



# IMPACT OF COVID-19 ON INDIAN ECONOMY AND GLOBAL RECESSION

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## ABSTRACT

*The Corona Virus or COVID-19 is a disease based on an unknown virus. It seems that it started in China and has widely spread in almost all countries in the world. This pandemic situation is one of the widely spread diseases in recently in world history. However, there was an influenza pandemic in 1918 with the exact number of deaths still unknown. Some believe that the death toll would have been about 50–100 million people. The proposed actions are analyzed in short-term, mid-term and long-term basis, and any expert and social worker who is involved in the pandemic control process can gain an insight into what to do and how to perform their tasks. A sociological analysis on COVID-19 is very important because there is a wing comprising dominant medical experts in the control and management of the disease. Naturally, anyone would think of a pandemic situation in very negative terms due to its emotional, socio-economic, environmental, political and cultural factors. However, it is also positive due to certain factors that help to reintegrate and reorganize the social system as a whole.*

**KEYWORDS:** COVID-19, Positive and Negative Impacts, Social domains, Social Impacts & Pandemic

## INTRODUCTION

The World Bank and rating agencies had initially revised India's growth for FY 2021 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. On 26 May, 2020, CRISIL announced that 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. 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.

## OBJECTIVES OF THE STUDY

1. To Impact of Covid-19 on Indian economy and rest of the world
2. To discuss the Positive and Negative Impacts of COVID-19 in an economy and development perspective in India and rest of the world.

3. To assess COVID-19 on Indian economy by analyzing its impact on growth, various sectors.
4. To take key policy measures to control the possible fallout in the economy.

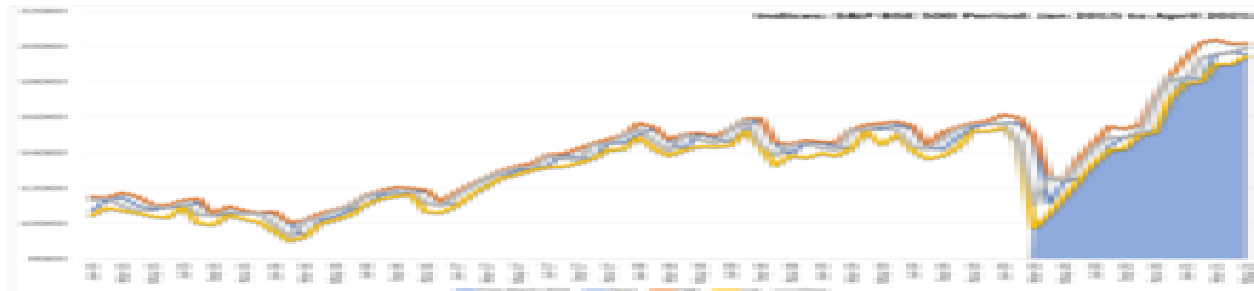
## INDIAN ECONOMY-FACTS AND IMPACTS

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\$ 4.2 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. A large number of farmers around the country who grow perishables also faced uncertainty. Major companies in India such as Larsen & Toubro, BharatForge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata

Motors temporarily suspended or significantly reduced operations. Startups companies have affected 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 losses in history on 23 March 2020.



Indices: S&P BSE 500 (January 2015 to November 2020). Blue highlight reflects COVID-19 period (taken to start from March 2020 as per first lockdown).

## GOVID 19- GLOBAL SCENARIO

### How the Pandemic has changed the World Economy.

The coronavirus pandemic has reached almost every country in the world. Its spread has left national economies and businesses counting the costs, as governments struggle with new lockdown measures to tackle the spread of the virus. Despite the development of new vaccines, many are still wondering what recovery could look like. Many people have lost their jobs or seen their incomes cut. Unemployment rates have increased across major economies. World economies struggling with rise the unemployment. In response, central banks in many countries, including the UK, have slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy.

New vacancies still very low in many countries. If the economy is growing, that generally means more wealth and more new jobs. It's measured by looking at the percentage change in gross domestic product, or the value of goods and services produced, typically over three months or a year. The IMF estimates that the global economy shrunk by 4.4% in 2020. The organization described the decline as the worst since the Great Depression of the 1930s. Most of the countries now in recession. The only major economy to grow in 2020 was China. It registered a growth of 2.3%. The IMF is, however, predicting global growth of 5.2% in 2021. There will be driven primarily by countries such as India and China, forecast to grow by 8.8% and 8.2% respectively. Recovery in big, services-reliant, economies have been hit hard by the outbreak,

such as the UK or Italy, is expected to be slow. The crash in international tourism due to the coronavirus pandemic could cause a loss of more than \$4 trillion to the global GDP for the years 2020 and 2021, according to an UNCTAD Report published on 30 June. The report, jointly presented with the UN World Tourism Organization (UNWTO), says international tourism and its closely linked sectors suffered an estimated loss of \$2.4 trillion in 2020 due to direct and indirect impacts of a steep drop in international tourist arrivals.

### Global Recession after Covid-19

The swift and massive shock of the coronavirus pandemic and shutdown measures to contain it have charged the global economy into a severe contraction. According to World Bank forecasts, the global economy will shrink by 5.2% this year. That would represent the deepest recession since the Second World War, with the largest fraction of economies experiencing declines in per capita output since 1870, the World Bank says in its June 2020 *Global Economic Prospects*. Developing countries have borne the biggest burden of the pandemic's impact on tourism. They suffered the largest reductions in tourist arrivals in 2020, estimated at between 60% and 80%. The most-affected regions are North-East Asia, South-East Asia, Oceania, North Africa and South Asia, while the least-affected ones are North America, Western Europe and the Caribbean. According to UNWTO, international tourist arrivals declined by about one billion or 74% between January and December 2020. In the first quarter of 2021, the UNWTO World Tourism Barometer points to a decline of 88%. The global economic recovery has progressed



more strongly than anticipated a year ago but it is becoming increasingly imbalanced, as lower-income economies struggle to keep up where vaccination rates are low, and advanced economies face very different challenges across GDP growth, employment, the labour market and industries depending on their protection models. Rising food and energy prices are hitting low-income households in particular.

### Measure to overcome to revive the situation

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\$23 billion). The next day the Reserve Bank of India also announced a number of measures which would make available ₹374,000 crore (US\$50 billion) to the country's financial system. The World Bank and Asian Development Bank approved support to India to tackle the coronavirus pandemic.

On 17 April, the RBI Governor announced more measures to counter the economic impact of the pandemic including ₹50,000 crore (US\$6.6 billion) special finance to NABARD, SIDBI, and National Housing Board. 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 Defence Imports and give a chance to domestic production; also making sure not to misrepresent operational requirements.

The government announced two economic stimulus package, bringing the total economic stimulus to ₹29.87 lakh crore (US\$400 billion). By December 2021, India was back to pre-COVID-19 growth. 'Our first order of business is to address the global health and economic emergency. Beyond that, the global community must unite to find ways to rebuild as robust a recovery as possible to prevent more people from falling into poverty and unemployment' said World Bank Group Vice President Ceyla Pazarbasioglu. COVID-19 crisis likely to leave long-lasting scars and pose major global challenges,

### CONCLUSION

An assessment of study COVID-19 on Indian economy by analyzing its impact on growth, manufacturing, trade and micro, small and medium enterprises sector, and highlights key policy measures

to control the possible fallout in the economy. A global crisis requires a global response and there is a need for global collaboration and cooperation not just on health, but also on trade, finance and macroeconomic policies. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures. Governments need to ensure that vaccination remains the top policy priority, invest in a more sustainable recovery, and alleviate skill shortages to improve job opportunities and restore business dynamism.

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