

ECO-POLITICAL IMPACT IN INDIAN ECONOMY FOR CRITICAL CORONA VIRUS OUTBREAK: A CASE STUDY

Sk Monawar Hossen

Research Scholar

Department of Political Science, West Bengal, India

Email-monawar121@gmail.com

Abstract

The overall number of cases and death toll is increasing day by day for Corona (Covid 19). This is a troubling scenario in India, will reach Stage 3 of COVID-19 transmission in a few days with a large population. If no appropriate preventive measure or vaccination is used then it will be very difficult to stop the spread of this virus. The decline in manufacturing and construction works lead how unemployment in India is rising up. Now more than 70 days lock-down will have a huge impact in Indian economy. The non performing assets will increase as unemployment increases, including retail sector. The paper also shows some of the remedial measures that must be taken care of so that there is a boosting aspect in the economy as soon as the lock down gets over. Honorable Prime Minister Narendra Modi have been propagating deeply in the interest of protecting people from attacking corona before he can seek some political suggestions on expanding the lock down But there are no proper pipeline suggestion by keeping a balance between controlling Covid 19 hotspots area and economical urgency. Just we need to have the right immunity power to protect corona. Yes of course, in the mean time same immune system is required for a healthy economy.

Keywords: COVID-19, Lock down, Hotspots, Unemployment and immune system

Introduction

On 31st December 2019 in Wuhan Town, Hubei Province, the China Health Agency warned the World Health Organization (WHO) of multiple pneumonia in central China with uncertain reason. The recorded case has been on the Huanan Seafood Wholesale market since 8th December, 2019, where several people employed or stayed. A new corona virus was reported on 7th January from the throat swab sample of a patient. The pathogen was later named as the Corona virus belonging to the Study Group SARS-CoV-2, and the WHO identified the 2019 COVID (COVID-19) as a severe respiratory syndrome. As of 21st April, 2,476,675 cases were reported and number of active cases is 1, 596,728 in the whole world were identified. (COVID- 19 Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU), (2020).

The WHO has stated the epidemic of SARS-CoV-2 an International Public Health Emergency (PHEIC). The epidemic is increasing quickly across mainland China and has now entered many nations.

Both global markets are tightly consistent in this new era. It will have a low to large influence globally if it occurred in some region of the world. This would have a significant impact on one of the largest economies like China in the world. Worldwide, over 27 million workers are reported to be affected by corona-virus spread by the International Labor Organization (ILO). Four individuals out of five (80 percent) of the global 3.3 billion population are projected to be impacted by full or fractional employment closing. Kristalina Georgieva, director of the International Monetary Facility (IMF), said that since the great depression of the 1930s the world has been experiencing the toughest global downturn (PTI, 2020). There are high concerns for informal, low pay and low skilled workers. This utter lack of wealth is devastating to them. The aim of this paper is to analyze the difference between the pre pandemic and the post pandemic situation of the work force in India.

Objective of study

1. What is the current scenario of the job market?
2. What is the impact of the lock down in India?
3. How can India regain its growth after the lock down?

Our honorable Prime Minister Narendra Modi announced a 'Janta Curfew' on 22nd March, Sunday, followed by a complete 21 day lock down from 24th of March across India and requested all to remain socially distant. He informed that people that come from outside or other nations are to be isolated or in quarantine. This shows that within the two-week period of lockdown, 120 million workers have lost their jobs. If we presume that one-half (60 million homes or 300 million people) of India's households, on the basis of the census of 2011, are a family members with an average family size of four households, it may face a severe survival problem and about 227 million households are badly affected. The CMIE study revealed that employment has declined dramatically and unemployment has risen significantly in March 2020. The unemployed people have also increased up from 32 million to 38 million during the same period. The situation became further poorer as we moved into the lockdown period in the last week of March and the unemployment rate scored to 23.8%.

