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Socio-Economic Impact of the first wave of COVID-19 Pandemic on Indian Economy-A Conceptual study

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Abstract
The present paper has been focused on the socio-Economic impact of covid-19 on global economy as a whole and Indian economy is in particular. It's not really a question of which sectors of the economy get battered, because most of all sectors are affected by the pandemic. It is seriously effect on life, people and the Economy" The worst of COVID-19's impact would felt by India's most vulnerable in terms of job loss, poverty increase and reduced per-capita income, which in turn will result in a steep decline in the Gross Domestic Product (GDP).Especially informal/unorganized migrate labour force severely affected due to Covid-19, nearly 70 percent of the labour force lose their jobs. It is essentially to accelerate the recovery which includes strengthening the 'safety net' significantly for the most vulnerable, enabling the survival of small and medium businesses, restarting the rural economy and providing targeted assistance to at-risk sectors. The study also emphasized on stimulus policy package of the government towards the depression caused due to covid-19.

Keywords-covid-19, poverty, unemployment, migrant workers, GDP, unorganised sector

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I. Introduction

The corona virus pandemic disrupts the whole world and most of the economies badly hit in the sphere of GDP growth rates, employment, poverty and living standards of the people with lower income groups. The economic and labour crisis created by the COVID-19 pandemic could increase global unemployment by almost 25 million (UN &ILO report) the ILO Based on different scenarios for the impact of COVID-19 on global GDP growth. The economic impact of the 2020 corona virus pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. This drop is mainly due to the corona virus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

However after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more negative figures, signalling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40 percent in the GDP in Q1 FY21. The contraction has not been uniform, rather it differ according to various parameters such as state and sector. In this backdrop present paper made an attempt to analyse the socio-economic impact of first wave of pandemic on various sectors of the Indian economy.

Objectives;
The present study sets the following objectives
1. To examine the impact of COVID 19 pandemic on GDP and trade sector in India.
2. To study the sector wise impact of the corona virus crisis.
3. To analyse the major challenges of the Government during Covid period.
4. To assess the government action towards the crisis and to give suggestions for recovery.

II. Methodology

The study has been used only secondary data and it has been collected from various reports, such as CMIE report, RBI report and economic time's .And also used various websites such as my gov.com and Times of India.com.

Economic Impact

The Indian economy was, as it is, going through a sluggish phase ever since demonetization and GST was implemented. GDP forecast for 2019-20 was revised downwards from an optimistic seven percent to 5.4

percent. In view of this, the government had announced deep tax cuts for businesses in August 2019 to bring the economy back on track. The impact of these initiatives was seen in an uptick in the Purchase Managers Index (PMI) and Manufacturing Index for January and February 2020.But the outbreak of the corona Virus pandemic there has been a drastic decline in GDP growth to 1.3 percent. Covid -19 has been lead to Domino effect(chain reaction)the situation in which causes a series of related events and riffle effect, means that the continuing and spreading results of an event or action(macro economic effect).There has been a chaos on production, employment, poverty .justice , inequality and both supply side and Demand side disruption. Consumption, Investment and production are badly affected.
In the following lines presented the India's GDP growth rate since financial year 2016.

Table-1 India's GDP growth rate since FY16

FY	GDP growth rate
FY16	8
FY17	8.3(+0.3%)
FY18	6.6(-1.4%)
FY19	6.1(-0.5%)
FY20	4.2(-1.9% est.)
FY21	-5(-9.2% est.)

Source; Times of India.com.

It has been seen from the above table that the India's GDP growth rate stood at 8 percent during the financial year 2016, 8.3 percent and 6.6 percent during 2017 and 2018 respectively. But there has been a drastic reduction in GDP growth rate during the periods 2019, 2020 and first quarter of the 2021 because of the covid-19 pandemic.

Exports and imports
India's exports in April 2020 fell by -36.65% year-on-years, while imports in April 2020 fell by -47.36% as compared to April 2019

Below table 2 presents the GDP and sectoral growth of the Indian economy during first wave of pandemic. It has been seen from the table that, service sector, manufacture sector growth contracted by 16 percent and 7.2 percent respectively .There has been 3.2 percent growth rate in agriculture during first wave. The expected impact of second wave of the pandemic is significantly lower than that of first wave.

