday, says Nomura". Business Insider. Retrieved 14 April 2020.
13. Prasad, Gireesh Chandra (1 April 2020). "India needs a ₹10 tn stimulus to tide over a contraction in GDP: Subramanian". Livemint. Retrieved 11 April 2020.
14. PTI (25 March 2020). "Experts peg India's cost of coronavirus lockdown at USD 120 bn". The Hindu @businessline. Retrieved 9 April 2020.
15. RBI Governor Highlights: Shaktikanta Das cuts reverse repo; pumps in money, liquidity; eases rules for banks, NBFCs. The Financial Express. 7 April 2020. Retrieved 13 April 2020.
16. Research, Centre for Policy. "Podcast: How has India's lockdown impacted unemployment rates and income levels?". Scroll.in. Retrieved 12 April 2020.
17. Shah, Ami (25 March 2020). "Sensex posts biggest gain in 11 years: Investors richer by Rs 4.7 lakh crore". The Economic Times. Retrieved 14 April 2020.

18. Sharma, Aman (6 April 2020). "India evolves world's largest smart model of lockdown: Officials". The Economic Times. Retrieved 10 April 2020.
19. Singh, Sandeep (1 April 2020). "Covid-19 Pandemic Spoils Indian Startup Funding Party, Growth Stage Worst Hit in Q1 2020". Inc42 Media. Retrieved 12 April 2020.
20. Stock markets post worst losses in history; Sensex crashes 3,935 points amid coronavirus lockdown". The Indian Express. 23 March 2020. Retrieved 10 April 2020.
21. Stop Panicking: PM Modi is not declaring an emergency; Stay Away from Fake News". Mumbai Mirror. 24 March 2020. Retrieved 12 April 2020.
22. Vyas, Mahesh (10 April 2020). "Unemployment rate touches 26%". Centre for Monitoring Indian Economy (CMIE). Retrieved 12 April 2020.
23. We should plan for negative growth rate this FY, says Arvind Subramanian". The Indian Express. 8 April 2020. Retrieved 12 April 2020.
24. World Bank sees FY21 India growth at 1.5-2.8% — slowest since economic reforms three decades ago". The Times of India. 10 April 2020. Retrieved 13 April 2020.
25. World Bank sees FY21 India growth at 1.5-2.8%, slowest since economic reforms 30 years ago. The Hindu. PTI. 10 April 2020. ISSN 0971-751X. Retrieved 13 April 2020
26. Young Indian startups hit as investors get cautious". Outlook India. IANS. 1 April 2020. Retrieved 12 April 2020.