

India after the end of Covid19 lockdown

ABSTRACT

A pandemic is kind of a once in a life time low probability situation. But currently we are in this once in a life time low probability situation which is spreading rapidly. This report will talk about the effect on the India after the end of the coronavirus lockdown. This paper will identify the effects of the coronavirus of different sectors of the country. The paper is based on early April 2020 and so it assumes the effect on India after the end of lockdown.

KEY WORDS

Lockdown, coronavirus, government, progress, India

JEL CLASSIFICATION

I1, I18, I38, H12

INTRODUCTION

The pandemic is a world-shattering episode or rather we say an occurrence whose far-ranging repercussion we can only begin to imagine today. It has occurred at a time when the world was already sailing through troubled waters – slowing economies, depreciating currencies, loss of employment, and so on. For a country like India which was going through a rough time even before this pandemic. India was suffering from the decline of GDP in almost 3 decades and is a far flatter curve now. Being the second-largest populated country and a developing economy India is in great danger with this pandemic. But as we have seen so far, due to governmental control and the mass contribution of the population the situations have not been worse yet. Keeping in mind the recession crisis of 2008 in India which was recovered, but the difference was that in 2008 the businesses were running, unlike this time. India had problems before the pandemic too. The growth rate of income was heading to 4%, the credit market was broken, and a lot more.

LITERATURE REVIEW

Now due to the corona crisis, a recession phase is starting to take place in the economy. The recession is due to three types of shocks- massive supply chain

inefficiencies, dipped consumer demand, and crashing global stock markets. The problem with covid19 is that it causes all these three together. The real problem is the decrease in consumer spending and aggregate demand. The scarcity of resources to support business will amplify the corona induced shock in India. One of the worst-hit sectors is apparel and textiles, which employs over 45 million of the population. Even Agriculture which contributes to about \$265bn in India and employs about 60% of the economy is getting seriously impacted at this critical time when the crops are ready to be sold. Other sectors like Real estate, Banking, and Automobile are also affected. This has seriously impacted the common people, as the unemployment level was already at the 45-year high and now due to this pandemic it will only start to get worse. This pandemic is increasing the government tension and its pressure to make the economy stable, it is also draining out a lot of income from the Economy. Moody's slashed India's growth to 2.5% from 5.5% for 2020 and this rate may even reduce further. China, is India's largest source of import and the epicentre of this virus. This led to delay in imports in the country and it can also lead to an increase in the custom duties. This will further impact the raw material and also the supply of the intermediate goods for Indian companies.

Life is greatly affected by the situation. The lockdown situation created by the majority of the country has made the lives of common men a mess. In the case of India, there is a majority of the middle class and below middle-class groups which are greatly affected by this. The daily wage workers are the most to be affected. Due to the lockdown, they have lost their daily bread. Our government, as well as local people, are trying to help these daily workers to some extent. The salary workers are in a vicious cycle of fear that whether the country's employment will be able to sustain them or the other way. The small business people have no current income and huge spending during this crisis which leads them in a big pandemic of their own. The absence of market activity will directly and adversely impact these vulnerable people and their families. The Union and state governments have made appeals to the private sector to not lay off or cut the salaries for the workers during this time of crisis. But still, there are people who are suffering due to the salary cut or high rent payment, etc. longer this lockdown will go on more will be the suffering. At the household level, struggling families will increasingly see breadwinners lose their jobs or be forced to sell productive assets in order to survive. For the children, the longer schools remain closed, the less likely children are to catch up on learning and essential life skills that support a healthy transition to adulthood. As there are many students whose career is at risk due to this lockdown. The government is taking all measures to avoid all these crises by conducting online schooling, creating a safe platform for students to learn. The urgent securing of food supply chains and local food markets, to protect children from a food security crisis.

The virus was spread so fast to so many places because of lack of care towards the importance of health and giving more importance to our day to day life. This Covid19 is a disease which is widely spreading and which can only be stopped from spreading by a vaccine which is not yet found. But the process should be speeding up for the creation of the vaccine during the pandemic as the situation is getting worse and

worse. An organisation named Coalition for Epidemic Preparedness Innovation (CEPI), an innovative global partnership between public and private organizations have done a remarkable job in the past and is trying its best to do the same. But the situations are not looking good. The lock down is creating a delay in the process as some supplies that could be imported easily and used are now not available easily. It is predicted that the vaccine will be possible available in the earlier 2021. But even after the creation of the vaccine the problem did not end. After the vaccine is made for novel platform technologies, large-scale manufacturing can pose a significant financial risk as these facilities necessitate huge investments. It is even possible that the high-income countries make the vaccine for their population and effect the demand supply and still risk the life of many. The supply of the vaccine is also a bit of a task considering the social distancing and the lockdown. Keeping In view the effect of the virus to the global economy it worth noticing that there is need to invest in the vaccine industry and keep a check to even the neglecting diseases which can affect human life and the global economy indirectly.

