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CORONA - What is Next?

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Abstract: COVID-19, first originated in November 2019 in the city of Wuhan, China. The virus spread from China to almost all the countries of the world. India is not an exception to this malady. The virus was carried to India by students studying in China and Indian workers from Italy who returned to India. Italy had become a centre of the corona virus after China. All of a sudden the central government was forced to declare a complete lockdown throughout the country on 25 March 2020. Movement of labourers and all the economic activities came to a standstill. In the initial phase government was committed to prevent the spread of the disease because even advanced countries like USA, France, England, Germany, Italy failed to stop the spread of the virus, leading to large scale human deaths. The Indian economy was rapidly moving towards development. But this pandemic has given a severe blow to all the economic activities in India. Within a month, unemployment rose from 6.7 per cent on 15 March, 26 per cent on 19 April to 7.24 per cent on 20 January 2021 During the lockdown, an estimated 14 crore people lost employment[1]. This paper discusses what is the next economic situation after COVID-19, that is positive and negative circumstances. This is a controversial subject. So, here I am going to analyze what are the situation we will face next and also find out what are the solution recommended by the government to overcome this current scenario with the help of secondary data collection.

Keywords: Corona Virus Disease, Lockdown, Economic Development, Trade cycle.

1. Introduction

The history of mankind has always been threatened by nature often in the form of epidemics and infectious disease. When compared with other living organisms humans are always trying to overcome the problems through inventions and discoveries. For example, the spread of plague of the 14^{th} century is a classic example of the threat posed to human life by nature. HIV, Cancer and recently COVID-19 of the 21^{st} century is creating economic and social hardships to human life.

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Corona Virus has created a big obstacle to the growth of the world economy. Almost all the nations around the world are fighting the Corona Virus. India is also facing a similar situation.

According to Keynes 'a trade cycle is composed of periods of good trade characterized by rising prices and low unemployment percentages altering with periods of bad trade characterized by falling prices and high unemployment percentage'. So has been already learned after depression, next phase is recovery or expansion of economy.

Keynes specified two indices ie, price and unemployment for measuring the upswing and the downswing of the trade cycles. Basically there are two phases in a cycle namely depression and prosperity.

Now India is facing a period which has the features pointing to depression, such as high rate of unemployment especially educated unemployment, low wages, sharp reduction of production, etc.

In this situation Government should take appropriate steps for boosting our economy. Recently government introduced many programs for uplifting the economy from the negative impact of Corona Virus through the Union budget.

2. Objective of the Study

1. To analyse the impact of COVID-19 on Indian Economy.
2. To study the relief measures provided by the Government of India.

3. Effects of Corona on Indian Economy

Corona Virus is having a deep impact on Indian economy especially on consumption of goods, which is the biggest component of GDP. To combat with COVID- 19 Indian Government extended the date of lockdown from 25 March to 31 May 31, 2020. The lockdown has been further extended. According to the World Bank's assessment, India is expected to grow 1.5 per cent to 2.8 per cent. IMF has projected a GDP growth of 1.9 per cent for India in 2020. Here I am analyzing the impact of COVID-19 on different spheres of human activity.

3.1. Agricultural Production

Agricultural activities have slowed down due to the influence of COVID-19. It has become difficult to market agricultural products because agricultural items are mainly food crops and it cannot be stored at this time. So the farmers who cultivated food crops suffered huge losses.

The farmers find it very difficult to harvest the crops. Vegetable famers fail to find markets for their produce. Pineapple farmers also suffered losses due to failure to find markets. They are facing problems in marketing and also finding sufficient warehousing facilities. So they cannot store the harvested crops. The non- availability of agricultural labourers and machines, failure to find markets, lack of means of transportation all added to the misery of farmers.

In the mean time the nature is again is causing problems in the form of heavy rain, heavy winds, thunder and lighting. The farmers requested for help from the government. But the government is not in a capable situation to solve all the problems because of the lack of funds. During such a time Keynesian theory of Pump trimming is to be adopted by the government to solve the economic problems. But because of the fear of credibility government is not willing to adopt people friendly economic activities.

