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Covid-19 and Indian Economy: Opportunities and Challenges

Author,

Dr.Chhotelal Chouhan

Assistant Professor

Department of Commerce

Victoria Institution (College),

78-B, A.P.C. Road, Kolkata-700009.

Abstract

Covid-19 pandemic situation and subsequent lockdown in India put a tremendous impact on Indian economy as well as on Indian corporate sectors. During Covid-19 situation the whole world is experiencing a rough patch due to pandemic and most of the industrial sectors like automobile, tourism, e-commerce, food and restaurant, real-estate facing huge problems due to several lockdowns in the country. Due to covid problems near about twelve crores people lost their jobs. Most of the Indian corporate sectors have been postponed their expansion programme as well as fund raising programme for a period of six to twelve months. Indian businesses are facing a big challenge under this covid scenario. The economic package of Republic of India in 2020 was declared as twenty as twenty lakh crore (US \$ 280 billion), ten percent of India's GDP value. The strategy of mixing business enterprise and financial, liquidity measures was defended by the Govt. This paper highlights the impact of the Covid-19 on Indian economy and opportunities and challenges faced by the Indian corporate sectors and focused on the challenges behind implementation of the 'Atmanirbhar Bharat Abhiyan' to protect MSME's in India.

Key words- liquidity, pandemic, micro, small & medium enterprises (MSME), GDP.

Introduction –In our country first covid-19 case identified in the last week of January, 2020 and on 11th March, 2020, World Health Organisation (WHO) declared Covid-19 outbreak as a pandemic and now we have spent a period of more than two years and three months and till February 2022 we have above four crores confirmed cases in India and above forty eight crores cases globally (*source-WHO*). Now due to pandemic covid-19 situation around the world and several lockdowns in India under different phases has put a tremendous impact on Indian economy as well as on world economy. In U.S.A., the world economic leader, about 15% to 17% employees lost their jobs due to covid-19 situation and more than two crores people have become jobless in the

month of April 2020 and most of the companies in India and around the world have postponed their development and expansion programme due to this pandemic situation. The Reserve Bank of India (RBI) also agreed that India's Gross Domestic Product (GDP) growth will be in negative in 2020-21 due to the outbreak of covid-19.

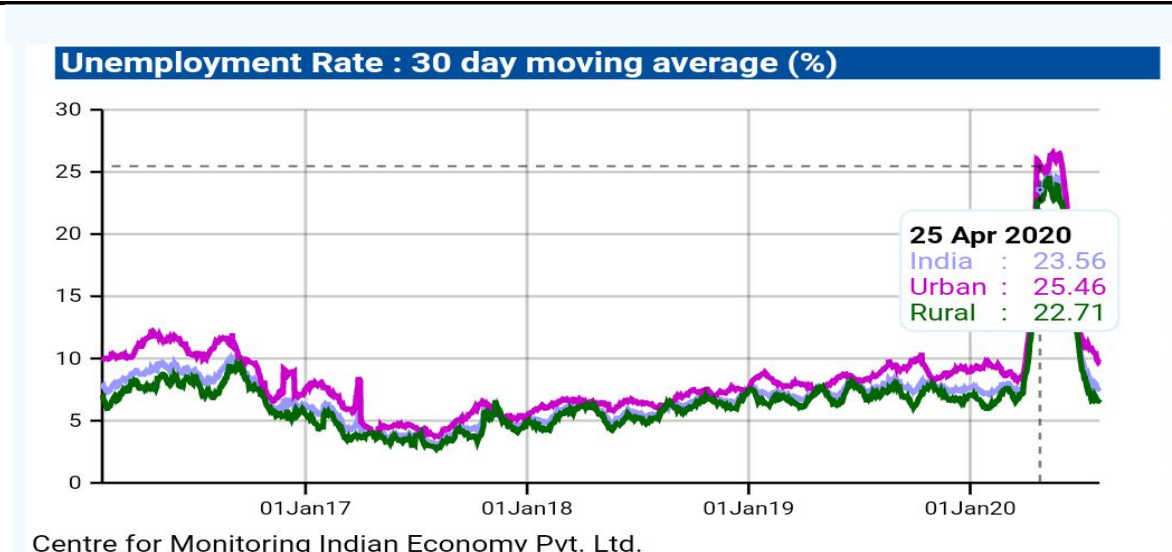
Objectives of the study- The basic objective of this paper is to highlight the impact of covid-19 on Indian corporate sectors as well as on Indian economy, its present position and upcoming challenges and opportunities in Indian economy and the employment position and to seek out the challenges for the various sectors in Indian economy. Apart from that this paper also highlights the major problems arises due to implementing the Atmanirbhar Bharat Abhiyan in current situation.

