

Impact of Covid 19 on Indian Economy: A Macro Level Study

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Abstract

Covid 19 has emerged as one of the dangerous pandemics in this century. It has not only damaged the human life but the overall economy and the economic activities all over the world. The root of this pandemic lies in human unwanted desires. The unexpected strikes of pandemic have affected all the socio-economic dimensions of life and the economic dimension in particular. This paper discusses the impact of covid 19 on Indian economy concerning to income, employment, output, and investment and gross domestic product. All economic variables have been affected negatively for the growth and development of economy. The global growth rate has fell down and Indian economy in particular. It has short run as well as long run impact on Indian economy concerning to all economic variables. The current and potential impacts of global health hazard have also been attempted in case of Indian economy by drawing conceptual and statistical inferences on major drivers of Indian economy.

Keywords: Covid 19, Global Recession, Gross domestic product, Growth Disruptions, Indian economy etc

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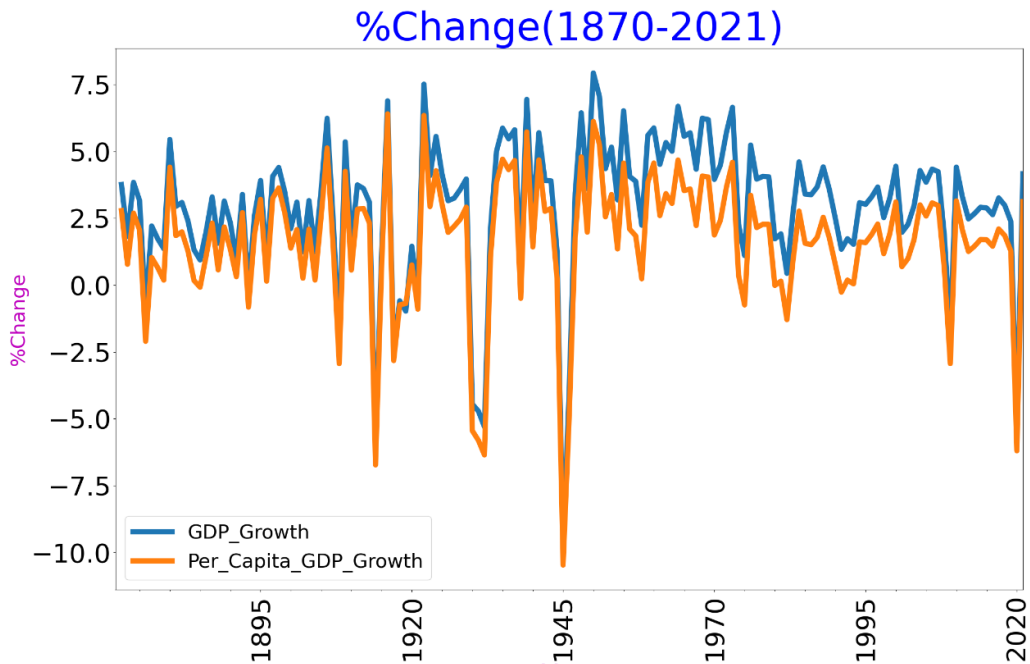
I. INTRODUCTION

Covid 19 shocked down the growth rate of global economy and adversely affected the income, employment, investment and output in most of the countries of world. It emerged as one of the dangerous pandemics in this century. It has not only damaged the human life but the overall economy and the economic activities all over the world. The root of this pandemic lies in human unwanted desires. The unexpected strikes of pandemic have affected all the socio-economic dimensions of life and the economic dimension in particular. Most of the countries felt the negative growth rate in first quarter of pandemic period. India has also affected by this pandemic due to lock down of economy for a long period. Most of the world economy locked down resulting to breaking the circular flow of commodities and money that ultimately damaged the economic system particularly the industrial and service sectors. It directly damaged the employment, investment and industrial output. Manufacturing and operation sector got shut down for a period and labour lost their employment. The health of economy has not only got down and became sick but also affected the mental peace and human physical health. Marginal propensity to consume declines due to zero income. World Bank estimated the negative growth rate of most of the countries in this period.

