



# Impact of the Covid-19 on Indian Economy

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## ABSTRACT:

The outbreak of the Covid-19 pandemic is an unexpected shock to the Indian economy. The economic impact of the 2019-20 coronavirus pandemic in India has been largely detrimental. The economy was already in a dismal state before the Covid-19 attack. With the protracted freeze across the country, the global economic downturn and the resulting disruption in demand and supply chains, the economy is likely to face a long period of slowdown. The magnitude of the economic impact will depend on the duration and severity of the health crisis, the duration of the blockade and how the situation develops once the blockade is lifted. In this document we describe the state of the Indian economy in the period prior to Covid-19, evaluate the potential impact of the shock on various segments of the economy, and analyze the policies announced so far by the central government and the Reserve Bank of India to improve the economic shock and present a set of policy recommendations for specific sectors.

## KEYWORDS:

Covid-19, pandemic, blockade, protracted freeze.

## I. INTRODUCTION:

Coronavirus (COVID-19) is an infectious disease caused by a recently discovered coronavirus. Most people infected with the COVID-19 virus will experience mild to moderate respiratory diseases and will heal without requiring special treatments. The elderly and those with basic medical problems such as cardiovascular disease, diabetes, chronic respiratory diseases and cancer are more likely to develop serious diseases. The best way to prevent and slow down transmission is well informed about the COVID-19 virus, the disease it causes and how it spreads. Protect yourself and others from infections by washing your hands or using an alcohol-based disinfectant frequently and without touching your face. The COVID-19 virus mainly spreads through saliva droplets or secretion from the nose when an infected person coughs or sneezes, so it is important to also practice the respiratory label (for example, coughing on a flexed elbow). Currently, there are no specific vaccines or treatments for COVID-19. However, there are many ongoing clinical trials evaluating possible treatments.

## II. LITERATURE REVIEW:

### 2.1. Rai Kirti and Kumar Yogesh (2020):

The COVID-19 epidemic has hit the world around the world creating great chaos around the world. A new human coronavirus called SARS-CoV-2 (formally called HCoV-19) is a coronavirus-2 with severe respiratory syndrome. The virus was first diagnosed in Wuhan, China in late 2019 and is now a difficult health problem for the world, threatening the lives of millions of people. Various experiments have been conducted in this pandemic, with the result of their existence and life of different objects. COVID-19 has not only affected health, it also has its terrible impact on the world economy. The study focuses on Coronavirus' physical, chemical and biological properties, its biological effects, diagnosis and remedies. In addition, it addresses its impact on the global economy.

## 2.2. Temesgen Sidamo, Tamrat Balcha (2020):

This current COVID-19 pandemic is a stimulating scientific community with many hypotheses. The clinical and epidemiological conclusions of COVID -19 are still uncertain due to its higher transmission rate. From all corners of the world he shares his understandings on COVID-19, but the interpretation of these understandings is still ambiguous. There is an urgent need by the scientific community for an imperative discussion of these hypotheses about COVID-19. In this prospective discussion we analyse several hypotheses about COVID-19 with existing clinical facts. It includes clinical management, epidemiology and control strategies.

### III. OBJECTIVE:

1. Analyze the state of the Indian economy in the period prior to Covid-19.
2. Assess the potential impact of covid-19 on various segments of the economy.
3. Analyze policies announced by the Central Government.
4. Analyze policies announced the Reserve Bank of India.

### 3.1. State of the Indian economy:

We are in the middle of a global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lockdown of an entire country. These actions can potentially lead to dire consequences for economies around the world. In other words, effective containment of the disease requires the economy of a country to stop its normal functioning. This has triggered fears of a deep and prolonged global recession. On April 9, the chief of International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the worst global economic fallout since the Great Depression in the 1930s, with over 170 countries likely to experience negative per capita GDP growth due to the raging coronavirus pandemic.<sup>34</sup>

The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. All of these individually have been pretty severe episodes. However the Covid-19 which originated in China in December 2019 and over the next few months rapidly spread to almost all countries of the world can potentially turn out to be the biggest health crisis in our history. Many experts have already called this a Black Swan event for the global economy.