3.2. Industrial Activities

Industrial production also came to a standstill because of the lack of labour movement, lack of raw materials, lack of transportation, lack of marketing, lack of sale and the heavy burden of borrowed funds. Firms are looking for some reduction in manpower. It will negatively effect the already spoiled economy. Various businesses such as hotels and airlines are cutting salaries and laying off employees (Goyal, Malini, 2020). Major companies in India[2] significantly reduced operations.

India was one of the leading industrial sector centralized economy , exporting industrial products and earning good foreign exchange. From the industrial sector too the economy is facing a severe depression just like the depression of the 1930. We have only history of depression in economic literature. But it was actually felt in almost all the world economies with the last couple of months. The governments of all the world nations are trying to promote their perspective economies through a large number of economic packages. The government of India is also trying it's best to boost the economy through a number of policy change system. The budget was presented by the close of February 2020. But presently the finance minister has came up with a number of new economic packages to boost the farmers and MSMEs.

3.3. Banking Sector

The government declared moratorium in repayment of funds by the farmers and also by the small scale industrial units for the coming six months. As a part of banking sector reforms, RBI reduced the repo rate from 5.15 (October, 2019) to 4 % (May 2020) and the reverse repo rate from 4.9 (October, 2019) to 3.35% (May 2020). Such measures are the part of the cheap money policy followed by the central banks during depressionary trends.

3.4. Trading Activities

Trading activities are not smooth during the lockdown period. The produced goods remain unsold throughout the economy. It causes a decline in price. Ditch in price create less incentive for investment and when investment declines production, employment, income, demand and price again will fall which are all symptoms of depression.

3.5. The Rates of Petrol and Diesel

The richest nation are also facing similar problems. The symptoms of depression in one nation will be transmitted to others in a speedy way. In all the world nations the transportation system remained closed leading to no demand for petrol and diesel. The petroleum exporting nations felt an economic crisis as they are not able to export petroleum. The exported petroleum cannot be transferred from their nations to other countries. Hence, petroleum price fell down to the lowest ever in history.

3.6. Share Market

Share prices fell down because of the symptoms of depression. Investors are not under taking investment. As an alternative investors invest their funds in gold suiting. Therefore gold prices rose to the highest ever in history.

3.7. Unemployment Rate

Unemployment is a serious social and economic problem which effects the economic growth of the country. It has been found that there is a strong negative correlation between economic growth and unemployment rate

Month	*Unemployment Rate (%)*		
	India	*Urban*	*Rural*
12 Feb 2021	6.62	7.73	6.12
Jan 2021	6.53	8.08	5.83
Dec 2020	9.06	8.84	9.15
Nov 2020	6.50	7.07	6.24
Oct 2020	7.02	7.18	6.95
Sep 2020	6.68	8.45	5.88
Aug 2020	8.35	9.83	7.65
Jul 2020	7.40	9.37	6.51
Jun 2020	10.18	11.68	9.49
May 2020	21.73	23.14	21.11
Apr 2020	23.52	24.95	22.89
Mar 2020	8.75	9.41	8.44
Feb 2020	7.76	8.65	7.34

Source: Centre for Monitoring Indian Economy (CMIE), 09 Feb 2021

India's unemployment rate rose sharply to 9.1 per cent in December 2020, highest since the beginning of India's recovery from the lockdown in June, the Unemployment rate stood at 10.18 per cent in June 2020. And in Jan 2021 unemployment rate decreased at 6.53[3].

3.7. Others

Cultural activities are not going on as decided earlier. Olympics, Cricket tournament, and similar sports activities have been postponed or cancelled. Parents fear their children going to school because of the spread of virus. Tourist places have been closed to the general public. Foreigners are not welcome in any country around world leading to absolute cut in tourist earnings.

