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ASSESSING THE EMERGENCE OF COVID-19 AND ITS POST-PANDEMIC IMPACT ON THE INDIAN ECONOMY

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Abstract

The Corona virus pandemic, popularly known as COVID-19 has led to serious health issues for the civilised world. The one of important cure we had was the social distancing. This had forced the world to shut down their economic activities. Closing down of the economic activities is supposed to affect the economic growth. The International Monetary Fund (IMF) estimates a fall in the growth rate of the world economy by 3 percent in 2020. This fall in the global economic growth during pandemic is said to be highest after the Great Depression. The fall in economic growth had great implications for every individual economy. India being a globalised economy was also assumed to be affected by this pandemic.

Keywords: COVID-19, Indian Economy, Global Market, Domestic Economy, Health Sector

Introduction

COVID 19 is a viral infection caused by severe acute respiratory syndrome coronavirus 2 (WHO, 2019). It was firstly detected in Wuhan city of China in the month of December 2019 (WHO, 2020). Very soon it spread all over the world and started causing death to a large number of populations in different countries. This sudden and rapid spread of this disease all over the world made it a [Public Health Emergency of International Concern](#) on 30 January 2020 and on 11 March a Pandemic (WHO, 2020). Since there was no prescribed medicine for this COVID 19 infection, the only solution the world had was preventing social contacts by social distancing and wearing of mask. To maintain social distancing and prevent the spread of COVID 19 the world observed lockdowns in their respective countries.

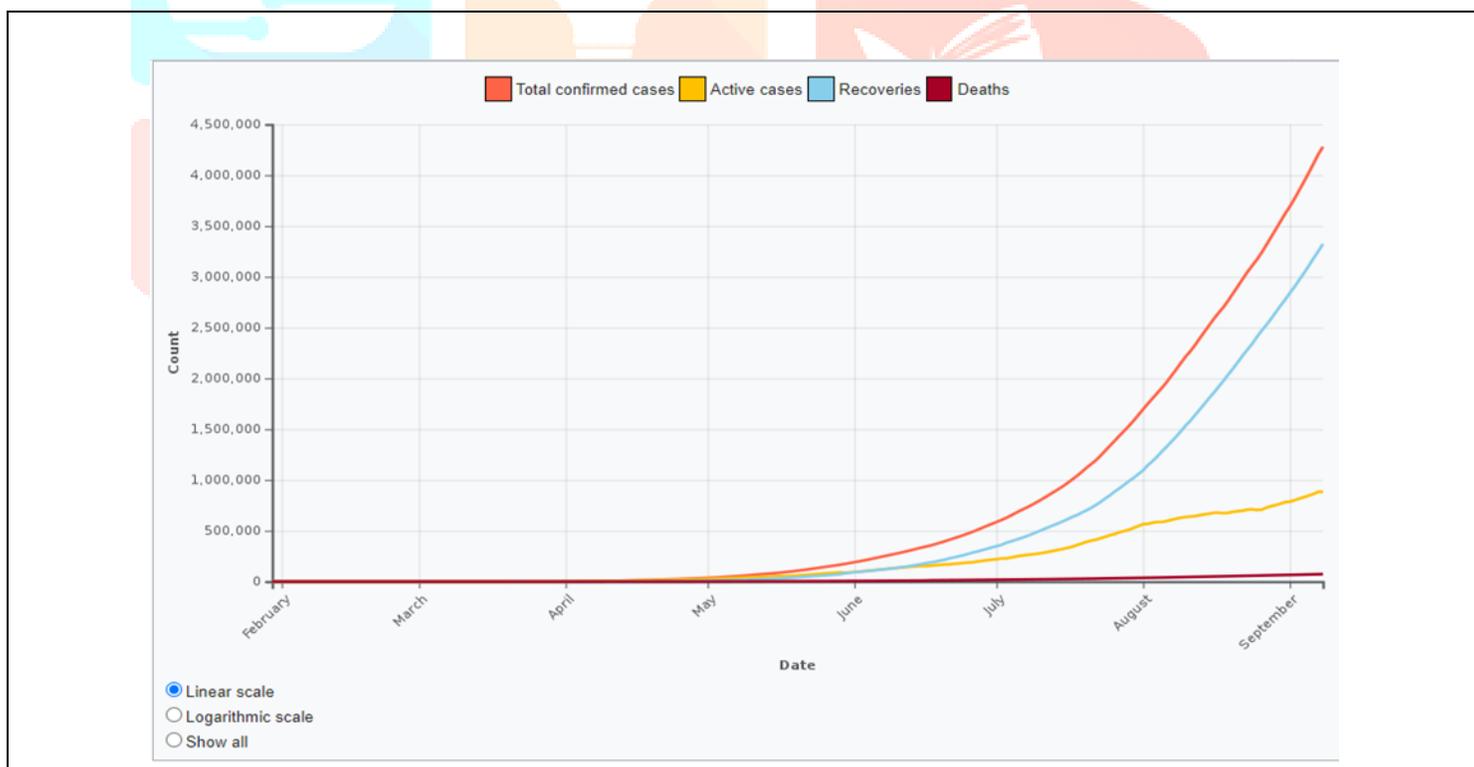
During the lockdown most of the economic activities was put on hold. India too being the one of the most severely affected/infected (reached to second highest infected nation of the world on 6th September 2020) nation of the world, started lockdown on 24 March 2020. In its first phase, a nationwide lockdown for 21 days was announced by the Prime Minister [Narendra Modi, Government of India](#). This led to restrictions on movement of 1.3 billion population of India as a preventive measure against the [COVID-19 pandemic](#) (Gettleman, 24 March 2020). The restrictions of movement have shut down all economic activities; from retail activities to production activities. Closing down of production activities left the migrant labourers without work and subsequently without money for their livelihood. This forced them to move to their parent states. Since during lockdown transport facilities were also suspended, they were forced to move barefooted for their home town and travelled more than 1000 kms to reach the destinations.