Methodology- For the purpose of the study data has been collected through secondary sources only i.e. government and corporate reports, published materials in newspaper and different sites etc. The study has been conducted with the reports published by Centre for Monitoring Indian Economy (CMIE), Reserve Bank reports on Indian economy post covid-19 scenario. Apart from that reports published by government of India under building Atmanirbhar Bharat Abhiyan under its five phases have been properly analysed.

Findings- Due to covid-19 outbreak and several lockdowns in the country has tremendous impact on the Indian economy as well as on the employment. India has witnessed a panic scenario of migrating workers also throughout the lockdown period.

Impact on Employment- India's picture is more critical regarding the impact of covid-19 pandemic on employment. The most affected areas were workers are engaged in building construction, van rickshaw pullers, bidi workers, truck and auto rickshaw drivers who have no social and job securities. So due to Covid-19 outbreak most of the workers in unorganised sectors lost their jobs and also those people lost their jobs who are working in a family members.

As per the report published by Centre for Monitoring Indian Economy (CMIE) we find that the unemployment rate in the mid-march has been increase to 23.56 % at the end of April 2020 in which 25.46% was urban unemployment and 22.71% rural unemployment.



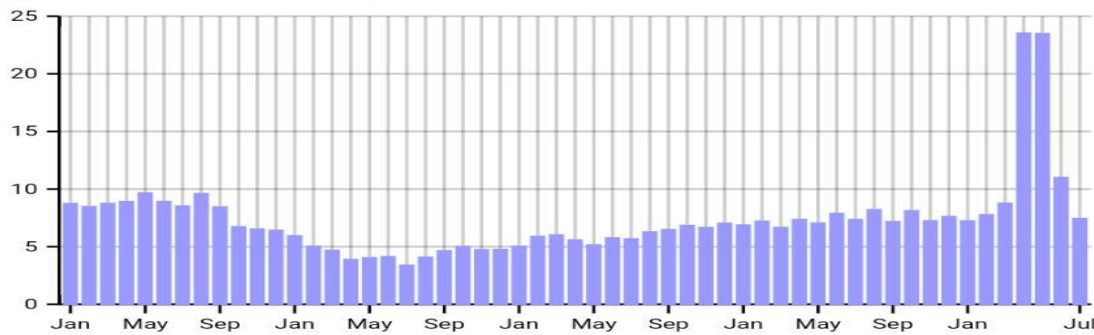
[Source-Source- <https://unemploymentinindia.cmie.com>]

In the month of April to June 2021 we saw the second wave (Delta variant in India) that slowed down economic activity again as various restrictions were brought back again like 2020 and it creates a fear factors in the minds of migrant workers that again it may last long because in this wave we lost many lives than the first wave and this one is considered as most dangerous than precious one.

Period	Unemployment Rate
April-June 2020	20.8%
July-Sept. 2020	13.2%
October – Dec, 2020	10.3%
Jan-March, 2021	9.3%
April-June 2021	12.6%

[Source- moneycontrol.com]

In the first week of May,2020 unemployment rate under the urban India increases to 26% and 23% in rural India. Due to this lockdown period in India more than 12 crore people lost their jobs and have been jobless and it has severe effect on the Indian Corporate Sectors.

CMIE Series of Unemployment: unemployment rate (UER) (≥ 15) in In

Centre for Monitoring Indian Economy Pvt. Ltd.

Month	Unemployment Rate (%)		
	India	Urban	Rural
Jul 2020	7.43	9.15	6.66
Jun 2020	10.99	12.02	10.52
May 2020	23.48	25.79	22.48
Apr 2020	23.52	24.95	22.89
Mar 2020	8.75	9.41	8.44
Feb 2020	7.76	8.65	7.34
Jan 2020	7.22	9.70	6.06
Dec 2019	7.60	9.02	6.93
Nov 2019	7.23	8.88	6.45
Oct 2019	8.10	8.27	8.02
Sep 2019	7.16	9.62	6.00
Aug 2019	8.19	9.71	7.48

[Source- [Source- https://unemploymentinindia.cmie.com](https://unemploymentinindia.cmie.com)]

In the second wave again India's urban unemployment rate jumped to 12.6% in April-June 2021.

Impact on Corporate Sectors- Due to pandemic and lockdown most of the Indian industries showed a negative growth rate in the current financial year and most of the companies have postponed their developmental and expansion programme and they have also postponed their fund raising programme. In this situation Indian business have been facing a big challenge due to covid-19 outbreak and subsequent lockdown. In the area of import and export programme we find that Indian corporate sector and manufacturing unit is mostly dependent on China. India and China has close relationship in international trade and we know that China is the world larger exporter and around 13% of the world exports come from China. China is the big source of nearly 13.7% of India's import under chemicals, automobile sector, electrical machineries, nuclear machineries, organic chemicals, plastic items, fertilisers, vehicles and accessories and pharmaceuticals etc. About 70% of the ingredients used in Indian Pharmaceuticals Company come from China. So we can say that India's business sector is largely dependent on China. India's pharmaceutical industry is heavily dependent on Chinese ingredients to manufacture medical instruments and medicines in India. So due to several lockdown and covid pandemic situation these sectors affected too much.