Looking at the effect the virus did in China it is seen that India is doing much better till now. But it is well understood that the effect of this disease in India will be at peak. But precautions can be made on the bases of China. Our estimate shows that the mortality rate in India is predicted to be around 2.39%, it may differ in different state. This is the data analysed by the WHO for march 3 2020.

This pandemic will change the political and economic power in ways that will become apparent only later, just like this disease have shattered the lives of people and caused a dispute in market. This pandemic and its preceding lock down will lead the government to reinforce nationalism.

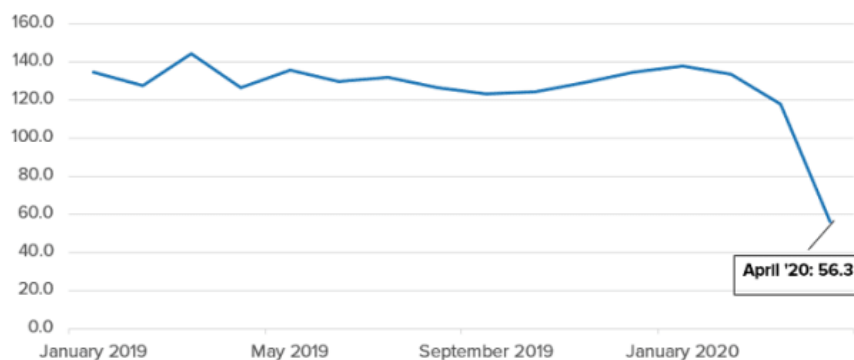
This lock down has already affected sectors like trade, hotel, transportation and communication. This has led to a fell in huge fiscal policy. This effect will stay for a long time and it would not be very easy to cope up from it as the loss is huge. All small as well as the large- scale companies are affected from it. Retaining customers after the upliftment of the lockdown would be not easy for the small-scale companies. It will be a challenge for business to keep their financial wheel running during the complete lock down. The worst affected are the small-scale business or the new start-ups. Both were already struggling with the income inflow. During this time the business need to make extra efforts to sustain their financial stability as even after the uplift of the lockdown the customers are not ready to come out and the demand will still be very low. Even the employer is affected by the lockdown. Many workers have gone back to their home town as the employment opportunity in the cities have shut down. Now in order to lure these workers back the employee have to give a big offer. There is a disbalance between both. Many local automobile companies claim that there will be a labour shortage in their workforce due to the movement of workers to their hometown and they are afraid to come back for work in cities as there is no production of jewellery or gold will also deal with the shortage of workers. Almost all the sectors will face the same situation. Even with the end of lockdown the suffering of the even the migrant workers will not vanish.

The trade of the country is also affected due to the lockdown. The trade has reduced drastically in march and April. This pandemic seems to hit the trade just like the global crisis of 2008 09. During this global trade crisis of 2008 09 the trade contract was quite sharp but it was short and the global numbers remain negative only for a year or so. Even after the uplift of the lock down the trade is not assumed to start pace rapidly. The only two items were majorly exported during the lockdown which were iron and the pharmaceuticals and for the import there was about zero import in India during the lockdown. China is one of the major trade partners and by being the epicentre of the virus it has impacted the trade even after the end of corona pandemic. But on a brighter side India is also benefited by the coronavirus with respect to trade. As china being the epicentre of the virus, many world economies are considering shifting their trade and investment form china to other countries. India being a fast-developing country have a good chance to grasp those investment and trade for their benefit. As China is the largest supply for raw and intermediate material the work forms the country can be withdrawn by many countries, this can be an opportunity for India to take those exports and lift the economy back. As said by many economist India will be one of the top exporters in coming times i.e. after the end of coronavirus. But as the world trade organisation has said that the trade is willing to reduce from 32% to 13% directly which will affect the whole world badly but their recovery can also be speedy.

In these worst times there seem no hope for even the tourist or the hospitality industry. These industries are affected badly due to the lockdown. Many people have lost their daily wage as the tourist were the only way to earn for them. Even the big or medium business in this industry will be either bankrupt or shut down as they would lack the amount of capital to be needed to restart the company. Even after the uplift of the lock down many people would be afraid to start travelling again because the virus is still in the air. This industry will take a bit longer time than another to be back to normal. The travelling business has started to decline even before the lockdown started and so it is said that it will remain low even after the lock down is lifted.

