

“The Economic Impact of COVID-19”

Yash Soni¹ and Prof Abhishek Venkateshwar²

¹BBA Student-Jain (deemed to be) University-Center for Management Studies, Bangalore

²Course Facilitator-Jain (deemed to be) University-Center for Management Studies, Bangalore

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ABSTRACT: Purpose: Research in the field of Indian Economy have become a dynamic study area over the past few decades and is likely to become even more so as the importance of Indian Economy is rapidly gaining momentum. Covid 19 is a pandemic that has shaken the entire world. Covid 19 over the last few months has started playing an important role in the Indian economy. This article aims at examining “The Economic Impact of Covid 19”.

Keywords: Impact, Economy, Covid 19

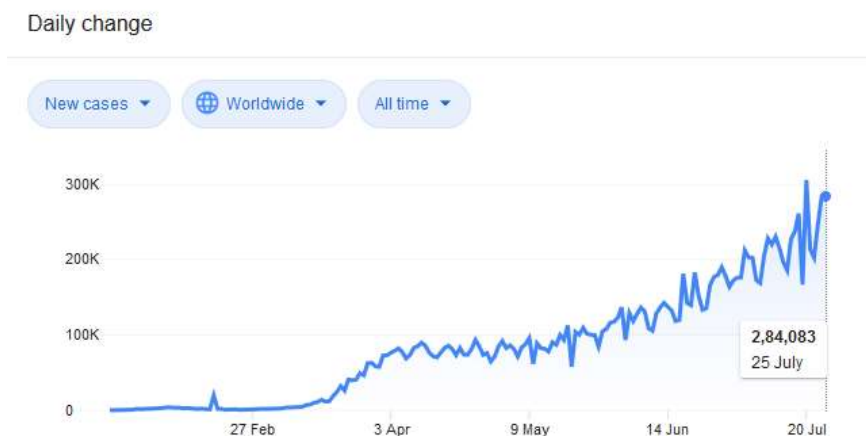
The world has witnessed several epidemics such as the bubonic plague, the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. All of these individually have been pretty severe episodes. However, the Covid-19 which originated in China in December 2019 and over the next few months rapidly spread to almost all countries of the world can potentially turn out to be the biggest health crisis in our history. Many experts have already called this a Black Swan event for the global economy.

I. INTRODUCTION

At the time of writing, the covid-19 statistics are as follows –

	CONFIRMED	RECOVERED	DEATHS
INDIA	1.39M	886K	32,063
WORLDWIDE	16.1M	9.27M	645K

Increase in the number of new cases (as on 25th July) -



The main reasons for the increasing pandemic threat in the 21st century are: a rapidly growing and mobile world population; urbanization trends and the concentration of people; industrialized food production in global value chains; increased consumption of higher-order

foods including meat; and, the development of global transport networks acting as vectors in the spread of pathogens. Disease outbreaks such as SARS, Ebola, Marburg, hantavirus, Zika and avian influenza are all outcomes of anthropogenic impacts on ecosystems and biodiversity.

The world has experienced a number of major epidemics/pandemics in the last 40 years, yet none had similar implications for the global economy as the COVID-19 pandemic. COVID-19 is not as contagious as measles and not as likely to kill an infected person as Ebola, but people can start shedding the virus several days in advance of symptoms.