The Prime Minister of India, Shri Narendra Modi extended the period of lockdown to 3rd May and further to 17th May. The National Disaster Management Authority further extended the lockdown till 31st May (Tribuneindia, News Service, and 17 May 2020). The extension of lockdown increased the misery of Indian people as they lost the opportunities to earn and survive. Most of the savings of Indians were eaten by this long lockdown and the economy started facing the problem of aggregate demand. The falling demand in combination with rising cases of COVID 19 became a major cause of fall in investment even when the country moved in the phase of unlocking the economy. The Central as well as the state governments introduced many programmes to uplift the economy but all are in vain and assumed to have negative implications for employment as well as growth of the economy. In this chapter an attempt has been made to analyse the effects of COVID 19 on the Indian Economy.

Pandemic in India and Government Response

The Indian Government responded very quickly and announced measures to contain the spread of this pandemic. Initially when this pandemic started in Wuhan city of China, the Government of India responded with thermal screening of the passengers coming from the China, Thailand, Singapore, Hong Kong, Japan and South Korea during January (The Economic Times, 21 January 2020) and February (Livemint, retrieved 2nd May, 2020). During the month of March, Government of India moved on with a plan to establish many treatment facilities along with the quarantine centres with the help of seven ministries (The Economic Times, retrieved 12th March 2020). The Government of India tried to ensure the availability of medicines and food with the help of Department of Pharmaceuticals and [Ministry of Consumer Affairs, Food and Public Distribution](#) respectively (The Economic Times, 6 March 2020, retrieved 12th March 2020). In the same month the Ministry of Home Affairs issued the guidelines for international travel and stopped/restricted the visa for travel from infected countries (Bureau of Immigration, 2020). In addition to this, Government also made it mandatory for citizens coming from COVID 19 affected countries to go for 14 days of compulsory quarantine at the time of arrival in India (NDTV.com Retrieved 12 March 2020).

