

COVID and Indian Economy

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ABSTRACT

Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus. Most people infected with the virus will experience mild to moderate respiratory illness and recover without requiring special treatment. However, some will become seriously ill and require medical attention. Older people and those with underlying medical conditions like cardiovascular disease, diabetes, chronic respiratory disease, or cancer are more likely to develop serious illness. Anyone can get sick with COVID-19 and become seriously ill or die at any age. The best way to prevent and slow down transmission is to be well informed about the disease and how the virus spreads. Protect yourself and others from infection by staying at least 1 metre apart from others, wearing a properly fitted mask, and washing your hands or using an alcohol-based rub frequently. Get vaccinated when it's your turn and follow local guidance. The virus can spread from an infected person's mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. These particles range from larger respiratory droplets to smaller aerosols. It is important to practice respiratory etiquette, guidance. The virus can spread from an infected person's mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. These particles range from larger respiratory droplets to smaller aerosols. It is important to practice respiratory etiquette, for example by coughing into a flexed elbow, and to stay home and self-isolate until you recover if you feel unwell.

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INTRODUCTION

Coronaviruses are a large family of viruses that are known to cause illness ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS).

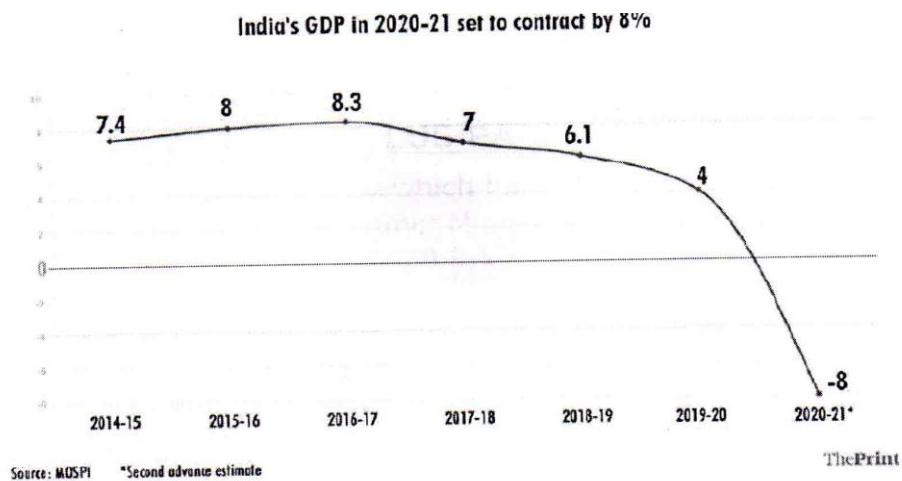
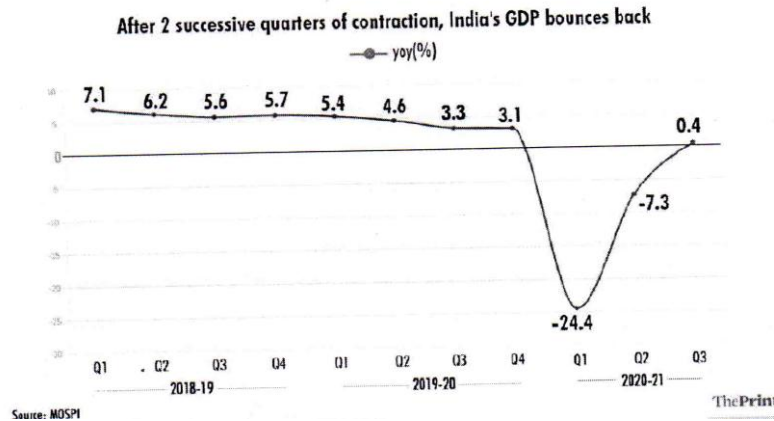
A novel coronavirus (COVID-19) was identified in 2019 in Wuhan, China. This is a new coronavirus that has not been previously identified in humans.