Scenario of Global Economic Development during Pandemic Period

The much sensational debate over Economic growth and Development that used to be page three attractions for developing nations till epoch making era of structural reforms sponsored by world monetary and financial clouts in packages of economic liberalization seems to have rejuvenated in covid ordeal era. Are we truly moving in right path of sustainable development, where prosperity of one is voluntarily causative to common good? The twentieth century has privilege to witness long trajectory of uptrend of economic growth and post liberalization periods, Asian game changer India and China too were splashing round good track records of growth rates. China has been able to capture the double digit growth scores for long period in compared India where consistency in strong growth rates has been less apparent.

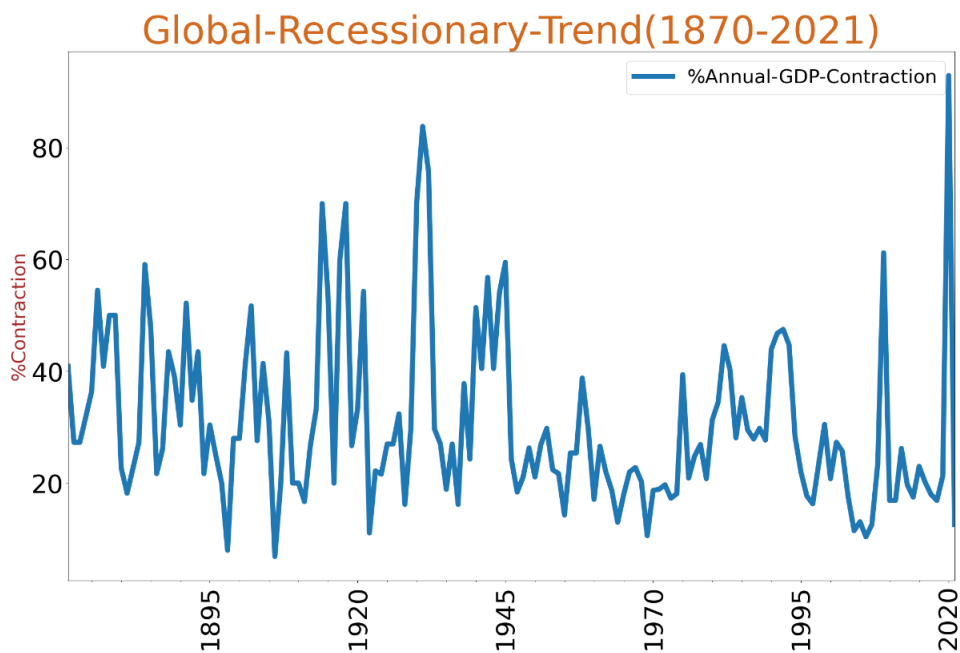
Chart 1: Global GDP and Per Capita GDP



Source: Calculated from World Bank: Report on Global Economic Prospects, Dec, 2020.

This chart shows the GDP growth rate and per capita GDP growth in global economy as per the report of World Bank. It reveals the low growth rate of global economy in 2020. Both GDP growth rate and per capita GDP growth rate have declined fast. It has not only declined but damaged more than estimation. The economy has more shocked down in all aspects like income, employment, output and trade. Mobilization of goods and services got down and for some period it got shut down. The economic variables backed below the general level and ultimately general people suffered a lot. The labour lost employment and income particularly in the unorganized sector. Most of the sectors in developing and underdeveloped countries are unorganized.

Chart 2: Annual Global Contraction: Per Capita-GDP



Source: Calculated from World Bank: Report on Global Economic Prospects, June, 2020.