4. After Effect of COVID-19

4.1. The Union Budget 2021-22

The Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman presented the Union Budget 2021-22 in Parliament on February 1, 2021. which is the first budget of this new decade and also a digital one in the backdrop of unprecedented COVID-19 crisis. Laying a vision for Aatma Nirbhar Bharat, she said this is an expression of 130 crore Indians who have full confidence in their capabilities and skills. She said that Budget proposals will further strengthen the Sankalp of Nation First, Doubling Farmer's Income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for youth, Education for All, Women Empowerment, and Inclusive Development among others.

Additionally, also on the path to fast-implementation are the 13 promises of Budget 2015-16-which were to materialize during the Amrut Mahotsav of 2022, on the 75 year of our Independence. They too resonate with this vision of Aatma Nirbharta, she added. which is the first budget of this new decade and also a digital one in the backdrop of unprecedented COVID-19 crisis. Laying a vision for Aatma Nirbhar Bharat, she said this is an expression of 130 crore Indians who have full confidence in their capabilities and skills. She said that Budget proposals will further strengthen the Sankalp of Nation First, Doubling Farmer's Income, Strong Infrastructure, Healthy India, Good Governance, Opportunities for youth, Education for All, Women Empowerment, and Inclusive Development among others. Additionally, also on the path to fast-implementation are the 13 promises of Budget 2015-16-which were to materialize during the Amrut Mahotsav of 2022, on the 75 year of our Independence. They too resonate with this vision of Aatma Nirbharta, she added.

Six pillars of the Union Budget 2021-22:

1. Health and Wellbeing
2. Physical & Financial Capital, and Infrastructure
3. Inclusive Development for Aspirational India
4. Reinvigorating Human Capital
5. Innovation and R&D and
6. Minimum Government and Maximum Governance

4.2. Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is a major driver of economic growth and an important source of non-debt finance for the economic development of India.

India's FDI saw a significant jump in November 2020. FDI data released by the Commerce Ministry shows that total FDI in the month of November 2020 grew by a whopping 81% to $ 10.15 billion against $ 5.6 billion in November 2019. FDI equity has also jumped to $ 8.5 billion as against $ 2.8 billion in November 2019, registering a growth of 70%[4].

FDI equity inflow received during F.Y. 2020-21 (April to November 2020) is $ 43.85 billion. It is also the highest ever for the first eight months of a financial year and 37% more compared to the first eight months of 2019-20 ($ 32.11 billion), the data revealed.

Experts expect the **FDI** flow may easily cross $50 billion in **2021** given the government's focus, especially after COVID-19, to make **India** a manufacturing hub and announced several measures last year to boost the economy along with exports.

5. Conclusion

The effects of novel corona virus (COVID -19) is still challenging the world. The natural event of this disease brought about an unprecedented shock to the Indian economy. COVID -19 disrupted Indian economy as a whole including commercial, economic and industrial enterprises. The top losers are micro, small and medium enterprises (MSMEs). They do not have the ability to afford long term closure. The decision by the Government will create a new hope for the people in India. Effective methods have been implemented by the Government to overcome the economic slowdown in the country. We can't predict how long the situation will continue. The present crisis is a choice between human lives and economic activities.

In the light of the study excellent programs were introduced in the recent Union Budget 2021-22. But Government should implement these programs carefully. Thereby we can reduce negative or harmful effects of COVID -

19. Successful implementation and execution of the renovation programs will definitely be helpful to accelerate economic activities.

Notes

1. Vyas, Mahesh, (2020), Unemployment rate touches 20% centre for Monitoring Indian Economy (CMIE), 21 April, 2020.
2. Aditya Birla Group, Tata Motors, Larsen and Toubro, Ultra Tech Cement, etc.
3. Chitranjan Kumar| January 4, 2021 | Updated 14:59 IST, Unemployment rate rises to 6-month high of 9.1% in Dec: CMIE, Business Today.
4. ANI, Last Updated: Jan 28, 2021. It is the highest ever for the first eight months of a financial year (F.Y.) and 22% higher as compared to the first eight months of 2019-20 ($47.67 billion).

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