Table-2 GDP and Sectoral Growth rate of Indian Economy during FY2021

Time period	Indian GDP % growth	Services GDP % growth	Manufacturing GDP % growth	Agriculture GDP % growth
FY 21 (Reflection of the wave-1)	-7.3%	Contracted by 16%	Contraction by 7.2%	A growth of 3.4%
% contribution to the overall GDP	Nill	55%	17.4%	17.8%
Expected impact of the wave-2	8.2% to 9.3% (Overall growth due to base effect but reduced forecasts by rating agencies)	Significantly lower than wave-1	Lower than wave-1	Higher that wave-1

Source; Times of India.com.

Sector Wise Impact
Agriculture – The nationwide lockdown has left farmers across the country bereft of agricultural labor just before the crucial harvesting season. Farmers also worry about government procurement and their ability to sell their crops, given that many agricultural markets are still closed, despite orders from the home ministry to exempt all farming activities from the shutdown. Unless the government acts soon, farmers in India will face a bleak future leading to bankruptcies and farmer suicides. This will severely dent India's ability to revive its economy since there will be a sharp decline in consumption in the rural sectors leading to impairment of the industrial activity.
Textile – Production halts in China and lockdown in India have had an impact, mainly because of dependence on China for textile raw materials including synthetic yarn, synthetic fabric, buttons, zippers, and hangers. India also exports cotton yarn to China in bulk quantity and poor demand in China has caused cotton prices to come down in India.

Apparel – Payment of at least US$2 billion is stuck with foreign buyers because of deferment or cancellation of orders. Closure of retail stores across the country is also adding to losses.
Automotive – The sector was already witnessing a sluggish demand for the last one year. The present situation has further aggravated the problem and compounded the situation with an acute liquidity crunch. China accounts for 27 percent of India's automotive part imports. With Wuhan being a major auto hub, the supply chain of the automotive sector has been hit significantly.
Aviation – With global travel is suspended, airlines are looking at bankruptcy. It is possible that the government might bail the aviation sector in the near future.
Hotels and restaurants – Demand has declined substantially with owners struggling to recover the fixed costs. Pre-lockdown, hotel occupancy rates of 70 percent declined to 20 percent with restaurants losing 30 to 35 percent of their business.
Poultry – Untrue claims regarding transmission of COVID-19 through chicken and other meat have impacted the sales and price of poultry items. Sector is facing a loss in the range of US$20 million every day.
Chemicals – Dependence on China for active ingredients and shortage of essential chemicals amidst the lockdown has resulted in a reduced production of organic and inorganic chemicals across India.
Consumer durables – Electronic appliances are experiencing a slowdown due to lack of demand, reduced economic activity, and supply chain dependencies with China and other impacted countries. India imports around 50 percent of its completely built units of consumer durables from China.
Entertainment and sports – Places of gathering like cinema halls and malls have been closed. Promotional and sport events are also being called off. One of the major cricketing events in the country – Indian Premier League (IPL) has been deferred for the time being – its cancellation can alone mean a loss of at least US$500 million for the organizing body.
FMCG – After the lockdown announcement, demand for essential FMCG products spiked up owing to hoarding and panic buying by consumers. Grocery items, milk, and hygiene products have seen a surge in demand while supply chain constraints have limited the manufacturing capacities.
Pharmaceuticals – As per Trade Promotion Council of India, the country imports around 85 percent of its total requirement of active pharmaceutical ingredients (APIs) from China. Dependencies on China have impacted manufacturing operations in India. However, demand for essential medicines and safety equipment has gone up. Government has restricted the export of certain medicines and pharma products and is monitoring the overall inventory on regular basis.
E-commerce – Several e-commerce players are unable to service existing orders and are not accepting new orders, even when there is a surge in demand for home delivery. However, companies are trying to service essential items on priority basis.
IT and ITeS – Slowdown in markets have reduced the influx of IT projects from international markets. Remote working has given rise in demand for communication tools, conference platforms, and cyber security apps, among others. These software tools are being used across sectors such as education, finance, and HR to ensure business continuity.

Social impact

- All the universities and education institutions are closed; there has been serious setback of education sector.
- Health sector – so many people faced a problem during lockdown period, because of non availability of medicine and health facilities. And also it is a serious issue because of fast transmission and community spread of the virus the numbers of patients are increased day by day but there are no beds available in the hospitals. It leads to low recovery rate of the patients and lead to higher deaths comparatively to other nations.

