

The Economic Impact of the Covid-19 Outbreak: Opportunity for India to Become Self-Reliant

Jayavantha Nayak

Abstract: The Covid-19 pandemic has been a major disruption in the international system and India has not been an exception to its adverse impact. India has so far managed to keep a relatively flatter infection curve in its battle against the pandemic. When compared to other countries, it does appear to have a better chance of pulling off with lesser collateral damage, at least for the time being. However, several factors are already playing in, or might play out, during the course of these events, and these might prove to be favourable for India to become a major trade and commerce player in the world. Government experts maintain that the Indian economy will come back to pre-Covid levels by the next financial year (2021-22) as it is recovering faster than expected. There is an urgent need to form a combination of monetary, fiscal, and financial market measures to help businesses and the common public to cope with this spread of virus and crisis environment. For framing appropriate action plans and policy, it is significant to know the specific issues that businesses and the public, in general, are facing recently. The government and the Reserve Bank of India have come out with a fiscal stimulus and a number of relief measures to protect the economy from the adverse impact of the ongoing Covid-19 crisis. Now these entail a large number of announcements that will directly or indirectly benefit the common people. The post-Covid scenario is both a challenge as well as an opportunity for India. With India's strong macro-economic fundamentals, favourable demographic dividend, improved ease of doing business (EoDB), and availability of resources for ramping up manufacturing capacities, the country can position itself as an attractive investment destination for investors across the globe. This would require the government, local bodies and the industry to leverage this opportunity optimally. The governments should, hence, prepare plans to manage the current outbreak as well as future disasters, if any, to ensure minimum disruption to the business ecosystem. The planning may include capacity building of human resource, current adoption as well as switchover to

use of technology, preparing standard operating procedures and creating reserves/ funds for such situations. A prosperous India can only happen when every Indian, that is, a population of 138 crores, becomes self-sufficient. India, along with the rest of the world, is embroiled in the Corona virus crisis. Regardless of this, all citizens can work to take the country to a different level by using their capabilities in a safe manner. The plan will cover all the sectors that have contributed to the development of the country so far and will continue to do so in the future. By taking advantage of this scheme, all Indian citizens can become financial support for their families. All the beneficiaries under this scheme will be eligible for financial assistance. The biggest financial help will be given to them by the central government. There is no doubt that India will become self-reliant, but this crisis must be seen as an opportunity. The Central government of India will come to the aid of every single person, only that person must be overwhelmed with the determination to become self-reliant. In this context, an attempt has made in this study to discuss economic impact of Covid-19 on Indian economy and the need for self-reliant India.

Key Words: Covid-19 pandemic, Economic impact, Aatm Nirbhar Bharat, Preparedness.

Introduction

The Covid-19 pandemic is created chaos on the world economy. The global economic outlook was already fragile prior to the outbreak of the Corona virus crisis in India. Initially, when the outbreak emerged in China, it was thought that the negative impact on the global economy would be small —mainly limited to the output contraction in China and its knock-on effect on global supply chains, tourism, and commodity markets. However, with the rapid spread of Covid-19 across the world and the resultant imposition of containment measures and restrictions, all countries are experiencing severe supply and demand shocks that are independent of their links to global supply networks. In every country, the containment measures have adversely impacted all sectors of the economy to varying degrees. Production has declined, investment plans are being shelved, consumer spending has fallen sharply, and job losses have surged. Financial market

sentiment has deteriorated, foreign direct investment inflows are dropping, and emerging market countries are experiencing large capital outflows. India faces a huge decline in government revenues and growth of the income for at least two quarters as the Corona virus hits economic activity of the country as a whole. A fall in investor sentiment impacts privatization plans, government and industry. The Covid-19 pandemic has been a major disruption in the international system and India has not been an exception to its adverse impact. In this context, an attempt has been made in this paper to analyze the economic impact of Covid-19 outbreak on Indian economy.

The Study

The study examines the condition and impact of Covid-19 in India's different sectors. One of the key objectives of the study is to understand and analyze various factors that cause the downfall of Indian economy. The specific objectives of the study are discussed below:

1. To study the challenges and impact of Covid-19 on the economy of India.
2. To underline policy changes to reduce uncertainty and improve growth prospects in the midst of an economic slowdown in India.
3. Examine the all over impacts of lockdown and its factors in all sectors.
4. To study the history of epidemic in India with a general view.
5. Present an overview regarding Government measures 'Atma Nirbhar Bharat' to control Covid-19.

ANAROCK Research, 2020 examines the impact of Covid-19 on the Indian real estate sector. It brings out the fact that the sector was on a growth trajectory since the last few years and was likely to emerge stronger than before; the current Corona virus lockdown has surely put brakes on its growth momentum. The report analyses the impact on market size and gross domestic product (GDP), employment and foreign direct investment in Indian real estate market. In addition, the report also discusses the impact of Covid-19 on the Indian commercial office sector and Indian residential retail sector. It points out that shrinking Indian economic growth along with a sharp reaction

by global economies to the ongoing pandemic will certainly impact the Indian office segment and bring the residential real estate business to a standstill. The report also highlights a dip in consumer spending, new mall completion delays, leasing activity slowdown, rise in vacancies and overlooking of business models in the coming few months as key challenges in the coming months. Finally, the report stated that in order to beat any crisis, all industries must renovate and rectify their inherent flaws.