This course provides a general introduction to COVID-19 and emerging respiratory viruses and is intended for public health professionals, incident managers and personnel working for the United Nations, international organizations and NGOs.

COVID-19 Lockdown in India

Janata Curfew	The Janata Curfew (People's curfew) was a 14-hour
Phase 1	(25 March- 14 April)
Phase 2	(15 April – 3 May)
Phase 3	(4-17 May)
Phase 4	(18-31 May)
Unlock	
Unlock 1.0	(1-30 June)
Unlock 2.0	(1-31 July)

Unlock 3.0	(1-31 August)
Unlock 4.0	(1-30 September)
Unlock 5.0	(1-31 October)
Unlock 6.0	(1-30 November)



IMPACT OF COVID ON ECONOMIC GROWTH

The spread of COVID in the early months of the year 2020 led to a total lockdown of the economy for more than two months commencing March 24, 2020. This severely impacted the domestic economic activity. In February and March 2020, IMF, World Bank, most investment banks and credit rating agencies had predicted that GDP growth in India during the financial year per 2020-21 would be in the range of 0-2 percent. However, all subsequent projections pointed out that the rate of growth of GDP will be negative in 2020-21. Most growth projections now say that the GDP growth rate in 2020-21 is likely to be significantly negative 5 per cent or even more.

On May 22, 2020, Reserve Bank of India governor Shaktikant Das said the Covid-19 pandemic will likely lead to a contraction in India's gross domestic product (GDP) in the financial year 2020-21. Contraction in GDP statistically means that the 2020-21 GDP will be less than what it was in 2019-20. Economists now argue that the contraction in GDP in 2020-21 will be the most widespread contraction India has ever seen.

The lockdown which was imposed on the economy on March 24, 2020, impacted about 50 to 55 per cent of the economy, and according to Pronab Sen, former chief statistician, potential led to a weekly loss of around 2 lakh crore or 1 per cent of 2019-20 GDP at 2019-20 prices.

GOVERNMENT STIMULUS PACKAGE

To revive economic activity which had suffered a serious setback due to COVID-19, the Prime Minister announced a Stimulus Package of as much as RS. 20 lakh crore (roughly 10 per cent of GDP) on May 12, 2020. This massive stimulus package did not appear to leave any major sphere untouched as the Prime Minister brought out the fiscal

artillery to complement Reserve Bank's monetary ballast spread over some of the earlier weeks, puffing India firmly in the league of biggies that have gone all out against the virus. In his speech, the Prime Minister said that his package would focus on land, labour, liquidity and laws, and would deal with such sectors as cottage industries, MSMEs, the working class, the middle class and industry.

He also talked of focusing on empowering the poor, labourers and migrant workers, both in the organised and unorganised sectors.

Dubbed Atmanirbhar Bharat Abhivaan, this Covid relief package put bold reforms at the heart of Prime Minister's stated, plan to make India self-reliant so that any other crisis that may emerge in future could-be efficiently tackled. The Five pillars of Atmanirbhar Bharat focus on:

- Economy
- Infrastructure
- System Vibrant Demography and
- Demand

The Five phases of Atmanirbhar Bharat are:

- Phase-I: Businesses including MSMEs
- Phase-II: Poor, including migrants and farmers.
- Phase-III: Agriculture
- Phase-IV: New Horizons of Growth
- Phase-V: Government Reforms and Enablers

Over the next five consecutive days of interaction with the country's financial media, the finance minister Ms. Nirmala Sitharaman provided the break-Lip of PM Modi's Rs. 20 lakh crore Covid stimulus package for India. The details are as follows:

First Tranche

Sitharaman's offers under the first tranche included finding as well as loan guarantees for small businesses, non-bank lenders, discoms and salaried workers.

For Small Business

Collateral free loan of Rs. 3 lakh crore for MSMEs — a move that is expected to enable 45 lakh units to restart work and save jobs.