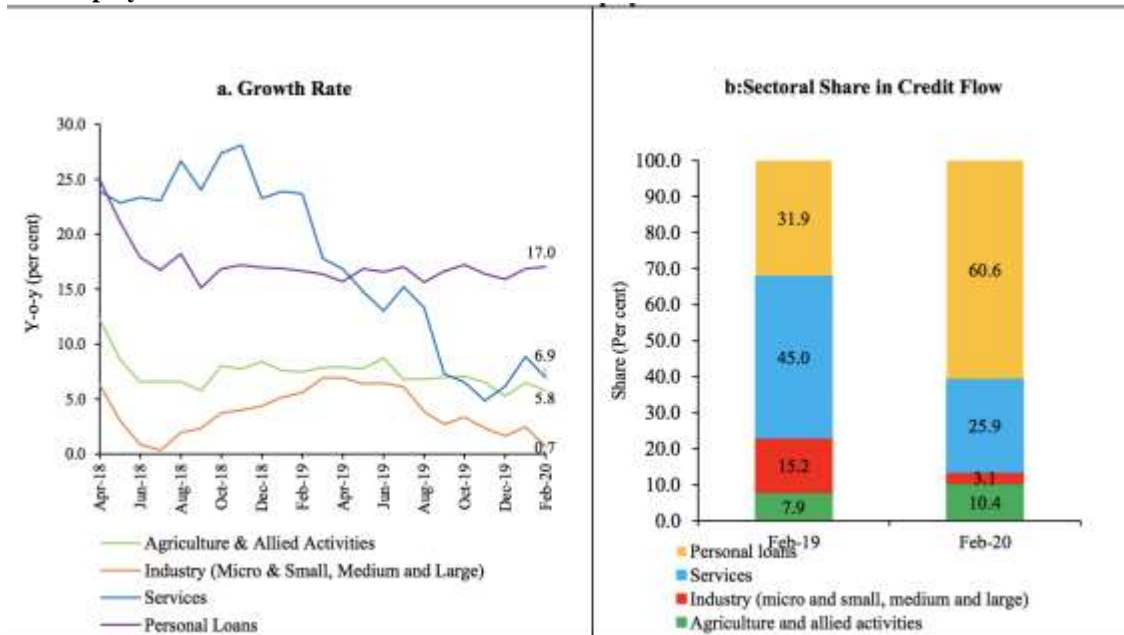
ECONOMIC IMPACT

This crisis comes at a time when India's GDP growth was already slowing down, and unemployment was on the rise owing to poor economic performance over the last several years. The precarious situation that the economy was in before getting hit by this shock will potentially worsen the effect of the shock. This is especially

because the financial sector which is the brain of the economy has not been functioning properly and the macroeconomic policy space to respond to such a crisis is severely limited.

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. The disruption of demand and supply forces are likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially demand for non-essential goods and services. Three major components of aggregate demand- consumption, investment, and exports are likely to stay subdued for a prolonged period of time.

Sectoral deployment of credit –



Credit growth declined sharply despite the RBI lowering the policy repo rate by 135 basis points to 5.15% in 2019. This was the lowest policy rate in nearly a decade. While part of the fall in commercial credit growth may have been due to

lack of demand given the balance sheet crisis in the private corporate sector, anecdotal evidence suggests that reluctance in banks to extend credit has also been a big factor.

Key Fiscal Indicators – Central Government Finances

Indicator	Per cent to GDP		
	2019-20 (BE)	2019-20 (RE)	2020-21 (BE)
1. Revenue Receipts	9.3	9.1	9.0
<i>a. Tax Revenue (Net)</i>	7.8	7.4	7.3
<i>b. Non-Tax Revenue</i>	1.5	1.7	1.7
2. Non-Debt Capital Receipts	0.6	0.4	1.0
3. Revenue Expenditure	11.6	11.5	11.7
4. Capital Expenditure	1.6	1.7	1.8
5. Total Expenditure	13.2	13.2	13.5
6. Gross Fiscal Deficit	3.3	3.8	3.5
7. Revenue Deficit	2.3	2.4	2.7
8. Primary Deficit	0.2	0.7	0.4

Monetary policy transmission in India has been weak owing to structural deficiencies such as illiquid bond market, large sections of the population left out of the formal financial system etc. In addition, an impaired banking system and lackluster investment demand from the private corporate sector, will further hamper the transmission of a policy rate cut to aggregate demand and hence growth.

II. OVERVIEW

In any kind of national or international crisis, it is always the poor and underprivileged that suffers the most. Their issues get neglected by the rest of the people or from the authorities, which results in starvation, health and livelihood deterioration and even deaths due to starvation or famine. As many developing countries have quite a lot to do for the people near or below the poverty line before the COVID-19 pandemic, special guidelines for future lockdown and national emergency should be designed to ensure it addresses the essential needs of the underprivileged.

At the time of writing this paper, the probability of any of these scenarios and the range of plausible alternatives are highly uncertain. In the case where COVID-19 develops into a global pandemic, our results suggest that the cost can escalate quickly. There needs to be vastly more investment in public health and development in the richest but also, and especially, in the poorest countries.

III. LITERATURE REVIEW

Charles Wyplosz is Emeritus Professor of International Economics at the Graduate Institute, Geneva, where he was Director of the International

Centre for Money and Banking Studies. He is a CEPR Research Fellow and has served as Director of the International Macroeconomics Programme at CEPR. He has studied the macro-economic changes the pandemic has led to and has demonstrated the scale of costs that might be avoided by greater investment in public health systems in all economies but particularly in less developed economies where health care systems are less developed and population density is high.

S. Mahendra Dev and Rajeswari Sengupta in their document have shown the impact of covid on the demand and supply chain and the fiscal policies that are being implemented in order to counter the economic downturn.