Ozili P. and Thankom A. (2020) had analyzed the spillovers of Covid-19 on the global economy. The paper tries to highlight the impact of Corona virus on different sectors of the economy like travel industry, hospitality, sports, oil price war among countries, import dependent countries, financial sector, health sector, education sector, event industry and entertainment industry. It has also discussed some fast policy responses introduced by policy makers in various countries to avoid the harsh impact of the disease spreading virus across the globe. The paper emphasizes the recession faced by most countries and the trade off between saving lives and saving the economy encountered by almost all the countries.

S. Mahindra Dev and Rajeshwari Sengupta (2020) had highlighted the impact of Corona virus on the overall economy by comparing the situations before the crisis and after the crisis. This paper especially talked about Informal Sector, Banking Sector, MSMEs, Financial markets and Limited policy space. The Government announced various policies to handle the situation of crisis and how these policies are successful and implemented in the real world is also the main component of the paper. It has discussed how the country lockdown has brought all economic activities to an abrupt halt and in turn will have further spill over effects on investment, employment, income and consumption, pulling down the aggregate growth of the economy. At the end, it has discussed the measures that the Reserve Bank of India, State and Central Government could adopt to improve the economic situations simultaneously controlling this virus.

In a recent paper (Chudik et al. 2020), we depart from single-country analyses and develop a multi-country econometric model that

is augmented with global volatility threshold variables. These are intended to capture the effects of rare events such as Covid-19, and account for spillovers and interconnections of countries and markets. We first document that excessive global volatility can affect output growth in many advanced economies and several emerging markets. The novelty of our work compared to the standard threshold-regression models is that non-linearity is triggered by a measure of global uncertainty rather than country-specific shocks or volatility episodes.

A rapidly growing body of research investigates the heterogeneous, non-linear, and uncertain macroeconomic effects of Covid-19 across countries, sectors in individual countries, as well as on a global scale. Pagano et al. (2020) and Capelle-Blancard and Desroziers (2020) consider the effects of the pandemic on the US stock market and highlight its differential impact on various sectors of the economy. Ludvigson et al. (2020) quantify the macroeconomic impact of Covid-19 in the US using a VAR framework and a gauge of the magnitude of the Covid-19 shock in relation to past costly disasters. Baqaee and Farhi (2020) consider possible non-linearities in response to the pandemic in a multi-sectoral model. They demonstrate how these shocks are amplified or mitigated by nonlinearities, and quantify their effects using disaggregated data from the US. McKibbin and Fernando (2020) explore the global macroeconomic effects of alternative scenarios of how Covid-19 might evolve in the year ahead, highlighting the role of spillovers. Our framework embeds the salient features of these quantitative analyses.

History of Epidemics

Intermittent outbreaks of infectious diseases have had profound and lasting effects on societies throughout history. Those events have powerfully shaped the economic, political, and social aspects of human civilization, with their effects often lasting for centuries. Epidemic outbreaks have defined some of the basic tenets of modern medicine, pushing the scientific community to develop principles of epidemiology, prevention, immunization, and antimicrobial treatments. In the realm of infectious diseases, a pandemic is the worst case scenario. When an epidemic spreads beyond a country's

borders, that's when the disease officially becomes a pandemic. Communicable diseases existed during humankind's hunter-gatherer days, but the shift to agrarian life 10,000 years ago created communities that made epidemics more possible. Malaria, tuberculosis, leprosy, influenza, smallpox and others first appeared during this period.

The more civilized humans became, building cities and forging trade routes to connect with other cities, and waging wars with them, the more likely pandemics became. See a timeline below of pandemics that, in ravaging human populations, changed history. Experts warn a global pandemic will halt humanity as we know it in the next 20 to 30 years. Past epidemics may offer some insight into what the future holds. Here's a look back at some of them.

430 B.C: Smallpox is caused by the variola virus, which spreads through skin-to-skin contact or contact with bodily fluids. In 430 B.C., smallpox killed more than 30,000 people in Athens, Greece, reducing the city's population by at least 20 percent.

541 A.D: The Plague of Justinian, which began in 541 and continued on and off for nearly 200 years, killed 50 million people in the Middle East, Asia and the Mediterranean basin, according to some estimates. The plague is caused by bacteria that are spread by rats that were bitten by infected fleas.

1334: What's known as the Great Plague of London actually started in China in 1334 and spread along trade routes, wiping out entire towns. Florence, Italy, lost a third of its 90,000 residents in the first six months. Overall, Europe lost 25 million people.

1519: There were approximately 25 million people living in what is now called Mexico when Hernando Cortes arrived in 1519. A smallpox epidemic killed between 5 and 8 million of the native population in the following two years. Over the next century, less than 2 million would survive this and other communicable diseases brought by European explorers.

1633: Smallpox reached Massachusetts in 1633, brought by settlers from France, Great Britain and the Netherlands. It quickly spread to the Native American population, which had up until

now been free of this communicable disease. It's unclear how many were killed by smallpox, though historians estimate some 20 million may have died after the Europeans landed.

1793: Philadelphia was struck with a yellow fever epidemic in 1793 that killed a 10th of the city's 45,000-person population.

1860: The Modern Plague began in the 1860s and killed more than 12 million people in China, India and Hong Kong. It wasn't until the 1890s that people figured out how the bacterial infection was being spread and a vaccine was created.

1901: A smallpox epidemic in Boston infected 1,500 people in 1901. There were 270 reported deaths.

1910: The largest plague outbreak in the 20th century occurred in Manchuria between 1910 and 1911. Approximately 60,000 people died. The plague still occasionally causes smaller outbreaks in parts of sub-Saharan Africa.