Figure 1
Status of COVID 19 Cases in India

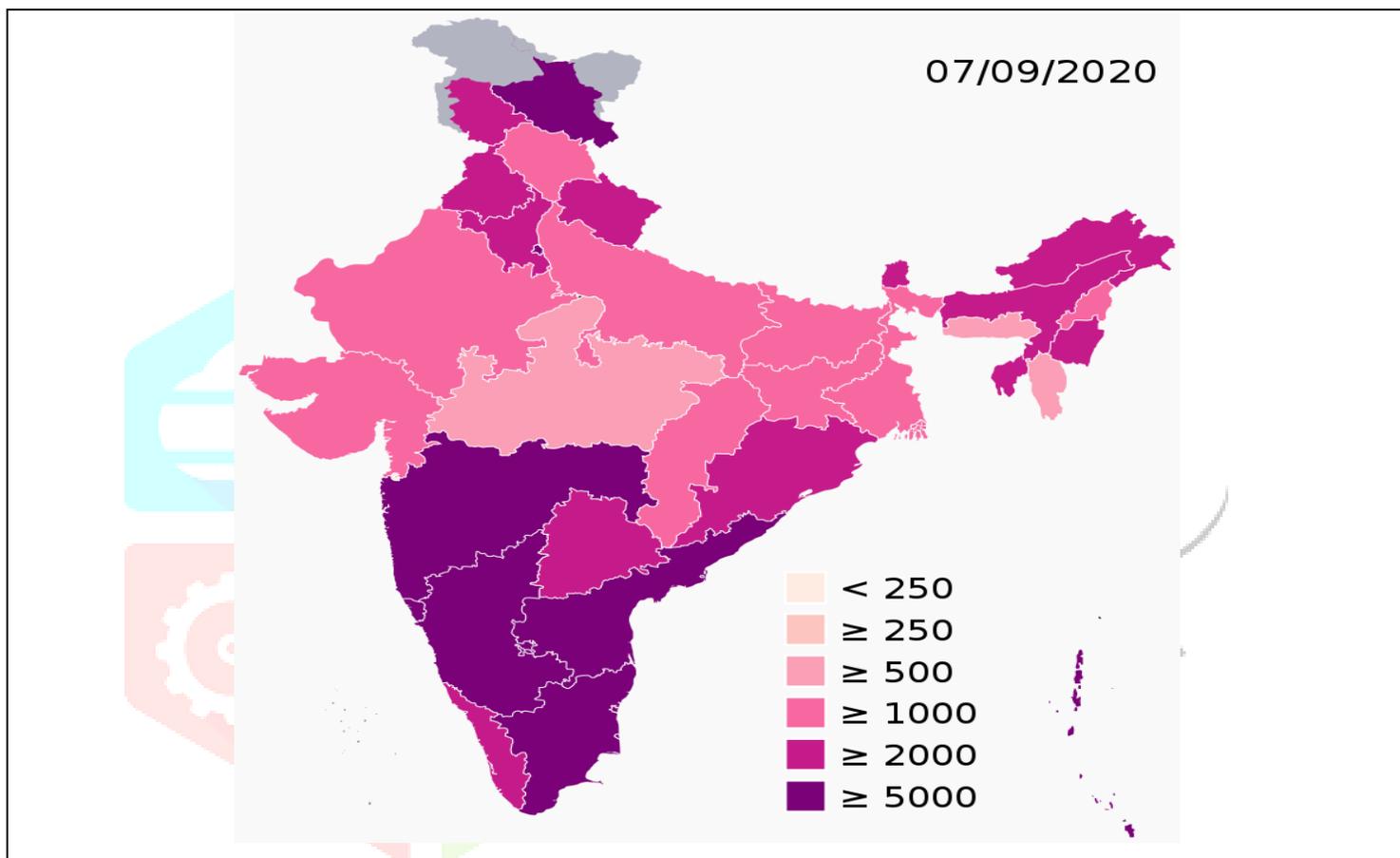


Source: https://en.wikipedia.org/wiki/COVID-19_pandemic_in_India

All these efforts of the Government restricted the spread of COVID 19 cases till the end of March. But as the Ministry of Home Affairs allowed the movement of stranded people and migrant labourers in the month of April, the COVID 19 cases started rising. This limited movement of public continued in the month of May also and became the major cause of interstate spread of COVID 19. However, the growth rate of Novel Corona Infection

was slow in this period. A rapid growth in COVID 19 cases can be seen from the month of June that may be the result of unlocking of economy because of rising unemployment (Vyas Mahesh, 2020) and falling growth rate expectations (Biman Mukherji, 2020).