Immediate challenges faced by the Government:

1. The big and immediate challenge before the Government is to Building up the medical care facilities, even in the remote areas in the country to meet the rising number of COVID-19 cases in the event of an uncontrolled outbreak.
2. To make ensure the implementation of lockdown successfully throughout the country.
3. Keeping the supply chains of essential commodities robust and to keep the 1.2 billion citizens fed and
4. Ensuring that the 450 million migrant workers rendered jobless by the lockdown and trudging on the country's highways to return to their villages are stopped in their tracks, and are housed, clothed and fed at shelters put up on the state borders.

Stimulus measures of the government.
The government has taken the following steps to prevent the spread of COVID-19 across the country:

- On March 25, the government invoked the Disaster Management Act, 2005 and imposed a 21-day nationwide lockdown to prevent the spread of COVID-19 until April 14. On April 14, Prime Minister

Narendra Modi extended the nationwide lockdown until May 3. All districts, localities, and states will be closely monitored till April 20 to see how strictly lockdown guidelines have been implemented. States who do not let hotspots increase could be allowed to let some important activities resume and certain restrictions may be eased.

- All international flights are suspended, except for the ones that have been granted permission to evacuate foreign nationals. All existing visas, barring a few categories have been suspended till April 15.
- All domestic flights are suspended, except those carrying essential goods across the country.
- All bus, train, and metro services are suspended.
- State borders are sealed, inter-state movement within the country stopped.
- Camps have been set up at state borders to stop migrant workers walking back to their villages. According to the government, these camps are also providing workers with basic amenities such as shelter and food.
- Several states have identified COVID-19 hotspots, and have taken measures to seal and sanitize such high-risk zones.
- Dedicated COVID-19 quarantine sites have been set-up including hotels and railway wagons.
- 586 hospitals and 100,000 isolation beds designated exclusively for treatment and care of COVID-19 patients across the country. This number is continuously increasing with the measures being taken by the state governments and the health ministry.
- INR 1700 billion (US$24.3 billion) relief package in the form of food grains, cash transfers for the poor and vulnerable sections of the population announced to deal with the hardships caused due to the lockdown.
- INR 150 billion (US$2.14 billion) will be spent to set up isolation wards and intensive care units (ICUs), procure ventilators and personal protection equipment for medical professionals, and to train health workers to fight COVID-19.
- The finance ministry has extended several compliance deadlines under the various corporate, mercantile and taxation laws, and allowed individuals to make partial withdrawals from their provident fund accounts.
- PM-CARES fund launched to provide food and care to the poor. Donations being sought to augment resources for this fund.
- The Reserve Bank of India (RBI) has taken a number of steps to ease the stress caused by COVID-19. This includes ease in interest rates, relaxation of cash reserve ratio, and other liquidity improvement measures such as moratorium on repayment of loans by businesses and EMIs by individual borrowers.
- Aarogya Setu App has been launched by the government to disseminate information related to COVID-19 and to provide a platform for the population to reach out to the government.

Economic package by the Government

India's overall economic package was announced as □20 lakh crore (US$280 billion), 10% of India's GDP. The package, though announced on 12 May by the Prime Minister, included previous government actions, including the RBI announcements. The previous RBI announcements included around □8 lakh crore (US$110 billion) liquidity. The economic package also included the Finance Minister announcement of a package totalling □170,000 crore(US$24 billion) on 26 March. The strategy of combining fiscal and monetary, liquidity measures was defended by the government. Estimates of the size of India's fiscal stimulus as a percentage of GDP varied between 0.75% to 1.3%.The Finance Minister, for five days, between 13 and 17 May, held press conferences in which the details of the economic package was explained. The economic package consisted of a mix of reforms, infrastructure building, support to stressed businesses and a certain amount of direct cash support. The "collateral-free loans" that the package provided aimed to "resume business activity and safeguard jobs" Changes in FDI policy, privatization of the power sector, provident fund contribution and ease of doing business measures were also announced. Land reforms at the state level which were not mentioned in the economic package are also part of the overall changes.

III. Findings

- Covid -19 has been lead to Domino effect(chain reaction)the situation in which causes a series of related events and riffle effect, means that the continuing and spreading results of an event or action(macro economic effect).
- There has been a chaos on production, employment, poverty .justice and inequality
- Effects on both supply side and Demand side disruption.
- Consumption, Investment and production are badly affected.