1918: The great flu pandemic of 1918 and 1919 is estimated to have killed between 30 million and 50 million people worldwide. Among them were 675,000 Americans.

1952: Polio peaked in the US. Nearly 60,000 children were infected and more than 3,000 died. Three years later vaccination began to prevent the communicable disease.

1984: In 1984, scientists identified the human immunodeficiency virus, or HIV, as the cause of AIDS. That same year the deadly disease killed more than 5,500 people in the United States. Today more than 35 million people around the world are living with an HIV infection. More than 25 million people have died of AIDS since the first cases were reported.

2003: Severe Acute Respiratory Syndrome, better known as SARS, was first identified in 2003 in China, though the first case is believed to have occurred in November 2002. By July more than 8,000 cases and 774 deaths had been reported.

2009: The global H1N1 flu pandemic may have killed as many as 575,000 people, though only 18,500 deaths were confirmed. The H1N1 virus is a type of swine flu, which is a respiratory disease of pigs caused by the type A influenza virus.

2010: An epidemic of cholera killed at least 10,000 people in Haiti in 2010 following a deadly earthquake that paralyzed the nation. The United Nations would later apologize for initially denying claims that Nepalese peace keepers brought the deadly disease to the country following the earthquake.

2012: In 2012, approximately 122,000 people worldwide died from the measles, a highly contagious disease caused by a virus. Typhoid fever kills around 216,000 people a year. Tuberculosis, an infectious bacterial disease, killed an estimated 1.3 million in 2012. These are some of the infectious diseases that most concern health officials today.

2014: The 2014 epidemic of Ebola hemorrhagic fever in West Africa was the largest Ebola outbreak on record. The virus killed more than 11,300 people before it was declared over in 2016.

2016: The World Health Organization declared a public health emergency of international concern over Zika virus predicting 3 to 4 million would be infected within a year as it was "spreading explosively" throughout the Americas. Zika is the first mosquito-borne disease to cause a birth defect. The devastating birth defect is microcephaly. The virus is also associated with miscarriage, stillbirth and other neurological deficits. While not deadly in the way other epidemics are, there is a big impact on future generations when fewer children are born because parents are afraid of the virus.

2020: On 30 January 2020, the Director-General of the World Health Organization (WHO) declared the outbreak of Covid-19 to be a Public Health Emergency of International Concern and issued a set of temporary recommendations. Corona virus disease 2019 (Covid-19) is a contagious disease caused by severe acute respiratory syndrome Corona virus 2 (SARS-CoV-2). The first case was identified in Wuhan, China, in December 2019. It has since spread worldwide, leading to an ongoing pandemic. Covid-19 has caused the death of 1,908,034 people so far from the outbreak on January 08, 2021. There are currently 88,574,597 confirmed cases in 218 countries and territories. The fatality rate is still being assessed.

Spread of Covid-19

Corona (in Latin corona refers to crown) virus represents crown-like spikes on the outer surface; thus, it was named as a Corona virus. Wuhan, a city in the Hubei province of China is said to be the place of origin of Covid-19. The pandemic started with the bats being sold in Wuhan market and got transferred to humans. On December 31 of last year, Chinese authorities alerted the World Health Organization of an outbreak of a novel strain of corona virus causing severe illness, which was subsequently named SARS-CoV-2. Immediately i.e. on January 1, 2020 Huanan Seafood Wholesale Market was shut down. China also shut down transportation in some cities and suspended public gatherings. Officials isolated sick people and aggressively tracked their contacts. On January 11, 2020 China announced its first death from the virus, a 61-year-old man who had purchased goods from the Huanan seafood market. People travelling from China spread the disease to Thailand, US, Nepal, France, Australia, Malaysia, Singapore, South Korea, Vietnam and Taiwan.

On January 30, the WHO declared the corona virus a global emergency. On February 7, Li Wenliang, a doctor who was among the first to sound the alarm over the corona virus in China, died. By the end of February, countries as Kuwait, Bahrain, Iraq, Oman, Qatar, Norway, Romania, Greece, Georgia, Pakistan, Afghanistan, North Macedonia, Brazil, Estonia, Denmark, Northern Ireland and the Netherlands confirmed cases in these countries. On March 11, 2020, the World Health Organization (WHO) declared Covid-19 a pandemic. During this time, Europe remained the epicentre of the pandemic, with Italy reporting 4,825 fatalities and 53,578 cases. On March 31, the number of deaths due to corona virus in the US surpassed those reported by China and the US reported more than 4,000 deaths with more than 300,000 cases.

Table 1 shows the number of Covid cases in 10 countries as on January 9, 2021. As the table shows the world has crossed 9 crore cases with more than 19 lakh deaths. Most affected country in the world is USA with 2.27 crore cases and 3.8 lakh deaths. Second affected country is India with more than one crore cases and 1.5 lakh deaths.