Subordinate debt provision of Rs. 20,000 crore for 2 lakh stressed MSMEs. Besides, there will be 50,000 crore equity infusion via Mother-Daughter Fund for MSMEs that are viable but need handholding.

A fund with corpus of Rs. 10,000 crore will be set up to help these units expand capacity and help them list on markets if they choose.

Definition of MSMEs revised
 Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs. 25 Lac	Investment < Rs. 5 Cr.	Investment <Rs. 10 Cr.
Services Enterprise	Investment < Rs. 10 Lac	Investment < Rs. 2 Cr.	Investment < Rs. 5 Cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment < Rs. 1 Cr. and Turnover < Rs. 5 Cr.	Investment < Rs. 10 Cr. and Turnover < Rs. 50 Cr.	Investment < Rs. 20 Cr. and Turnover < Rs. 100 Cr.

- Global tenders will be disallowed upto Rs. 200 crore for government contracts.
- Will ensure e-market linkages are provided across the board in the absence of non-participation in trade fairs due to Covid. The central government and PSUs will clear all MSME receivables in 45 days.

For Non-Bank Lenders

- Rs. 30,000 crore special liquidity scheme for investing in investment grade debt paper of NBFCs, HFCs and MFIs. These NBFCs are those that are also funding MSMEs. These will be guaranteed by Government of India.
- 45,000 crore partial scheme 2.0 for NBFCs. The first 20 per cent loss will be borne by the guarantor that is Government of India.
- For Discoms a one-time emergency liquidity injection of Rs. 90,000 crore against all receivables. The St-tpc it.

For Employees

- Liquidity relief of Rs. 2,500 crore (EPF support to all EPF establishments). The EPF contribution will be paid by the government for another 3 months (till August). It will benefit more than 72 lakh employees.
- Statutory EPF contribution for all organisations and their employees covered by it to be reduced to 10 per cent from 12 per cent earlier. (This does not apply to government organisations.) This will help infuse Rs. 6,750 crore of liquidity into these organisations.

Power Distribution Companies

- Power Distribution Companies will get Rs. 90,000 crore liquidity against receivables from State-owned Power Finance Corporation and Rural Electrification Corporation. This will allow these discoms to pay dues to power producers.

Other Moves

- An extension of upto 6 months (without cost to contractor) to be provided by all Central Government Agencies like Railways, Ministry of Road Transport & Highways, Central Public Works Department.
- On real estate, urban development ministry will issue advisory to States/UTs so that the regulators can invoke force majeure. The regulators can suo moto extend completion/registration dates for six months for projects expiring on or after March 25, 2020.
- A reduction of 25 per cent of existing rates of Tax Deducted at Source (TDS) and Tax Collection at Source (ICS) till March 31, 2021. This will release Rs. 50,000 crore.
- Due date of all Income Tax Return filings extended from July 31 to November 30. Vivaad se Vishwas scheme extended till December 31, 2020.

Second Tranche

Second Tranche put the focus on migrant workers, small farmers and the poor, in the manner shown below.

Free Food for Migrants

For the migrants who do not have National Food Security Act cards or State cards. 5 kg of wheat or rice per person and one kg chana per family per month for next two months to be provided and it will reach through the State governments.

This will entail Rs. 3,500 crore and is likely to benefit around 8 crore migrants.

One Nation, One Ration Card

National Portability Ration Cards can be used in any ration shops that will be applicable across the country. By August 2020, 67 crore beneficiaries in 23 States or 83 per cent of all PDS beneficiaries will get covered. By March 2021, 100 per cent will be covered.

Rental Accommodation

Under PM Awaas Yojana, scheme for rental housing for migrant workers has been proposed. Under the scheme, incentives will be offered to private manufacturing units and industrial units to develop affordable housing, and converting government funded houses into affordable renting accommodations for migrant workers. This shall be done on Public Private Partnership on concessionaire basis. State government agencies will also be incentivised affordable housing.