Figure 2
State wise Cases of COVID 19 in India



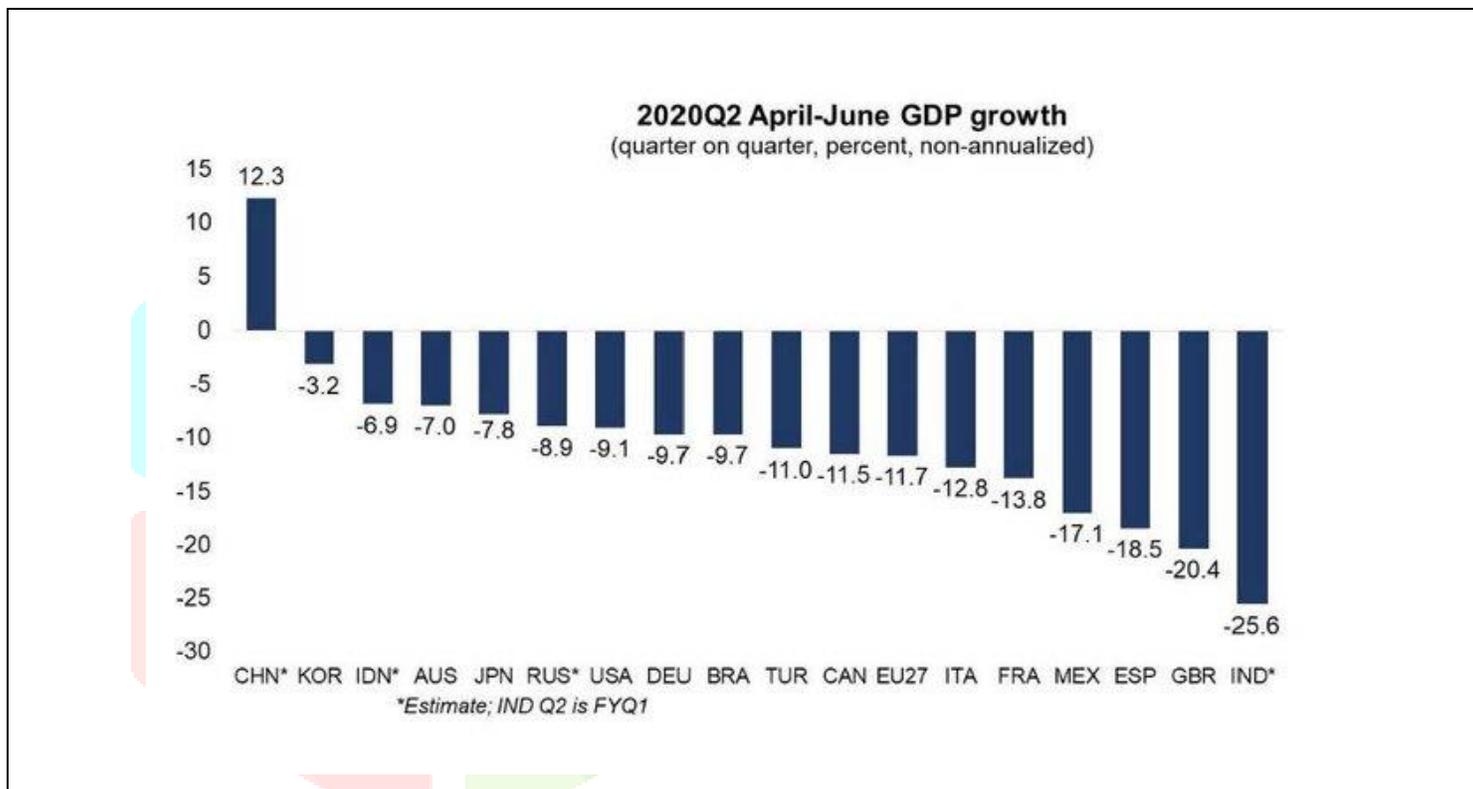
Source: https://en.wikipedia.org/wiki/COVID-19_pandemic_in_India

The state wise distribution of corona cases can be seen from the above figure. 2 that represent the statistics of the corona infection cases in September, 2020 that is considered as the peak period India had ever had (Hannah, 2022). When we look on the map, we can see that the on average the incidence of cases is highly related with the level of development of an area/region. The states with high level of development are more severely affected by this pandemic and vice versa. The only exception is Kerala where the number of cases is low as compared to the level of development. There may be many reasons of which, high level of literacy rate combined with health awareness, availability of good medical facilities, political will; public support may be important and very crucial.

Corona Pandemic and Economic Growth

The economic impact of COVID 19 pandemic, available from International Monetary Fund (IMF) for G20 group of countries is presented in figure. 3 that provides us a comparative position of G20 countries in terms of growth rate of countries on a comparable scale, quarter-on-quarter non-annualized base. The growth statistics are for second quartile of 2020 as compared to the second quartile 2019. China, the crater of this health crisis has rebound very strongly in the second quarter of 2020 after a collapse in first quarter of 2020. However other countries of this group do not seem to be moving in positive direction.