Table 1: Number of Covid-19 cases in ten countries (as on Jan. 9, 2021)

No.	Country	Cases	Deaths	Recovered	Active
0	World	90,077,058	1,934,801	64,463,352	23,678,905
1	USA	22,699,938	381,480	13,393,078	8,925,380
2	India	10,451,346	151,048	10,075,395	224,903
3	Brazil	8,075,998	202,657	7,144,011	729,330
4	Russia	3,379,103	61,381	2,754,809	562,913
5	UK	3,017,409	80,868	1,406,967	1,529,574
6	France	2,767,312	67,599	202,165	2,497,548
7	Turkey	2,317,118	22,631	2,190,047	104,440
8	Italy	2,257,866	78,394	1,606,630	572,842
9	Spain	2,050,360	51,874	N/A	N/A
10	Germany	1,914,328	41,061	1,511,800	361,467

Table 2: Highest Single Day Covid-19 Cases and Deaths with Dates as on January 9, 2021

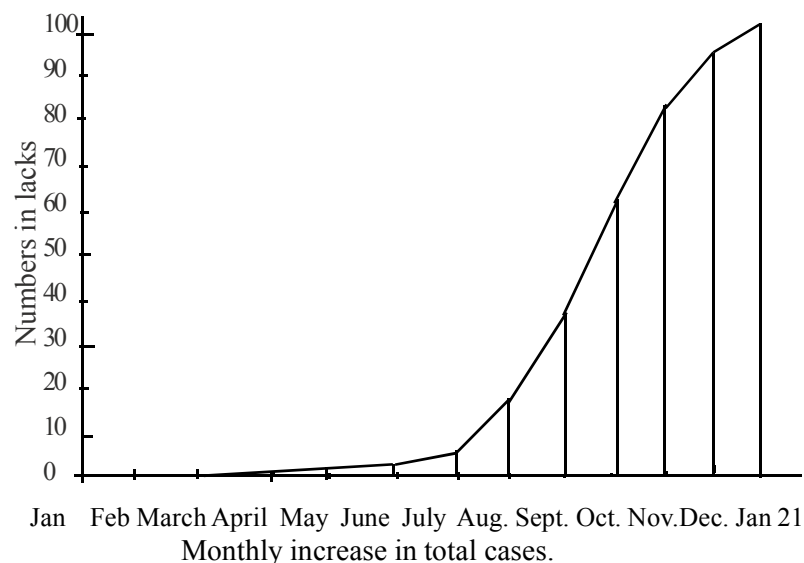
Rank	Country	Dates	Cases	Dates	Deaths
0	World	08-01-21	859,126	22-12-20	17,873
1	USA	08-01-21	324,857	06-01-21	4,370
2	India	17-09-20	97,859	16-09-20	1,283
3	Brazil	07-01-21	87,134	30-07-20	1,554
4	Russia	24-12-20	32,935	11-11-20	613
5	France	07-11-20	86,852	08-04-20	1,417
6	UK	08-01-21	68,053	08-01-21	1,325
7	Turkey	08-12-20	33,198	28-12-20	+257
8	Italy	07-11-20	39,811	03-12-20	993
9	Spain	02-11-20	48,570	04-11-20	1,623
10	Germany	18-12-20	31,553	06-01-21	1,689

Table 2 shows the highest single day Covid-19 cases and deaths with dates as on January 9, 2021. The world saw 859,126 cases on January 8, 2021 and highest number of deaths (17,873) on December 22, 2020. USA had 324,857 cases on January 8, 2021 and 4,370 deaths on January 6, 2021. Though India had 97,859 cases on September 17, 2020, now it is reduced to below 20,000 cases.

Covid-19 in India

Though Covid-19 was detected in India in January 2020, it spread very fast in spite of strict lockdowns. Diagram 1 gives the spread of Covid-19 in India. The figures are taken on the first of every month. As we see in the diagram the cases in India have rapidly risen from June 1, 2020 (189,963 cases) to January 1, 2021 (10,301,867 cases).

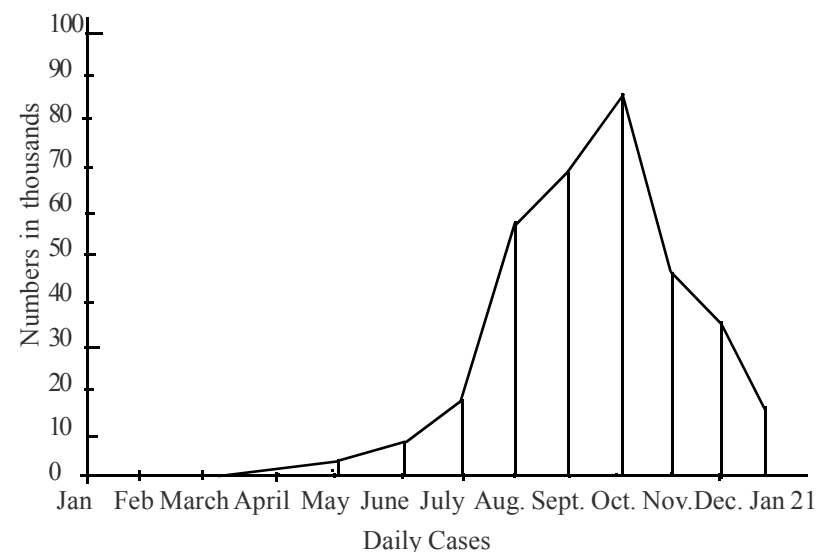
Diagram 1: Growth of Covid-19 Cases in India



Note: Numbers are taken as on the 1st of every month.

When we examine the daily cases of Covid-19 in India we see a declining trend. Diagram 2 gives the daily cases of Covid-19 in India. However, on September 17 there was the highest number of daily cases of 97,859. From this day the daily cases have reduced. Thus, from October 1, they have substantially reduced. There is a sharp increase between July and August and there is a sharp decline between October and November which has further reduced in December and January 2021 which is a welcome sign. It is encouraging to note that on January 11, 2021 the daily increase of cases was only 12,482 which is lowest since June 30, 2020.

Diagram 2: Growth of Covid-19 Daily Cases in India



Note: Numbers are taken as on the 1st of every month.

Impact of Covid-19

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 percent according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that 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".