India recorded the first case of the disease on January 30, 2020. Since then the cases have increased steadily and significantly. At the time of writing of this paper (April 2nd week, 2020), and as shown in figures 1 and 2, India has recorded lower number of cases (6,825 total confirmed cases and 229 deaths) compared to other countries, especially those in the developed world, which have been badly affected such as the United States (3,95,030), Spain (1,46,690), Italy (1,39,422), Germany (1,08,202), France (81,095), Iran (66,220) and the United Kingdom (60,737) among others.<sup>5</sup> However according to experts, India appears to be at the early stages of the outbreak and could very soon get overwhelmed with a large number of cases. Globally there have been 1.4 million confirmed cases and close to 85,000 deaths (World Health Organization). Figure 3 shows the state-wise distribution of confirmed cases in India.

In order to curb the spread of the virus, the government of India announced a three week long nationwide lockdown starting March 25, 2020. All non-essential services and businesses, including retail establishments, educational institutions, and places of religious worship, public utilities and government offices across the country will stay closed during this period and all means of travel have been stopped. This was the most far-reaching measure undertaken by any government in response to the pandemic till then. Given the patterns of transmission reported in recent days it looks likely that the lockdown might be extended beyond April 14, at least in some states. It is therefore not certain when the lockdown might be lifted for the country as a whole, what might happen once the lockdown is relaxed even in a phased manner, and how long will it take for normalcy to gradually restored. The lockdown period buys time to prepare the health system and to put together a plan of how to deal with the outbreak once the case-load starts accelerating. India's public health system is relatively weaker than other countries. The government spends only 1.5% of the total GDP on public health as a result of which the system is grossly underprepared to deal with a health crisis.

### 3.2. Steps taken by the Indian government:

The Central Government, among others, made the following decisions in these directions:

#### A) For Income tax

- Extension of the last date for the tax returns for the fiscal year 2018-2019 from 31/03/2020 to 30/06/2020.
- The date of the Aadhaar-PAN connection will be extended from 3/31/2020 to 06/30/2020.
- Expiration dates for the issue of notification, notice, notification, order of approval, order of sanction, filing of appeal, filing of declarations, declarations, requests, reports, any other document and deadline for completing the procedures within the authority and any compliance by the taxpayer, including investments in savings instruments or investments for the reinvestment of capital gains pursuant to the income tax law, the wealth tax law, the prohibition of the Transaction of Benami property, the Black Money Law, the STT Law, the CTT Law, the Tax Equalization Law, the Vivad Se Vish Law in which the term will expire between 03.20.2020 and 06.29.2020 will be extended until 06.30.2020.
- For late payments of prepaid taxes, self-assessment fees, regular taxes, TDS, TCS, equalization rate, STT, CTT made between 03.20.2020 and 06.30.2020, the interest rate is reduced to 9% instead of 12 For this period will be charged% / 18% per year (i.e. 0.75% per month instead of 1 / 1.5% per month). There will be no late fees / fines for this period.

#### B) GST / Indirect tax

- Those who have an aggregate annual turnover of less than Rs. 5 Crore can present GSTR-3B by March, April and May 2020 before the last week of June 2020, without interest, surcharges and penalties. Others may have their yields expiring in March, April and May 2020 for the last week of June 2020, but the same would attract an interest rate reduced by 9% per year starting 15 days after the deadline. However, fines and fines will not be applied if compliance is made before 06/30/2020.
- The filing date of annual GST returns for the 2018-2019 fiscal year, which expires on 03.31.2020, has been extended until the last week of June 2020.
- Expiry date for the issue of notification, notification, order of approval, order of sanction, filing of appeal, filing of declarations, declarations, requests, reports, any other document, term for any compliance under the GST laws in which The deadline expires between 20.03.2020 and 29.06.2020 will be extended to 06.30.2020.
- The payment date under the Sabka Vishwas scheme will be extended until 06.30.2020. Furthermore, no interest will be charged if payment is made before 06.30.2020.

#### C) Financial Services

Debit card holders relaxed for 3 months to withdraw cash for free from any other bank's ATM for 3 months, along with the minimum balance exemption, reduced bank charges for digital business transactions for all commercial finance consumers.