Now the question may arise what's the way out from this pandemic situation? Government steps regarding relaxation in the lockdown under different phases has helped unemployment stress in general and rural India by increase in Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) under state government. Government of India is taking several steps to cover up the pandemic situation arises due to covid-19 and one of the major decision was announcement of Atmanirbhar Bharat Abhiyan package of Rs.20 lakh crores covering the five pillars- economy, infrastructure, system, vibrant demography and demand. Government has issued a notification on 24th June, 2020, the salient features of which are as under:

- I. Extended time for filling income tax returns for the financial year 2018-2019 till 31st July 2020
- II. Furnishing tax audit report has also been extended till 31st October 2020.

The Five pillars of Atmanirbhar Bharat Project are –

Phases	Projects area
Phase-I	Businesses including MSMEs
Phase-II	Poor, including migrants and farmers
Phase-III	Agriculture
Phase-IV	New Horizons of Growth
Phase-V	Government Reforms and Enablers

[Source-<https://www.india.gov.in/spotlight/building-atmanirbhar-bharat-overcoming-covid-19>]

Phase-1 basically focused on business including MSMEs sector by giving 1.70 crores relief package under Pradhan Mantri Garib Kalyan Yojna and relief under different areas such as – Extending last date for Income Tax Returns to June 30, 2020, extra relief for filing GST returns up to the end of June 2020, 24X7 custom clearance till 30th June, 2020. MSMEs are badly affected due to covid-19 pandemic and several lockdowns and government allows special relief funding to meet the operational activities and buy raw materials to restart business.

Phase-2 focused on the direct support to farmers and rural economy. Government has allowed state governments to fully utilise State Disaster Response Fund (SDRF) for setting up shelter for migrants workers and other people and providing them food and water etc. and also providing MGNREGS support to the migrant workers by fixing up the minimum wage rate and annual free health check-up to the workers. Apart from that central government also announced free food grains to the migrant workers without any ration card as a big relief for them and also arranged Mudra Shishu loan and special credit facility to street vendors.

Phase-3 allowed special and big relief to the farmers by providing additional emergency capital through NABARD and Kishan Credit card scheme under this package. Government also fixes up the rates as minimum support price of the food grains and started PM Fasal Bima Yojna. Apart from that special package also provided to animal husbandry and fisheries business. Special finance of one lakh crore will be provided for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Start-ups, etc.)

Phase-4 focused on the different new horizon for growth through up-gradation of industrial infrastructure, introduction of commercial mining in coal sector, enhancing private investment in mineral sectors, self-reliance in defence production and boosting private participation in space activities etc.

Phase-5 basically focused on the education sector as reforming governance for ease of doing business and special steps taken by introducing Swayam Prabha on the DTH channel launched for providing online school education those who have no internet connection and PM e-vidya, Diksha were launched for providing online content to the school learners as a big relief for the students and on the other hand a number of health related initiatives has been taken for prepare the country for any future pandemics.

Now with the implementation of Atmanirbhar Bharat Abhiyan package and unlocking system, India again able to regain its position of unemployment what at the time of March, 2020. As per August, 2020 report unemployment rate declines to 7.6%, urban India 9.7% and rural India 6.7% which indicated a quick recovery in Indian economy as well as in the Indian corporate sectors. Through this point we can say that there has been a positive impact of Atmanirbhar Bharat Project on Indian economy as well as on employment.

But a question may arises through the self-reliance system in India as we know that right now most of the Indian manufacturing sectors under automobile, pharmaceuticals mostly dependent on China because most of the raw materials imports from China. So right now we are not in a position to become self-reliant rather we have to boost our economy first what we have lost during the lockdown and covid-19 pandemic situation which is still on-going. If we immediately stop importing materials from China then it will adversely affect our domestic production as well as economy. If the government think about self-reliant on domestic production then it will adversely affect our economy and capital market as well. The position of most of the Indian manufacturing unit is not well especially if we think about tourism industry, real estate sector, MSMEs and automobile sector. In case of pharmaceutical sector also we are not in a good position to be self-reliant. Most of the countries around the world were fully devoted in search of corona virus vaccine and if any country would get success in vaccine process then we can't stop ourselves to import vaccine from those foreign countries even that country is China.

Conclusion- So it may be concluded that the covid-19 outbreak and several lockdown in India has a deep impact on economy as well as on corporate sectors and to overcome from this situation, no doubt, government has taken a number of initiatives to control the economy and unemployment situation and with the unlock-1 and announcement of big government package has given some relief to the economy but it's long way to go. With the Atmanirbhar Bharat Package Indian corporate sector can't be self-reliant right now. We are not in a position to close the import from other country but we have to be dependent on each other to overcome this pandemic situation. India should first boost up their infrastructure which may be helpful in future to become self-reliant India.

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