The World Bank and rating agencies had initially revised India's growth for FY2021 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, signalling a deep recession. 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% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On September 1, 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.

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. (The Economic Times. 15 September 2020) Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. (Vyas, Mahesh 21 April 2020) During the lockdown, an estimated 14 crore (140 million) people lost employment while salaries were cut for many others. (Sharma, Yogima Seth, 24 June 2020, Goyal, Malini 22 March 2020) More than 45% of households across the nation have reported an income drop as compared to the previous year. (Research Centre for Policy, 24 April 2020) The Indian economy was expected to lose over 32,000 crore (US\$4.5 billion) every day during the first 21-days of complete lockdown, which was declared following the Corona virus outbreak. (Business Line, 2 April 2020, The Hindu @businessline). Under complete lockdown, less than a quarter of India's \$2.8 trillion economic movement was functional. (Business Insider) Up to 53% of businesses in the country were projected to be significantly affected. (Biman. Mukherji, 23 March 2020) Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an "essential" is and what is not. (Chaudhry, Siraj A, 26 March 2020) Those in the informal sectors and daily wage groups have been at the most risk. (Das, Goutam 30 March 2020) A large number of farmers around the country who grow perishables also faced uncertainty.

The financial market has experienced uncertainty about the future course and repercussions of Covid-19. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to the fall of sensex in the second week of March 2020. The fall has continued till date as investors resorted to relentless selling amid rising cases of

Corona virus. The supply-side impact of shutting down of factories resulted in a delay in supply of goods from China which has affected a huge number of manufacturing sectors which source their intermediate and final product requirements from China. Some sectors like automobiles, pharmaceuticals, electronics, chemical products etc were impacted big time.

The United Nations Conference on Trade and Development (UNCTAD), has suggested that India's trade impact due to the Covid-19 outbreak could be around US\$ 348 million. India is among the top 15 countries that have been affected most as a result of manufacturing slowdown in China that is disrupting world trade. For India, the overall trade impact is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, the automotive sector at 34 million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars. As per UNCTAD estimates, exports across global value chains could decrease by US\$ 50 billion during the year in case there is a 2% reduction in China's exports of intermediate inputs.

According to a survey by the Federation of Indian Chambers of Commerce & Industry (FICCI), the immediate impact of Covid-19 reveals that besides the direct impact on demand and supply of goods and services, businesses are also facing reduced cash flows due to slowing economic activity which in turn is having an impact on all payments including to those for employees, interest, loan repayments and taxes.

Implications on the Workforce

Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp fall in demand due to lockdowns across the country. If the current global and domestic economic slowdown persists, it will impact demand and realization. Undoubtedly, with this crisis impacting the business around the country, it will create very challenging situations for the workforce. Companies are not meeting the revenue targets hence, forcing employers to cut down

their workforce. The World Travel and Tourism Council has predicted 50 million tourism jobs getting eliminated because of the pandemic. Not only the employees of multinational companies, but daily wage workers have been impacted the most during this crisis.

While on one hand, Indian employees are losing their jobs and receiving a salary cut, there is also an assumption that the majority of expats have gone back from India and they will take time to return. Different sectors such as automobile, banking and manufacturing employ a large number of expats. Indian companies need expats for several industry verticals and job functions such as after-sales services, business development and market audits.

Positive Impact of Covid-19

India has so far managed to keep a relatively flatter infection curve in its battle against the pandemic. When compared to other countries, it does appear to have a better chance of pulling off with lesser collateral damage, at least for the time being. However, several factors are already playing in, or might play out, during the course of these events, and these might prove to be favourable for India to become a major trade and commerce player in the world. Government experts maintain that the Indian economy will come back to pre-Covid levels by the next financial year (2021-22) as it is recovering faster than expected.

India's economy recovered faster than expected in the September quarter as a pick-up in manufacturing helped GDP clock a lower contraction of 7.5 percent and held out hopes for further improvement on better consumer demand. "India has indeed been severely affected by the pandemic but is gradually recovering says NITI Aayog Vice-Chairman Rajiv Kumar on December 31 said India economy will grow at 10% in 2021-22 in real terms. India's economy to reach pre-Covid level by 2021 end (Pradeep Valsangkar, May 12 2020).

Several sectors shall begin to show a lot of promise after the lockdown is over. Let us examine some of these:

a) Agriculture: Indian GDP continues to depend on Agriculture. Nearly 20% of India's GDP comes from the Agriculture sector. The

agricultural production has largely remained unaffected by the Corona Pandemic. Thus, we shall see little disruption in the agriculture sector that shall contribute to stabilizing the GDP figures for India.

b) Health Care: Health care sector is obviously going to find a lot of traction in the weeks and months ahead. For all the negative publicity of poor health care services in India in the western media, the sector has done reasonably well in handling the current pandemic effectively. Whether it is testing the potential cases, or isolating the suspects or treating the confirmed Covid-19 patients, India has done quite well till now. Of course, the situation has been effectively supported by strong administrative action of the complete lockdown of the country, thereby keeping the number of people affected by the Pandemic relatively quite low. This effective management of the Covid pandemic is likely to show the Indian health care sector in the positive light across the world. It is expected that this shall result in a substantial increase in health tourism in India. The prices of simple procedures like angioplasty or bypass surgery are at least 20 times higher in the western world. India is already attracting a lot of patients from the Middle East and South Asia region. Given the right impetus and proper communication and publicity, the Indian health care sector is capable of attracting many more health tourists from across the world. This is the right time for India to push for this.