#### D) Corporate Affairs

- No additional costs will be charged for late filing during a moratorium period from 04/01/2020 to 30/09/2020, regarding any document, declaration, declaration, etc., which must be registered in the MCA-21 Register, regardless of the expiration date.
- The mandatory requirement to hold company board meetings within the time frame set by the 2013 company law (120 days) will be extended for a period of 60 days until the next two quarters, i.e. until 09.30.2020.
- The order of applicability of the companies (auditor's report), 2020 has been postponed for one year to the financial year 2020-2021.
- Pursuant to Annex 4 of the Companies Act 2013, independent directors (ID) must hold at least one meeting without the presence of non-independent directors and members of management. For the year 2019-2020, even if a company's IDs have not been able to hold a single meeting, it will not be considered a violation.
- The requirement to create a deposit reserve of 20% of deposits that expire during the 2020-21 financial year before 04/30/2020 must be met until 06/30/2020.
- A further 6 months have been granted for newly created companies which must submit a declaration of starting the business within 6 months of the incorporation.
- Failure by at least one director of each company to comply with the minimum residence in India for a period of at least 182 days, pursuant to Article 149 of the Company Law, will not be considered a violation.

- Due to the emerging financial problems that most companies face due to the large-scale economic problems caused by COVID 19, it was decided to raise the default threshold under section 4 of IBC 2016 to Rs million from the threshold existing from Rs 1 lakh.

#### E) Relief for the poor

The Indian government on 27.03.2020 announced a rescue package of ₹ 1.7 lakh crore intended to provide a safety net for those most affected by the Covid-19 blockade, along with insurance coverage for medical personnel from the first row. About 800 million people are expected to obtain cereals and cooking gas for free in addition to cash via direct transfers for three months. These steps include:

- Ujjwala recipients will receive free cooking gas (LPG) bottles in the next three months.
- Unsecured loan doubled from 20 lakh to 63 self-help groups of lakh women.
- Will the government pay the EPF contribution, both from the employer and the employee, for 3 months for all those factories with fewer than 100 employees, 90% of whom earn less? 15,000 per month.
- The ex-gratia of Rs.1000 will be granted to 3 million poor elderly people, poor widows and people with disabilities.
- Each MNREGA worker receives an increase of ₹ 2,000.
- Healthcare workers to get ₹ health insurance coverage. 50 thousand rupees.

On 09.04.2020, the Indian government approved a COVID-19 package worth ₹ 15 billion to be built on health infrastructure until March 2024, to be delivered to state governments and Union territories to develop COVID-19 hospitals, purchase of personal protective equipment, laboratory installation, and acquisition of essential medical supplies, medicines and consumables and strengthening of health systems.

#### 3.3. Steps taken by the Reserve Bank of India (RBI):

- The RBI on 27/03/2020 also announced a regulatory package to mitigate the debt service burden caused by outages due to the COVID-19 pandemic and to ensure the continuity of profitable activities. These steps, among others, include:
- All commercial banks (including regional rural banks, small financial banks and local banks), cooperative banks, financial institutions across India and NBFCs (including finance companies for housing) ("institutions credit ") can grant a three-month moratorium after the payment of all installments that expire between 01.03.2020 and 31.05.2020. The loan repayment plan, like the remaining term, will move across the board three months after the moratorium period. Interest will continue to accrue on the outstanding portion of term loans during the moratorium period.
- With reference to the sanctioned facilities for working capital in the form of a cash / overdraft credit ("CC / OD"), credit institutions may defer the recovery of interest applied with respect to all these facilities in the period from 01.03.2020 and 31.05. 2020 ("postponement"). Accrued accrued interest will be recovered immediately after the end of this period.
- With regard to working capital structures sanctioned in the form of CC / OD for borrowers who face stress due to the economic consequences of the pandemic, credit institutions can recalculate the "attraction power" by reducing margins and / or revaluing the cycle of working capital. .
- Wherever the exposure of a credit institution to a borrower is Rs. Rs 5 million or more from 01.03.2020, the bank will develop a GIS on the exemptions provided to its borrowers which will include, among other things, information about the borrower and the credit line regarding the nature and amount of relief granted.