MUDRA Shishu Loan

Those who have availed loans of up to 50,000, an interest subvention of 2 per cent for next 12 months, after the moratorium period extended by RBI ends. Three crore people will get benefit of Rs. 1,500 crore.

Street Vendors

Special scheme for street vendors to avail Rs. 5,000 crore loan facility. Under this scheme, a street vendor will be given Rs. 10,000 of working capital.

Affordable Housing

Credit linked subsidy scheme for middle income households in income group of Rs. 6-18 lakh extended to March 2021. This scheme was operationalised from May 2017 and extended up to March 2020. Now, it has been extended upto March 2021. This will lead to investment Rs. 70,000 crore in housing and kick-start sectors like steel and cement and create jobs.

For Tribals

Rs. 6,000 crore worth of proposals have come from States under CAMPA funds. Tribal people will get employment in forest management, wildlife protection/ management and other forest related activities.

For Small/Marginal Farmers

- The government is extending 30,000 crore additional capital emergency funds through NABARD For post-harvest Rabi and Kharif related activities for small and marginal farmers.
- Under the PM Kisan Credit Card Scheme, 2 lakh crore of concessional credit to boost farming activities will be provided and it will benefit 2.5 crore farmers. Those in animal husbandry and fisheries will also be included.

Third Tranche

Third Tranche included steps for farmers, and such sectors such as food processing and allied activities.

For Upgrading Infrastructure

- Rs. One lakh crore fund for strengthening the farm gate infrastructure like cold chains, post-harvest storage infrastructures, etc.
- Rs. 10,000 crore fund for micro food scheme will be executed with cluster based approach. This will benefit 2 lakh Micro Food Enterprises. For instance, Bihar can have Makhana cluster, Kashmir can have Kesar cluster, Telangana can have Turmeric cluster, and Andhra Pradesh can have chilli cluster.
- Government will launch Pradhan Mantri Matsya Sampada Yojana for development of marine and inland fisheries. 20,000 crore will be spent to fill the gaps in value chains. This will lead to an additional fish production of 70 lakh tonnes in next five years and provide employment to 55 lakh people.
- Rs. 13,343 crore for vaccination of livestock in India to eradicate foot and mouth disease.
- Rs. 15,000 crore will be spent on ramping up the dairy infrastructure. Also, investments will be made in cattle feed.
- Rs. 4,000 crore for growing of herbal and medicinal plants. Ten lakh hectares of land will be used for growing medicinal and herbal plants, and this will provide income of nearly ₹ 5,000 crore for farmers.
- Rs. 500 crore have been allocated for beekeeping. This will help 2 lakh bee keepers.
- Operation Greens Rs. 500 crore for Operation Greens that will be extended beyond tomatoes, potatoes and onions, and will be applicable to all vegetables.
- Propose amendment to Essential Commodities Act to enable better price realisation for farmers. Foodstuffs including edible oils, oilseeds, pulses, onions and potatoes will be deregulated. And stock limits will be imposed only under exceptional circumstances like famine and surge in prices.

Agriculture Marketing Reforms

A central law will be formulated to provide:

- (a) Adequate choices to sell produce at attractive price,
- (b) Barrier-free inter-state trade, and
- (c) Framework for e-trading of agriculture produce.

Agriculture Produce Price and Quality Assurance

- Facilitative legal framework will be created to enable farmers for engaging with processors, aggregators, large retailers, exporters, etc. in a fair and transparent manner. Risk mitigation for farmers, assured returns and quality standardisation shall form integral part of the framework.

Fourth Tranche

Fourth Tranche announced structural reforms in 8 critical sectors

- Coal, Minerals, Defence Production, Airspace Management, Social Infrastructure Projects, Power Distribution Companies, Space Sectors and Atomic Energy.

Coal Sector

- Government is introducing the commercial mining of coal. India needs to reduce import of substitutable coal and increase self-reliance in coal production.
- The investment of Rs. 50,000 Crore is for the evacuation of enhanced CIL's (Coal India Limited) target of 1 billion tonnes of coal production by 2023-24 plus coal production from private blocks.