c) Pharmaceutical: Indian Pharma industry has already made its remarkable mark on the global scene. Thanks to the demand for the Hydroxychloroquine from across the world, Indian Pharma industry is now been seen as robust and extremely cost-effective. Companies like the Serum Institute of India have tied up with Oxford to mass produce the vaccine developed by them. This vaccine is considered to be the first in line to effectively stem the Covid virus. Many other Indian Pharma majors are collaborating and investigating the Covid vaccine. Soon multiple solutions shall emerge that shall herald the Indian pharma industry to the top of the global business.

d) Digital Platform based Economic Activities: Social Distancing and Work from Home is going to be the new normal. Going into crowded markets is increasingly going to be difficult. All this is going

to move most of the economic activities across the world towards Digital Platforms. E-commerce based activities shall gain much traction and many more activities that were done in the physical world shall find newer platforms for delivery. Take for example entertainment. Concept of going to movie halls shall be a thing of the past. Most of the entertainment shall be delivered at the doorstep over the OTT platforms. All this shall require immense computing powers, Band widths and Computing professionals. This is where India has its strengths and the Indian IT industry should find more business in the changing digital economy.

e) E' Commerce: Given the social distancing measures and lockdown of most of the crowded markets commercial activity is going to shift online. Thus, e-commerce business shall pickup. Companies like Amazon, Flipkart and others will see enhanced sales and contribute to the GST kitty of the central government.

f) Mines and Minerals: Mining activity in the country has remained unaffected by the global pandemic. Except for the disruption during the lockdown period, when the mining production stopped; the sector shall spring back to its original production capacities, once the lockdown is lifted. This sector shall continue to contribute to the GDP figures for 2020.

g) Education: The education sector in the country shall continue to grow. One positive impact of the loss of jobs will be that a large number of job seekers shall now decide to utilize the current slump in enhancing their skills and marketable education levels. Thus, all kinds of postgraduate studies in the country shall see higher rates of admission. Online education platforms shall see exponential growth and the sector will perform better after a few months of slump.

h) Environment: Almost all large projects in India impact the environment adversely. It is now mandatory for all project appraisals to get environmental clearances before project implementations can begin. The complete lockdown has helped improve the environmental conditions in the country considerably. This is likely to impact future project implementations positively.

i) Stock Market Trading: All the global stock market indices have slumped over the last quarter. A lot of shareholder value has been

eroded due to the stock market crashes. However, it also now presents an opportunity to make profits from the stock markets. After the lockdown is over and the normal economic activity begins, the only direction the slumped markets can go is upwards. There is an opportunity for smart investors to make money in the stock market now.

j) Bullion Business: As the stock market and the global crude prices slumped the bullion prices shot up. There is money to be made in the current market where the bullion (Especially Gold) prices have gone up.

There are other important factors that shall help rebuild Indian economy faster than most of the other major economies of the world. Some of these reasons include:

a) Strong Political Leadership at the Centre: Indian political leadership has steered the handling of the Corona pandemic most deftly. They have been praised for their deft handling by most of the global development organizations and the world leaders. The government headed by Shree Narendra Modi quickly took action and put the whole country under a complete lockdown. As per one estimate, millions of more people would have got infected by the virus and hundreds of thousands of more people would have lost their lives if the government of India had been any less decisive than it has been in putting the country under lockdown. Fortunately, the Government at the centre has a complete majority in the Parliament and the next elections are not due for the next 4 years. This shall enable the strong central government to take necessary corrective fiscal actions and bring the economy back on track quickly.

b) The Slump in the Global Oil Prices: Global energy demand and subsequently the oil prices have slumped to a historic low. This shall bring the Central governments' burden on gas subsidies substantially lower and also bring the household expenditure lower in the months to come. This is likely to help the economy to recover early.

c) Flight of Capital and Business from China: China has suffered the biggest setback in its brand image of being a global hub of manufacturing. Governments and corporations across the globe are contemplating to move their money and manufacturing away from China. If not fully move them then at least look for alternatives to

move some eggs out of the only basket they had in China till now. Can India capture some of the fleeing capital and business from China? Till now countries like Vietnam, Singapore and Cambodia seem to be taking the most advantage of the fleeing capital. If the Central Government creates the right business environment, makes it easy to do business in India, removes and rationalizes the policies in regard to land, labour and taxation then it can capture a large part of the fleeing capital from China.

Relief Measures Announced by the Government

There is an urgent need to form a combination of monetary, fiscal, and financial markets measures to help businesses and the common public to cope with this spread of virus and crisis environment. For framing appropriate action plans and policy, it is significant to know the specific issues that businesses and the public, in general, are facing recently. At this juncture, it is necessary to provide support to Indian industries and economies by the Indian Government and RBI. The government and the Reserve Bank of India have come out with a fiscal stimulus and a number of relief measures to protect the economy from the adverse impact of the ongoing Covid-19 crisis. Now, these entail a large number of announcements that will directly or indirectly benefit the common people. They are discussed below-

1. Relief Packages for the Underprivileged

The Finance Ministry has announced that relief packages shall be disbursed to the underprivileged sector, with main focus on daily wage labourers, rural workers, senior citizens, disabled persons and women. An amount of Rs 1.7 crore has been allocated for providing essential food items, home utilities and cash funds to those falling under the BPL. “These announcements will be implemented immediately”, assured Nirmala Sitharaman.