Index of Industrial Production

Data showed a sharp contraction in industrial output in April as most of the industrial sector remained shut due to the national lockdown

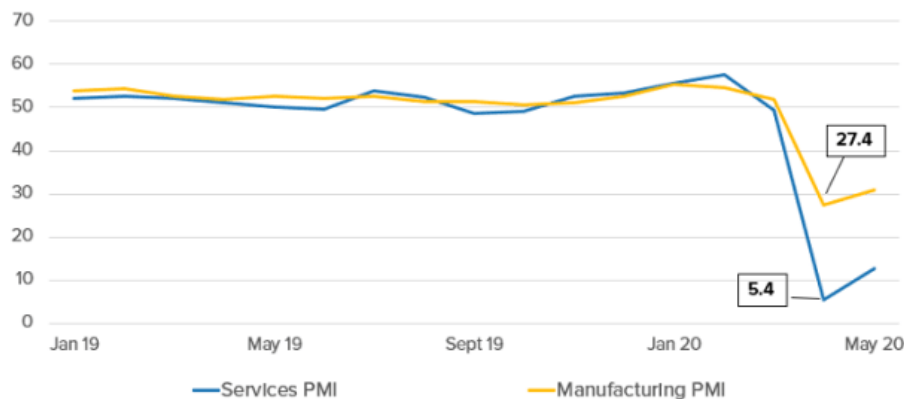


Source: National Statistics Office, Government of India



India's manufacturing and services sectors

The service's sector recorded its largest month on month contraction ever in business activity and new orders in April due to lockdown restrictions



Source: IHS/Markit monthly data



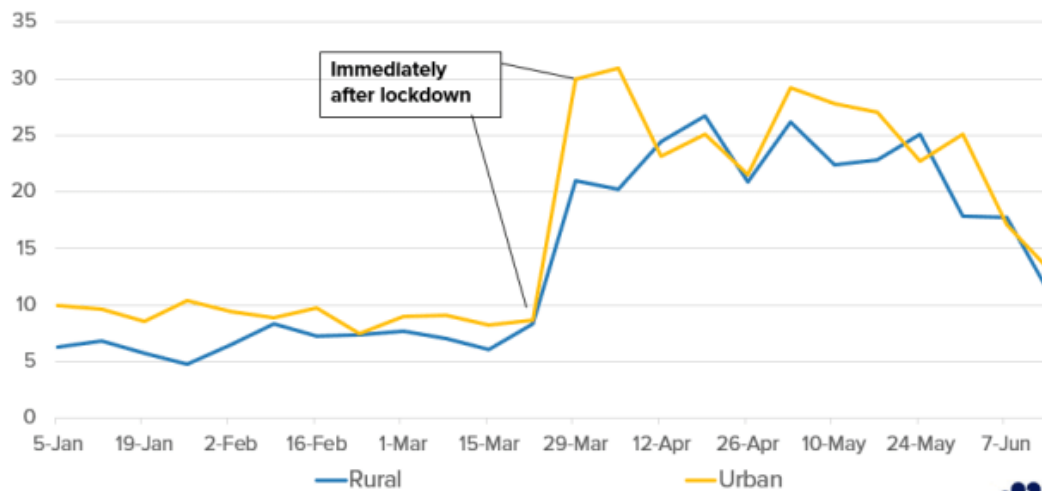
A large number of migrant families have moved from the area where they were working due to the lock down as work is no longer a source for their daily bread till the lock down continues. Under such conditions nutritional insecurity is likely to arise in cities as well as in villages. Nutritional insecurity is known to have negative health impacts in the long run of the agriculture sector. The government as well as the NGOs in the rural area are extending their services to all the people. The daily wagers earn their daily bread from the hard work on a day-to-day basis but in this condition, there is no employment for them and hence they are totally dependent on the government or other help for their survival. Another problem is that even after the lockdown will there be enough jobs for these people. The government should increase the employment so that the labour class can work after the lockdown and they can be back in their routine as it is very necessary for the labour class to get work and earn money for their and their family's survival. The migrants who have gone to their villages in search of shelter and food are the neediest in this lockdown situation, as there is no transport available for them to reach their hometown. Many of these workers have decided to go on foot. That is not only unsafe for them because of the coronavirus but it is also unsafe for them and their family's physical health as many migrant workers live about two hundred or even thousand kilometres away. Help is provided to them by the local people from where these workers are crossing in order to reach their hometown. Covid-19 has disturbed all the economic class. As there is a decrease in the number of jobs, the government has to manage and distribute jobs to the migrant and needed people after the upliftment of the lockdown. All the labour class are going through a very difficult time.

Even the unemployment in India has seen a sharp fall. With the end of lockdown the unemployment will be one of the major problems for the economy and the government. The unemployment will prevail in all the sectors. Companies are starting to lay off people as they are not able to pay the salary due to the demand fall or they are asking the workers to work at low wage or even for free of cost. According to

studies the unemployment will retain for about six months even after the lock down but then it will slowly start to decline. It is also said that for India even the creation of new jobs or getting back the old jobs will be sooner than expected and that will happen due to the psychological factor of the consumer i.e. after the lock down is over many would want to spend more and travel etc and that can led to increase in demand and hence lead to more job creation.