On 09.04.2020, the RBI also published its Monetary Policy Report in which it commented on various aspects of the economy, whether it is expected in conditions of uncertainty in a cyclical downturn, supply management problems, media sentiments on the economic growth, factors influencing rural areas. Demand, increase in the quarterly projection model, etc., which does not seem very encouraging either. In particular, in relation to the impact of COVID-19 on global growth, monetary policy has stated the following:

"In the first weeks of February, most forecasts for the global production loss due to COVID-19 were in terms of an outbreak confined to China and brought under control in March / June. However, it was recognized that even in one limited scenario, the economic impact would be significant as China is a much larger player, both in terms of economic size and role in global value chains, now and in 2003, the period of the SARS epidemic. government-imposed factory closings and travel restrictions in several regions, China's manufacturing / service activity fell sharply in February, while in the latter part of February, a rapid increase in infections and deaths across the country The world has begun to emerge, although the spread of the virus in China has begun to stabilize, blockades have been imposed / blocked in most countries. Airlines, tourism and the hotel industry. In the commodity and financial markets, crude oil prices have suffered a downward spiral; with West Texas Intermediate Crude Oil (WTI) prices falling below \$ 20 a barrel on March 30, 2020. Stock markets suffered heavy losses, while gold, fixed income assets, primarily debt from government, and the US dollar gained ground thanks to the demand for safe haven, but then significantly corrected the profit reserve and the flight in cash. With the pandemic still to come, estimates of the downward thrust of global growth are continually being revised. However, the consensus is that there will be a recession in 2020.

"On 27.04.2020, RBI has decided to open a special liquidity service for mutual funds of Rs.50 billion rupees, which will be used by banks exclusively to meet the liquidity requirements of mutual funds through loan extension and Direct and / or repurchase agreements to guarantee investment grade corporate bonds, commercial paper (CP), bonds and certificates of deposit (CD) held by mutual funds.

In light of the needs of the public regarding the opening of certain activities, since the condition of COVID-19 is also considered in particular sectors and to improve the deterioration of the economy, central government and / or state governments From time to time they announced some relaxations to restart economic operations, in particular related to health, agriculture and allies, as well as to small mohalla shops that deal with books and electric fans, services of electricians, plumbers or water purifiers. , etc.