2. Facilitation of Essential Services

The Ministry has also announced that essential services shall continue to remain open to facilitate the basic functioning of the country. To prevent panic and hysteria amongst the masses, it was immediately announced and published in the Gazette those pharmacies, grocery stores, ATMs, banks, and hospitals, among others, shall

continue to function. However, people serving in the various public fields have been directed to practice extra precaution at all times.

3. Relaxation in Tax and Company Rules

For companies and SMEs, the Ministry has relaxed certain regulations, including extending the time for filing financial year returns, cutting back interest rates from 12 to 9% and relaxing the penalty in the event of failure to file GST returns. There have been certain relaxations for citizens as well. For instance, there shall be no charge on debit card transactions and the minimum balance requirement in a savings account has been waived.

4. Provision of Medical Resources

The medical and health industry is the backbone of the country and the Finance Ministry is leaving no stone unturned in prioritizing the health and security of the diligent professionals serving in the field. An insurance cover of an estimated amount of Rs 50 lakhs has been allocated to every member of the field, covering doctors, nurses, ward persons, paramedics, and allied hospital staff for a period of 3 months. The Ministry has also directed state governments to increase the provision of medical equipment to ensure the maximum protection of medical professionals.

Aatma Nirbhar Bharat Abhiyan

The Covid-19 pandemic has posed a severe threat to the economy of the country. To overcome these testing times, Hon’ble PM Shri Narendra Modi has come up with Aatma Nirbhar Bharat Abhiyan that promotes local economy. A special and comprehensive economic package of Rs 20 lakh crore that accounts for 10% of India’s GDP, has been announced to bring the economy back on track. Hon’ble Finance Minister Smt Nirmala Sitharaman further announced structural reforms across various sectors to pave the way for Aatma Nirbhar Bharat Abhiyan. Some major announcements have been listed below:

MSME Sector

Rs 3 lakh crore Collateral Free Automatic Loans have been announced for businesses including MSMEs. Some welfare measures include:

- Rs 50,000 crore equity infusion through MSME Fund of Funds
- Reduction of EPF contribution for businesses and workers for 3 months
- Extension of due date of all income tax returns for FY 2019-20 till Nov 30, 2020
- Rs 45,000 crore Partial Credit Guarantee Scheme 2.0

Poor including Farmers and Migrant Workers

- Free supply of food grains to migrants for 2 months
- Affordable Rental Housing Complexes for migrants/urban poor
- Rs 5000 crore Special Credit Facility for street vendors
- Rs 30,000 crore Additional Emergency Working Capital Funding for farmers through NABARD
- Rs 2 lakh crore Concessional Credit Boost to 2.5 crore farmers through Kisan Credit Cards

Agriculture, Animal Husbandry, Fisheries

- Rs 1 lakh crore Agri Infrastructure Fund for farm gate infrastructure for farmers
- Rs 20,000 crore for fishermen through Pradhan Mantri Matsya Sampada Yojana (PMMSY)
- Rs 15,000 crore for Animal Husbandry Infrastructure Development Fund
- Rs 500 crore for beekeeping initiatives
- Amendments to Essential Commodities Act to enable better price realisation for farmers
- Agriculture Marketing Reforms to provide marketing choices to farmers
- Agriculture produce price and quality assurance

New Horizons of Growth

- Policy reforms to fast track investment to pave way towards Aatma Nirbhar Bharat
- Policy reforms in coal sector, mineral sector, defense production
- Private participation in space activities
- More world class airports through PPP

Government Reforms and Enablers

- Rs 40,000 crore increase in allocation for MGNREGA to boost employment
- Health reforms and initiatives to increase investment in public health and to prepare the nation for future pandemics
- Technology driven education with equity post Covid
- Enhancement of Ease of Doing Business through IBC related measures
- Public Sector Enterprise Policy for a Self-Reliant India.

Associated Challenges

However, there are several challenges that are needed to be addressed in order to fulfill the vision of this plan.

Issues Related to Liquidity: The package of Rs 20 lakh crore comprises both fiscal and monetary measures, the latter being in the nature of credit guarantees and liquidity infusions into banks and other financial sector institutions rather than the economy per se. Majority of the package is liquidity measures that are supposed to be transmitted by RBI to Banks and Banks to Citizens. This transmission wouldn't be as smooth owing to inefficient transmission of monetary policy.

Lack of Demand: The lockdown has lowered aggregate demand, and a fiscal stimulus is needed. However, the package, by relying overwhelmingly on credit infusion to boost the economy, has failed to recognise that investment will pick up only when people across income segments have money to spend.

Lack of Backward and Forward Linkages: Unless the rest of the domestic economy is revived, the MSME sector may face a shortage of demand, and its production may soon sputter to a close.

Burgeoning Fiscal Deficit: Government claims that the stimulus package is around 10 percent of India's GDP. However, financing it would be difficult as the government is worried about containing the fiscal deficit.

Difficulty in Mobilising Finances: The government seeks a disinvestment to mobilise the finances for the plan. However, the

majority of Indian industries are already a bit debt-laden to take up the stake in PSUs. Further, it is difficult to borrow the foreign markets, as rupee with respect to dollar is all time low.

Steps to Be Taken

Enhancing Demand: The economic package for the country emerging out of the lockdown requires a stimulus enhancing demand across the economy. The best way for this is to spend on greenfield infrastructure. Infrastructure spending uniquely creates structures that raise productivity and extends spending power to the section of the population most affected by the lockdown, namely daily wage labourers.

Mobilising Finances: For financing of the stimulus package, India's foreign reserves stand at an all-time high which could be strategically used to finance its needs. The rest may have to come from privatisation, taxation, loans and more international aid.