Rural and urban unemployment

Unemployment rate saw an immediate spike after India imposed the lockdown in late-March but data showed an improvement since early May.



Source: Centre for Monitoring Indian Economy



COMPARING THE LOCKDOWN SITUATION

The rules for the Lock down differ from country to country. The restriction but by the Indian government are very different from that of the USA. Like for example in USA the non-essential travels between Mexico and USA were closed, the schools were shut but the restaurants were still open. The National Lockdown was enforced by India but in USA it was first in some parts of the country and latter it spread to certain sectors of the economy. Even in some regions of USA government allow the bars, restaurants and business to continue operating. The lockdown in India was at the very start which helped India to prepare for the next phase unlike USA where as the virus started to spread it start in the masses. In India the lockdown was strictly followed and the government was active in responding the public unlike in United States where there were neither any strict rules for lockdown nor any precautions were taken while stepping out. Even the government of united states was not really active in responding to the public or asking them to follow the rules. The major step back of the US government was that at this pandemic situation the necessary items were not available in the market, the shops were empty for over a week. Unlike India were even in a very

rigid Lockdown our government made sure to provide the basic necessary to everyone as soon as possible.

RECOVERY

Now as the question come from how are we going to recover from this situation, there the answered are given by many economists. There are three types of recovery from this economic crisis that is the U shape, the V shape and the L shape. Now the IMF has predicted that this pandemic will lead to a L shape recovery of the world economy. It says that it is the worst recession after the great depression of 1930s. the L shape scenario says that once the economics reach the downfall the it will stay in the negative for many years, at the time of the great depression it stayed for over a decade. And if the case be true that India being a developing economy will be affected badly in all the aspects of economy. But other economics says that the economy will recover in a U shape pattern that is after some time in the downfall it will ultimately recover from the losses and will be back in the competition to reach the hights. And as for India it will be again on the track and will start to develop on a better speed than before.

As factories and shops will start to reopen, it seems to be over the initial supply-side shock caused by the lockdown. But Domestic demand will be slow to gain traction due to psychological scars, bankruptcies, and job losses, as shown in a survey conducted by a Beijing financial firm, China. Relax taxes, immediately start releasing funds, bailout packages for Bancorp sectors, rearrange supply chains etc are some of the measures that can be taken up by the government to fight this recession period. This lockdown will lead to a huge shift in the economic and the political power. This shift will only appear later. The whole world economy had created an interconnected financial system that seemed efficient and was perhaps good at absorbing small shocks, but it was systemically fragile. If not for massive government bailouts, the system would have already collapsed. The government's help and constant communication with the public has led to a low panic situation in our country. The government should attract more foreign work towards our economy to improve the impact after the end of the lock down.

GOVERNMENT STEPS

The Indian government is already doing the best they can to help the population economically. There is a need to take some steps by the government to protect the most vulnerable from the coronavirus, like the once with prior conditions or without insurance. The government could consider depositing cash on a monthly basis for the foreseeable future. Targeted aid can be given to the weaker section of the society. The central bank should be ready to provide ample liquidity to the bank and non-bank sectors, especially to the ones who are lending to the small and medium scale entrepreneurs. The government can use this opportunity to work closely with the Reserve Bank of India (RBI) to ensure that the necessary fiscal stimulus is supported by the further loosening of monetary policy. A lot has already been done by the RBI

and the Government but more is to be needed. The monetary policy has already been applied as the RBI has already lowered the interest rate and increased the money supply. And now the Fiscal policy is to come in more action in which the government cuts the taxes or increases the spending, which it has started too. The economy really needs are the fiscal measures to save the companies and banks from bankruptcy. The most promising option is a short-time work allowance, it is a tested measure by Germany to reduce its unemployment. Better yet, it costs hardly anything, because it prevents the losses that would follow from increasing the real unemployment.

CONCLUSION

The lockdown situation is a boom in the whole world economy but as many economists have said that, the Indian economy could be better than others as it is less dependent on export that means it won't suffer globalization which is put on reverse gear and new trade barriers will be imposed. To add a silver lining in the pandemic, with global economies expected to adopt de-risking strategies, they might shift their manufacturing bases outside China, thus creating exciting opportunities for India. Many economies are expecting a V-shape economy where a sharp decline will lead to a sharp growth. Which could be expected in India too. There could be a prolonged decline even after lifting the lockdown as the masses relive with uncertainty will be reluctant to spend money. Even after considering the blurry future, the United Nations Conference on Trade and Development says that "India might be one of the two major economies least exposed to a global recession." Even the analysts believe that "India's economic recovery will be smoother and faster than that of many other advanced countries."

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