Jaspreet Singh and Jagandeep Singh give an insight into the psychological and health impact that the pandemic has had on the society and the various measures we can take to overcome them. Mohamed Buheji, Katiane da Costa Cunha and team in their paper titled The Extent of COVID-19 Pandemic Socio-Economic Impact on Global Poverty - A Global Integrative Multidisciplinary Review have found the socio-economic crisis that the under-privileged societies are facing and give an integrated review of the pandemic's impact on various sectors on a global scale.

Simon Wren-Lewis is a Professor at Oxford University and a Fellow of Merton College. He has published papers on macroeconomics in a wide range of academic journals including the Economic Journal, European Economic Review, and American Economic Review. He has shown the economic impact caused due to a decline in global trade and tourism.

Observation

On completing an extensive secondary research and literature review, the following conclusions can be made.

- There is a direct relationship between the Indian Economy and Covid 19.
- Covid 19 has a negative impact on the Indian Economy.

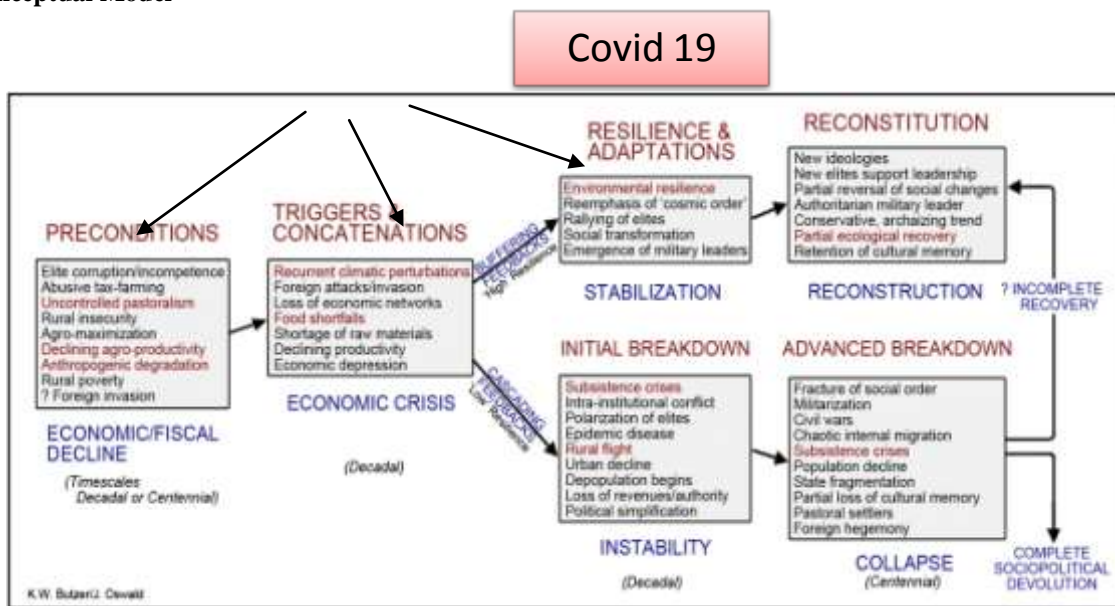
Research Gap

- Research has been conducted extensively on Indian Economy, however there is hardly any

research that focusses on the relationship between Covid 19 and the Economy. This research shows how Covid 19 in general has negatively affected the Economy.

- The data is based on secondary information which is available on the internet. As this research paper is written at the very early stage of the problem, it is quite possible that the data might have contradictions and there may be a dearth of the data, research and much information related to the research topic.

Conceptual Model



The Conceptual Model explains the possible costs that can be avoided through global cooperative investment in public health in all countries. We have known this critical policy intervention for decades, yet politicians continue to ignore the scientific evidence on the role of public health in improving the quality of life and as a driver of economic growth.

The goal is not to be definitive about the virus outbreak, but rather to provide information about a range of possible economic costs of the disease.

IV. CONCLUSION

On doing an extensive Secondary Research and Literature Review about the relationship between Indian Economy and Pandemic, it has been concluded that primary research on 10 Economists will be conducted as a next step in order to test the correlation between Covid-19 and the Economy.

The implication of this study is that it sets the basis for future guidelines that would address the socio-economic needs of the under-privileged during future global or national emergencies or pandemics. A range of policy responses will be required both in the short term as well as in the coming years in order to counter the financial downturn. This study indicates the possible costs that can be avoided through global cooperative investment in public health in all countries. We have known this critical policy intervention for decades, yet politicians continue to ignore the scientific evidence on the role of public health in improving the quality of life and as a driver of economic growth.

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