Holistic Reforms: Any stimulus package will fail to reflect the trickle-down effect, until and unless it is backed by reforms in various sectors. Thus, Atma Nirbhar plan also encompasses the unfinished agenda of holistic reforms which may include reforms in Civil services, Education, Skill and Labour, etc.

Conclusion

This is high time to reset everything as the world has become standstill for a few months due to the outbreak of Covid-19. We all are allowed to rethink, redesign, and restructure everything. If we involve in doing the right things, we may be able to fix challenges in new platforms that can face and bear humankind's environmental damage, maybe it pollution, self-centered growth or inequality, or concentration of economic power and wealth. The success mantra in this Covid-19 period is "You need to live, to be in the game." The post-Covid scenario is both a challenge as well as an opportunity for India. With India's strong macro-economic fundamentals, favourable demographic dividend, improved ease of doing business (EoDB), and availability of resources for ramping up manufacturing capacities, the country can position itself as an

attractive investment destination for investors across the globe. This would require the government, local bodies and the industry to leverage this opportunity optimally. The governments should, hence, prepare plans to manage the current outbreak as well as future disasters, if any, to ensure minimum disruption to the business ecosystem. The planning may include capacity building of human resource, current adoption as well as switchover to use of technology, preparing standard operating procedures and creating reserves/funds for such situations. Perhaps, it is the nature's decree for us to 'go low and slow' but certainly this gives us an opportunity for - Building a better working world!

References

- ANAROCK Research, (2020), COVID-19: Impact on the Indian Real Estate Sector, ANAROCK
- Baqae, D R and E Farhi (2020), "Nonlinear Production Networks with an Application to the Covid-19 Crisis", CEPR Discussion Paper 14742.
- Biman. Mukherji (23 March 2020). "Coronavirus impact: Indian industry seeks relief measures to aid economy". Livemint. Accessed on March 23, 2020.
- Capelle-Blancard G and A Desroziers (2020), "The stock market and the economy: Insights from the Covid-19 crisis", VoxEU.org, 19 June.
- Cesa-Bianchi, A, M H Pesaran and A Rebucci (2020), "Uncertainty and Economic Activity: A Multi-country Perspective", *The Review of Financial Studies* 33 (8): 3393–3445.
- Chaudhry, Siraj A. (26 March 2020). "Covid-19 puts India's food supply chain to a stress-test". *The Hindu @businessline*. Accessed on March 26, 2020.
- Chudik, A and M H Pesaran (2016), "Theory and Practice of GVAR Modeling", *Journal of Economic Surveys* 30 (1): 165–197.
- Chudik, A, K Mohaddes, M H Pesaran, M Raissi and A Rebucci (2020), "A Counterfactual Economic Analysis of Covid-19 Using a Threshold Augmented Multi-Country Model", NBER Working Paper 27855.
- "Covid-19 lockdown estimated to cost India \$4.5 billion a day: Acuité Ratings". *Business Line*. 2 April 2020. Accessed on April 11, 2020.
- Das, Goutam (30 March 2020). "136 million jobs at risk in post-corona India". *Livemint*. Accessed on April 2, 2020.

Global Preparedness Monitoring Board. A world at Risk: Annual Report on Global Preparedness for Health Emergencies. Geneva: World Health Organization (2019).

Goyal, Malini (22 March 2020). "Covid-19: How the deadly virus hints at a looming financial crisis". The Economic Times. Accessed on March 23, 2020.

"Lockdown relaxation "- more than half of India's economy may reopen from Monday, says Nomura". Business Insider. Accessed on April 18, 2020.

Ludvigson, S C, S Ma and S Ng (2020), "COVID-19 and the Macroeconomic Effects of Costly Disasters", NBER Working Paper No. 26987.

McKibbin, W J and R Fernando (2020), "The Global Macroeconomic Impacts of COVID-19: Seven Scenarios", CAMA Working Paper 19/2020.

Ozili P. and Thankom A. (2020), Spillover of COVID-19: impact on the Global Economy

Pagano, M, C Wagner and J Zechner (2020), "COVID-19, asset prices, and the Great Reallocation", VoxEU.org, 11 June.

Pradeep Valsangkar (May 12 2020), www.insightssuccess.in › positive-side-of-covid-impact-especially for India,

PTI (25 March 2020). "Experts peg India's cost of coronavirus lockdown at USD 120 bn". The Hindu @businessline. Accessed on March 25, 2020.

Research, Centre for Policy. "Podcast: How has India's lockdown impacted unemployment rates and income levels?". Scroll.in. Accessed on April 24, 2020.

Sengupta, R. And Dev M. (2020), Covid-19: Impact on the Indian Economy, Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

Sharma, Yogima Seth (24 June 2020). "Unemployment rate falls to pre-lockdown level: CMIE". The Economic Times. Accessed on June 24, 2020.

The Economic Times. 15 September 2020. Retrieved 15 September 2020.

Vyas, Mahesh (21 April 2020). "Unemployment rate touches 26%". Centre for Monitoring Indian Economy (CMIE). Accessed on April 24, 2020.

World Health Organization. Coronavirus Disease 2019 (COVID-19): Situation Report 100. Geneva (2020).

Yamey, G. et al. Financing of international collective action for epidemic and pandemic preparedness. *Lancet Global Health*. (2017) 5:e742–4. doi: 10.1016/S2214-109X(17)30203-6

Author: Jayavantha Nayak is Associate Professor in University College, Mangaluru. E-mail: jayavantha_nayak@yahoo.com