#### IV. METHODOLOGY:

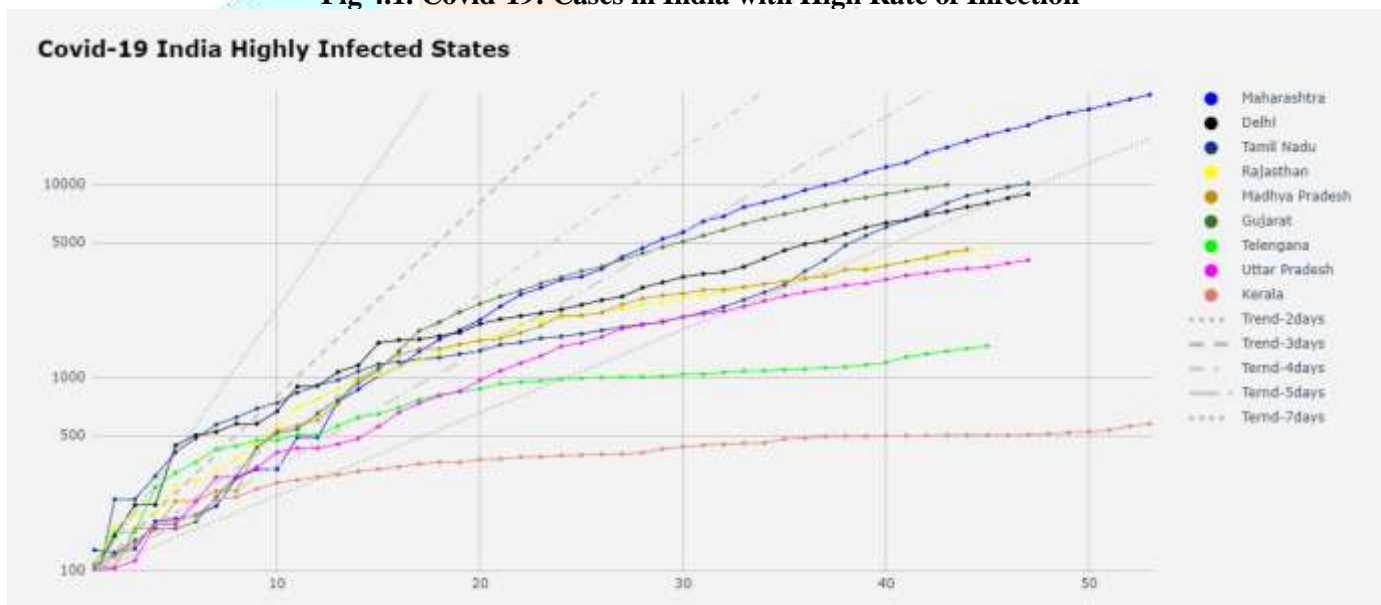
##### 4.1. PRIMARY DATA

Primary data was not collected for the research paper.

##### 4.2. SECONDARY DATA

Secondary data was collected. Several magazines and newspapers have been used for this, as it is a conceptual document. Therefore, the goal is to better understand the concept, its application and the impact on the economy through other parameters. Therefore, qualitative and quantitative data were used.

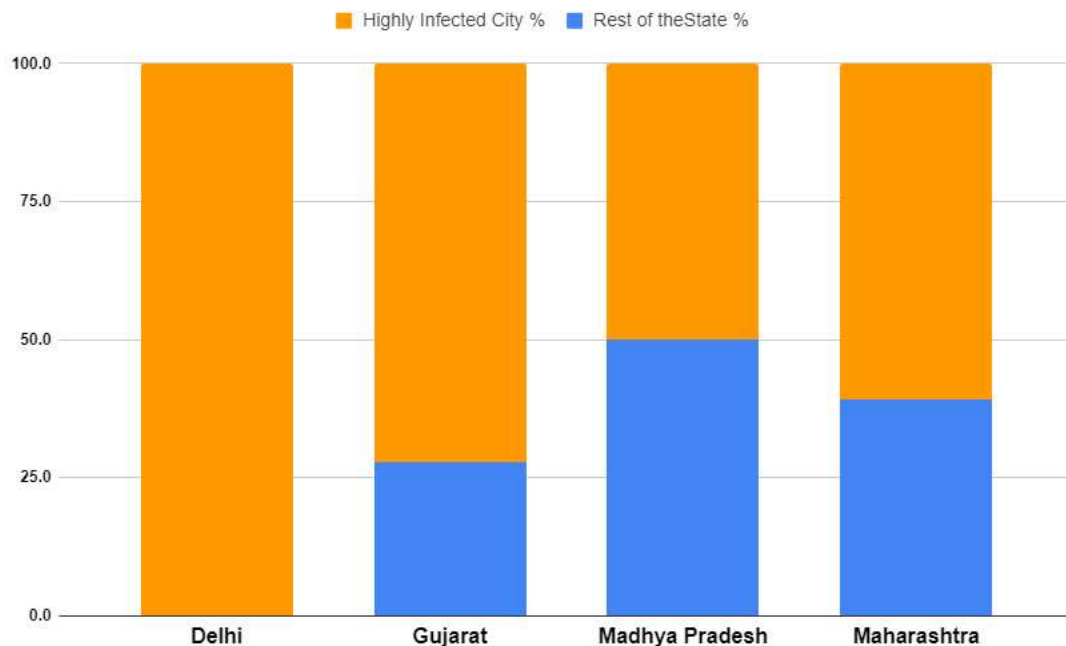
**Fig 4.1. Covid-19: Cases in India with High Rate of Infection**



The graph above shows the progress of the disease once the number of infected people crossed the 100-mark. Since the epidemic has travelled to the different states at different times, the trajectories of the number of infected differ, but it seems to follow the same pattern once you adjust the graph to show the days adjusted to when Maharashtra reached 100 infections.