Figure 3



Source: @GitaGopinath, Chief Economist of IMF

Other than China, all the countries of the G20 are facing a crisis because of the pandemic. Even USA, the most powerful economy of world has not been able to save the economy from the negative impact of corona viral infection and registered a negative growth of 9.1 percent in the second quartile of 2020. The same has happened with India. The growing health emergency caused by novel coronavirus has put the Indian economy on halt, leading to a negative growth of 25.6 percent in Q2 of 2020. Perhaps this is the reason why the Government of India is continued with the process of unlocking the economy. Amidst all these crises the only relaxing point is that, the pandemic in India is not as dangerous as it is in the other economies that can be seen from the recovery and death rates.

Pre- and Post-Pandemic growth trends in India

The period of 2012-17 and 2017-20 are considered as the pre-pandemic period and 2020-21 and 2021-22 are considered as the post pandemic period for the present paper. The data presented in table. 1 gives sector wise growth rate of the economy for Q1 (April-June),

Table 1
Pre- and Post-Pandemic Growth Trends by Sector

Sub-sectors of the Economy	Pre-Pandemic Period		Post Pandemic Period	
	2012-2017	2017-2020	2020-2021	2021-2022
Agriculture, forestry, and fishing	3.6	5.2	3.3	6.7
Mining and Quarrying	2.4	2.4	-8.6	2.9
Manufacturing	6.8	5	-0.6	9.8
Electricity, gas, water supply and other utility services	6	7.5	-3.6	3.9
Construction	4.2	4.6	-7.3	1.9
Financial, real estate and professional services	8.2	5.4	6.3	6.6
Public Administration, Defense and other services	6.5	7	-9.2	6.4

Source: RBI (2022) at <https://brics-econ.arphahub.com/article/99441/>, retrieved on 25.09.2023

From the above table, it can be observed that Indian economy has been very successfully recovered from the pandemic shock and started maintaining the almost same growth rate in the post pandemic period as compared to pre pandemic period in the sectors like agriculture, forestry and fishing; mining and quarrying and manufacturing particularly in the year 2021-22. In fact, manufacturing sector has started performing better than the pre pandemic period. The sectors like financial, real estate and professional services as well as public administration, defence and other services have moved positively but have not been able to reach to the level of pre pandemic period.

However, the sectors like electricity, gas, water supply and other utility services and construction sector have not been able to recover from the negative effects of the Covid-19 pandemic. The growth rate of these sectors has remained negative even after the end of the pandemic. In the next year though it has become positive but remains much lower than the pre pandemic period.

Unemployment Scenario in Pre and Post Pandemic Period

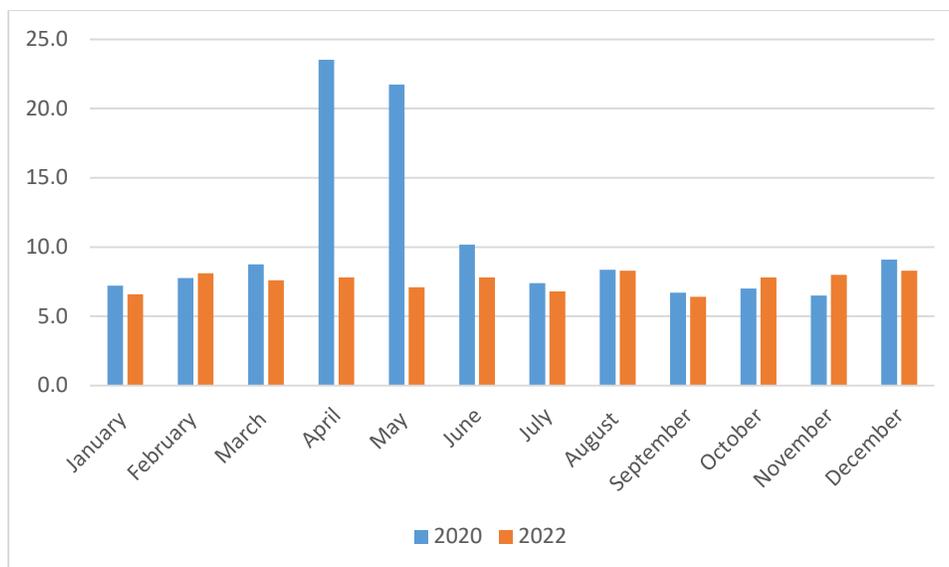
The level of employment/unemployment is directly linked with the growth performance of the economy. A country with rapid economic growth is capable of creating more jobs for the economy and vice-versa (Alam, Dastgir, 2001). Since the present pandemic had severely damaged the growth process of the economy it can be expected to have a rise in the unemployment level. The situation may have been aggravated because of the large-scale movement of migrant labourers from their respective place of work to their native places. The data about the unemployment in India during the pandemic is available in table 2 and the same is represented by the bar diagram in figure 4. The data depicts the unemployment situation at all India level along with rural and urban division for the months of January 2020 to 10th September 2020. It can be perceived from the table 2 that the advent of corona viral infection in India had led to a massive rise in the unemployment level. In January the level of unemployment at all India level was 7.22 percent and reached to 8.75 percent in March. The situation becomes worst after lockdown and the level of unemployment at all India level approached to 23.52 percent in April.