Minerals

- Enhancing private investment in mineral sector.
- FM also explained the rationalisation of stamp duty payable at the time of award of mining leases.
- 500 mining blocks would be offered through an open and transparent auction process. A joint auction of Bauxite and Coal mineral blocks will be introduced to enhance Aluminium industry's competitiveness.

Defence Production

- Indigenization of imported spares, separate budget provisioning for domestic capital procurement.
- FDI limit in defence manufacturing under automatic route is being raised from 49 per cent to 74 per cent. Corporatisation of Ordnance Factory Board has also been announced.
- Civil Aviation (Airspace Management, World Class Airports through PPP, MRO, HUB).
- Restrictions on the utilisation of Indian Air Space will be eased so that civilian flying becomes more efficient.
- Government is working hard to make India a global hub for aircraft maintenance, repair and overhaul.
- Airports Authority of India has awarded 3 airports out of 6 for operation and maintenance on PPP basis. Additional investment by private players in 12 airports in first and second rounds expected to be around Rs. 13,000 crores.

Power Sector Reforms

- Power Distribution Companies in Union Territories to be privatised in line with the new tariff policies. This will enable to strengthen industries and bring in efficiency in the entire power sector. This will also enable stability in the sector, announced the Finance Minister.

Boosting Private Sector Investment

- Boosting private sector investment in Social Infrastructure through revamped Viability Gap Funding Scheme of Rs. 8,100 crores.

Space Sector

- Boosting private participation in space sectors. Government is working on a liberal geo-spatial policy. Private sector to be co-traveller in India's space sector journey through launches, satellite services, commented the Finance Minister.

Atomic Energy

The government intends to link India's robust startup ecosystem to the nuclear sector. Technology Development-cum-Incubation Centres will be set up for fostering synergy between research facilities and tech entrepreneurs. Establishment of research reactor in PPP mode for production of medical isotopes.

Fifth Tranche

MGNREGS: Additional funding of Rs. 40,000 Crore to the scheme over and above the Budgetary estimate.

Health: All districts will have infectious disease hospitals while at the block-level, public health labs will be set up.

Education: PM eVidya programme to be launched immediately. Each classroom from 1 to 12 will have one TV channel. Special e-content for visually and hearing impaired. Top 100 universities will be permitted to start online courses by May 30, 2020.

IBC Reforms: Covid-related debt to be excluded from definition of default under the IBC. No fresh insolvency for next one year. Minimum threshold to initiate insolvency raised to Rs. one crore from one lakh

Decriminalising Companies Act: Violation under list of the "Companies Act to be decriminalised. This will ease the burden on courts and tribunals. Seven compoundable offences under the Companies Act being dropped 5 offences to be dealt wider alternative framework.

Listing Norms: Companies can now list securities directly in foreign jurisdictions.

New Public Sector Policy: All sectors are open to the private sector will public sector enterprise lay an important role in defined areas.

Government will notice strategic areas and in them at least one PSE will remain, but private sector will be allowed in other sectors. PSEs will be privatized.

Additional Resources to States: Centre has decided to increase borrowing limits of States from 3 per cent to 5 per cent for the year 2020-21. This will give extra resources of Rs. 4.28 lakh crore to States. This despite States having borrowed only 14 per cent of the limit authorised to them. 86 per cent remains unutilised. The additional borrowing limit has been linked with initiating reforms.

The Finance Minister also gave a break up of how the Rs. 20 lakh crore was allocated among the five tranches and the previous schemes as well as the RBI measures.

Sr. No.	Item	Rs. Crore
1	Part 1	5,94,550
2.	Part 2	3,10,000
3.	Part 3	1,50,000
4.	Part 4 & 5	48,100
5.	Sub-Total	11,02,650
6.	Earlier measures including PMGKP	1,92,800
7.	RBI Measures (Actual)	8,01,603
8.	Sub Total (6+7)	9,94,403
	Grand Total	20,97,053

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