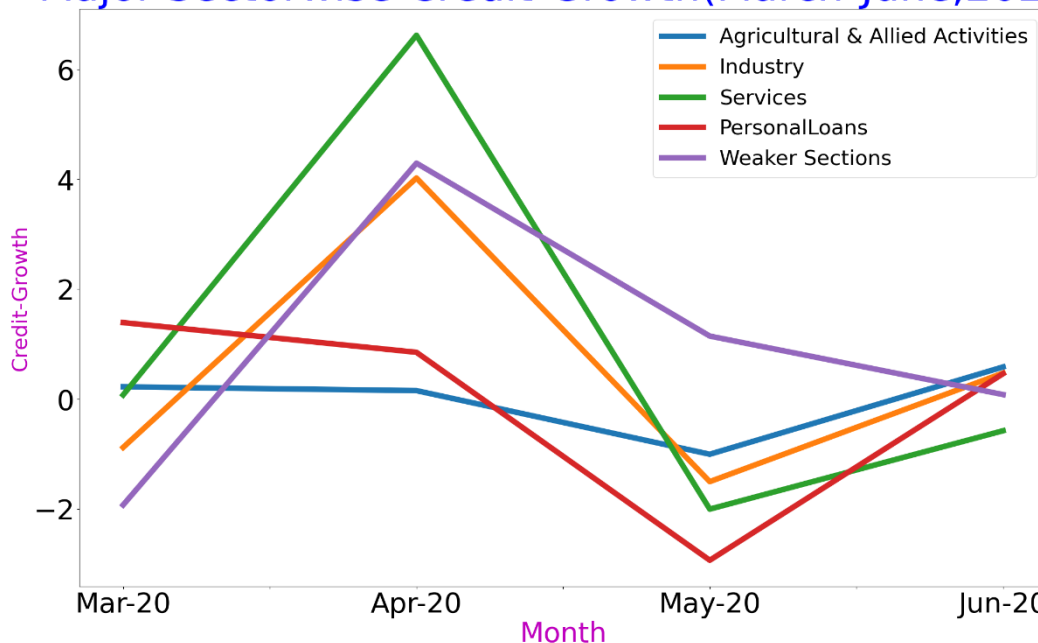
This chart reveals the annual GDP Contraction at global level which is very high. Domestic and international trade have been affected very adversely particularly in developing and backward nations. The government expenditure increased to maintain the economy but it was non planned expenditure. The fluctuation rate was high in this period in the comparison of other periods. Trade volatilize very fast and it broke the growth of economy. Domestic and foreign consumptions and demand bot declined unexpected. Even it affected the agriculture sector also but its impact in this sector was less than secondary and tertiary sectors. The chain of demand and supply broke directly and it lost to both demand and supply sectors.

Impact of Pandemic on Indian Economy

Indian economy is a fast growing economy and it has one of the largest economies in Asia after China. The growth rate of Indian economy was more than the average growth rate of global economy. Primary, secondary and tertiary sectors all were growing and all the indicators of economy were positive but unfortunately, covid 19 broke the economic activities as a shutdown of economy. The Honorable Prime Minister, Sri Narendra Modi announced the shutdown of economy revealing that health is the main wealth and physical health is valuable than all the wealth in world. The growth projection has shown flattening the growth pattern of Indian economy post 2000 supposedly year marked by golden growth era and subsequent years are manifested by slow recovery of growth numbers. The story of Indian economy during covid19 era is not much different that of rest of world but impacts of covid shocks may vary due to variations in its socio-economic fabrics. All the sectors got shutdown and only agriculture sector was working in this period. The economy witnessed the negative growth rate in first quarter in industrial and service sectors but only the agriculture sector witnessed the positive growth rate. The production, income and employment opportunities got down and heavy industrial production got down and approached to zero. Small scale industries were also affected badly. Unorganized sector got down and in developing countries most of the people work in unorganized sector.