Table 2
Unemployment Scenario during Pandemic

Months	Unemployment Rate 2020) (Percentage)			Unemployment Rate 2022) (Percentage)		
	India	Urban	Rural	India	Urban	Rural
January	7.2	9.7	6.1	6.6	5.8	8.2
February	7.8	8.7	7.3	8.1	8.4	7.6
March	8.8	9.4	8.4	7.6	7.3	8.3
April	23.5	25.0	22.9	7.8	7.2	9.2
May	21.7	23.1	21.1	7.1	6.6	8.2
June	10.2	11.7	9.5	7.8	8	7.3
July	7.4	9.4	6.5	6.8	6.1	8.2
August	8.35	9.8	7.7	8.3	7.7	9.6
September	6.7	8.5	5.9	6.4	5.8	7.7
October	7	7.2	6.9	7.8	8	7.2
November	6.5	7.1	6.3	8	7.6	9
December	9.1	8.8	9.2	8.3	7.4	10.1

Source: Unemployment in India: A Statistical Profile, CMIE <https://unemploymentinindia.cmie.com/>

Figure 4
Unemployment Rate in India



Source: Based on data available in Table 2

In the month of May, a fall is registered in the level of unemployment because of the permission of intra state transport services and injection of huge amount of money under MGNREGS. These policies are followed by a series of packages to agriculture, manufacturing including MSMEs, banking sector and initiation of the process of unlocking the economy by central as well as state governments. The government's efforts have positively responded that is evident from the continuous fall in the level of unemployment in India in subsequent months of June and July. However, in the month of August there is slight rise in the level of unemployment level in India but by the 10th of September it has further declined to 7.8 percent but remains higher than the level of unemployment in the month of July. Almost the same pattern can be witnessed in the level of unemployment in rural and urban areas. But throughout the pandemic unemployment rate has always been higher in urban areas as compared to rural areas showing the fact that productive capacity of urban areas has been badly affected by the pandemic. The analysis of figure 4 clearly shows a bell-shaped movement of unemployment pattern for all the three segments of unemployment situation in India.

Conclusion

The present crisis of COVID19 has proved to be dark chapter in the history of India's economic development. It has destroyed almost all the sector of the economy of which some of them are analysed in the present chapter. The COVID19 pandemic has sternly damaged the growth process of India's economy. India's economic growth has not only declined but has become negative and in fact highest among the G20 group of countries. The sectoral analysis of growth of gross value-added industries has shown a negative growth of 22.8 percent for the period of April-June, 2020. The industry with most employment generation capacity has been highly negatively affected by the present health emergency. This has very strong impact on the level of

employment generation. Because of the contraction of the productive capacity of the economy the unemployment rate has increased in India and reached to a peak level of 23.52 percent, however the efforts of governments both state and centre have played a commanding role reducing the rising level of unemployment. A further rise in the unemployment level in the month of August may be a cause of concern but can be controlled by adopting the right policies particularly by providing fiscal packages to different sectors of the economy. The external sector of the Indian economy has not been untouched from the negative affect of the pandemic. The erosion of purchasing power by pandemic at international level and a contraction of domestic economy have resulted into a massive negative growth in India's exports. Highest negative growth rate in export is registered by items of luxuries and lowest negative growth rate in export is observed in necessity items. Despite all these odds there is ray of hope which can be seen from the fact that agriculture sector is growing positively and in fact higher than the previous year in the same quartile. The only important thing to do is the adoption of right policy that can make a dent on negative effects of the pandemic.

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