- Amidst nationwide lockdown, the country's growth is estimated to have dipped below 5 percent for FY 2019-20.
- Around 400 million workers employed in the informal economy are at risk of falling deeper into poverty during this crisis, as per a report by International Labor Organization. According to the estimates by Centre for Monitoring Indian Economy (CMIE), unemployment has risen from 8.4 percent in the week that ended on March 22 to 23.4 percent as of the week that ended on April 5.
- Bombay Stock Exchange Sensex fell from 40,363 points on February 24 to 25,981 points on March 23; it has now recovered to 31159 as on April 9. The valuations look attractive and unless another shock rattles the market, this is a good time to start making cautious and calibrated investments.

IV. Suggestions and conclusions;

Policies are needed in the following areas.

- Structural changes are very much required for recovery.
- Supply chain resilience is needed for sustainability of the people and economies.
- Revamp supply side and demand side factors, hence supply side and Demand side operations are needed.
- MSMEs and agro based industries have given high priority, should increases opportunities
- Revise the GST rules for the purpose of the stimulating growth
- More incentives for export oriented products
- Urgent Need to address the urban slums because they are living with below poverty line
- Unconventional programmes like wage subsidies, tax relaxation, monetary and fiscal policies, diversifying the economy ,by adopting perspective plan ,digital management and tax gross and net wealth.
- Immediate and urgent steps are needed to harvest crops and secure the farmers. The government is allocating transport and other logistical support to move the crops from the fields directly to the warehouses with the help of the private sector.
- It is likely that India may run into a mild current account surplus in FY 2021 with declining oil prices. This will be a positive contributor to the macroeconomic stability of the country.
- Government needs to ensure that all the measures and stimulus packages which are doled out during the outbreak are utilized effectively. This will contribute towards minimizing the damage to the economy by reducing the impact on the fiscal deficit. Such an approach will inspire confidence in foreign investors who will, then, not hesitate to invest in the country.
- The banking and financial services sector has been in a bad shape owing to high levels of non-performing asset (NPA) accumulated over the preceding years. In the past the government has had to bail out the banks and non-banking financial companies (NBFC) in order to keep them afloat. It is likely that post-COVID-19 the banks and NBFCs will face the brunt of a surge in NPAs owing to business failures and defaults by individual borrowers due to job losses. The government will have to adopt a strategy to deal with this situation to ensure that the banking system does not collapse.
- Banks should be encouraged to support viable businesses and allow closures of the non-viable ones.
- Flexibility will have to be adopted in restructuring loan and EMI payments.
- Recapitalize viable banks and strengthen their balance sheets to make them viable and dependable. These measures were already on the cards prior to the COVID-19 outbreak.
- Government should work with banks, NBFCs, insurance companies, and large corporate for lending purposes and increasing the liquidity in the market.
- Large corporate can support the vendors in their supply chain by giving them financial support.
- Sectors directly and immediately impacted by the lockdown may face bankruptcy and closures unless the government gives relief and relaxations, allowing them to recoup their losses and recover.
- Automotive industry – As per a report by Fitch Solutions, vehicle production in India is likely to go down by a further 8.3 percent in 2020 following an estimated 13.2 percent decline in 2019. Demand will remain sluggish in medium term with postponement of purchase decision and uncertainty surrounding the demand of commercial vehicles. So, liquidity support, reduced interest rates moratorium on loans, and reduction in GST rates could be some of the measures on the cards to revive this sector quickly and generate employment. This sector may also see enhanced foreign investment particularly in auto components and parts.
- Consumer Durables – This sector is likely to pick-up sooner than automotive since consumers are likely to restart spending with smaller doses of expenditure on white and brown goods such as televisions, air conditioners, and refrigerators to name a few.
- FMCG – FMCG is already facing supply chain constraints due to the lockdown. Once things are normalized, it is expected that this sector will be the first to expand capacities. The FMCG sector could

also see an increase in foreign investment in order to take advantage of the burgeoning demand in India.

- Pharmaceuticals – Supply chain management and price control are the challenges faced by this sector. R&D is likely to receive a boost. Government may mandate minimum capacity installation for certain critical drugs.

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