Chart 3: Credit Deployment: Major Sectors

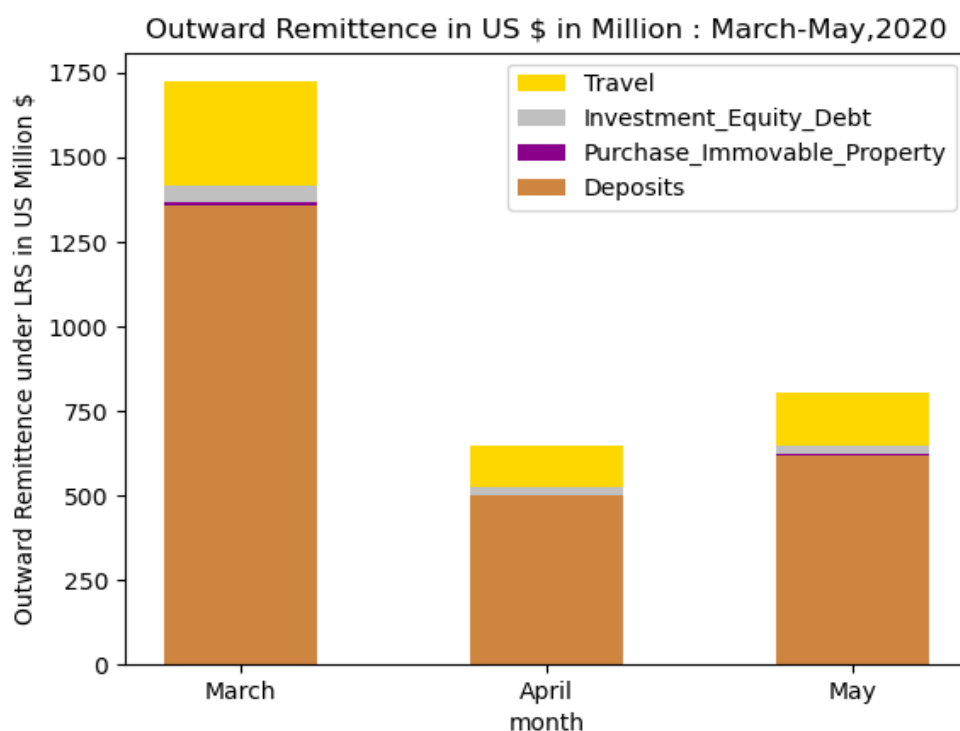
Major-Sectorwise-Credit-Growth(March-June,2020)



Source: RBI, Bulletin (2020)

Pandemic created the disturbance in economic activities in India affected the micro and micro level growth models in almost economic activities concerning to primary, secondary and tertiary sectors. It made the gap in demand and supply in all the sphere of economy. Job market, money market and capital markets all got affected. The entire pattern in economy like consumption, saving, investment, capital formation, trade, income etc had changed in pandemic period. Really, most of the people lost their jobs and their income declined and ultimately it affected consumption and saving pattern also. In short term, it affected the economic activities while in long term it will affect the sufficient fund for investment. Hotel, tourism, transport, aviation, banking, education, infrastructure all the activities got affected adversely. Finally, pandemic gave a lesson to human for

planned development. It also stated that blind development model can not sustain for a long time. Therefore, it is required to prepare the growth model adjusting with nature and we should think for sustainable development model. Outward remittance in first quarter was depicted by the diagram.



Source: RBI,Bulletin(2020)

II. CONCLUDING REMARKS

Pandemic gave a great lesson for growth model which can sustain the economy in long run. The main lesson is that we cannot ignore the nature while chalking the growth model of economy. It is required to develop the holistic model of development considering the present and future generation needs. The balance develop is economy is required in all the sectors. Moreover, regional balance is required for sustainable development. It is also required to develop the center of growth in village areas also. Planning is required for development of remote and backward areas also. In village areas, infrastructure is required to develop for homogeneous growth in the economy. Human should be in center in development model.

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