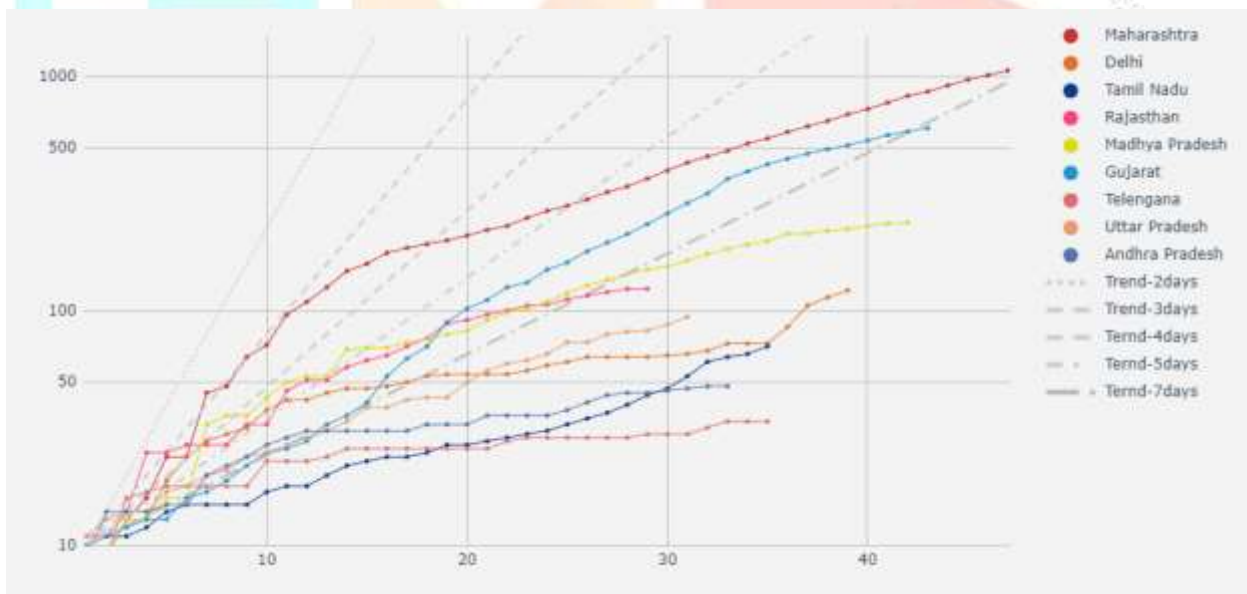
Maharashtra and Kerala were the two states that had their first 100 cases March 25. The doubling of cases in Maharashtra is between 4 and 5 days, while Kerala has seen a significant decline in the rate of doubling of cases.

Fig 4.2. Total Cases in Highly Infected States and Cities in Percentages as on 16<sup>th</sup> May, 2020.



The total number of cases in highly infected states is concentrated in a few cities. In the case of Delhi, cases have been reported from across the city. In Madhya Pradesh the city reporting infection the most is Indore. And, in Maharashtra, about 63.7% of the cases have been reported from Mumbai itself in the past 24 hours.

Fig 4.3. Covid-19 Deaths in India in Highly Infected State



The graph above shows the progress of the disease once the number of deaths crossed the 10-mark. Since the epidemic has travelled to the different states at different times, the trajectories of the number of deaths differ, but it seems to follow the same pattern once you adjust the graph to show the days adjusted to when Maharashtra reached 10 days.

Maharashtra reported the 10th death on March 31, 2020.

**V. CONCLUSION:**

This Corona Virus pandemic can destroy the Indian economy. The level of GDP could drop further, even more when India is not immune to the global recession. Indeed, India is believed to be more vulnerable, as its economy has already been in crisis and in a profound slowdown for several quarters, long before the outbreak of COVID-19 was known. The Indian Prime Minister has already talked about the establishment of an economic task force to design political measures to address the economic challenges arising from COVID 19, as well as on the stability of the Indian economy. However, concrete plans should be maintained to support the economy and its recovery. As the disintegration of the virus progresses globally, as well as within India, we must forget, at least for the moment, to speak only of economic recovery and instead unite ourselves wholeheartedly to face the outcome of COVID-19.

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