The five major impacted industries in urban areas are the manufacturing (28 million), retail, hotel and restaurants (32 million), building (15 million), shipping, storage and communications (11 million) and banking, enterprise and real estate (7 million). This sector is influenced by approximately 93 million informal staff. 50% of the 93 million unpaid employees operating in these sectors are self-employed, 20% are seasonal day-to-day wage jobs, and 30% are wage and contract employees without any network of social security. Casual employees are considered the most disadvantaged in the building industry because of the irregularity of their jobs and the lowest average wage earned. Therefore, some frequent staff, those who are currently not in service, skilled workers and small shopkeepers who may sit idle at home or come back to their homes or remain in the accommodation will not be able to recoil from the lockout time.

The survey result showed:

Major 55 percent of Indian companies have been seen to have a major effect even in early stages on company activities as a consequence of the Corona virus outbreak.

Cash management in companies has been greatly impacted by the pandemic with approximately 75% recorded cash flow less.

The pandemic has had a huge ill effect on the supply chains, as more than 60% of the respondents claim their supply chains have been impacted. The corporations have also found out that they track the situation cautiously and anticipate the pandemic's effect on the supply chain to escalate further.

Literature Review:

A limited amount of study has been done on this topic. But, as the virus has been spreading rapidly, which cannot be controlled through without any vaccines furthermore there are need of certain studies which would suggest what are the possible ways in which an economy should progress when the lock down gets over.

Why has a global recession contributed to a health problem? How the world economy coping with the spread of the corona virus? The answer lies in two approaches that crippled economic operations through corona virus. Firstly, the virus spread promoted social isolation and contributed to financial markets, companies and events being shut down. A race to public health and business protection by customers, creditors, and foreign trade partners contributed to the rapid development of the epidemic, and the resulting confusion as to how bad the condition will be

Methodology

In this paper, I present an analysis of how the novel corona virus is affecting the Indian economy. The paper also talks about the possible ways through which India can regain its economic growth as soon as it recovers from the Corona virus pandemic and the Study is completely based on the secondary data. The required data are collected from databases and senior professor interaction, CMIE database, and various newspapers, articles and journals

Mirror of market:

Over the last two weeks more workers have been shattered over India than all in global history. Today, India has around 137 crore inhabitants (India Population, 2020). Around 103 lakh, having age more than 15 years, is in the working population.

In two weeks' period, the amount of productive staff decreased from 40.4 crore to 28.5 crore, which reflects an additional 11.9 crore. The condition is, however, that in the last two weeks, about 12 Crore Indians have lost their employment. Suppose that eight of these crore was their family's primary or only earner.

For the full month of March, CMIE estimated the jobless rate to be 8.7 percent compared with 7.8 percent in February 2020 (Goswami, 2020). This is apparent that jobs has dropped significantly and that unemployment has increased at the same period in March 2020, according to CMIE whose survey sizes typically reach 117,000 people for monthly figures.

Impact of Lock down:

(a) Unemployment

The uncertainties regarding Covid-19 have been reduced to a domestic and foreign market shock due to the effects of imports from China with social distancing and locks in certain areas contributing to shutdowns of output and job losses. At the national stage the influence of the pandemic could have a longer-term effect on some other industries, especially if demand is at a discretionary point, resulting in stagnation in domestic needs, deterioration purchasing power due to losses at employment or wage cutting and the trickle-down consequences of demand rescheduling.

It said lower global demand and the price of goods such as oil and gas, metals, would have an effect. The chart below shows the rise of the unemployment in the time of Covid – 19, in comparison to the previous years.

Unemployment rate

Months	2016(%))	2017(%))	2018(%))	2019(%))	2020(%) (Till June)
January	8.69	5.91	5.12	6.86	7.19
February	8.46	5.51	5.87	7.20	7.78
March	8.73	4.67	6.06	6.65	8.74
April	8.90	3.87	5.57	7.35	7.69
May	9.65	4.09	5.14	7.03	5.50
June	8.91	4.12	5.75	7.87	5.12
July	8.51	3.37	5.66	7.34	
August	9.59	4.07	6.27	8.19	
September	8.46	4.63	6.47	7.16	
October	6.73	5.01	6.83	8.10	
November	6.51	4.72	6.65	7.23	
December	6.40	4.74	7.02	7.60	

A clearer picture can be shown if we compare between the pre pandemic scenarios of unemployment with the existing one. The Labor Report of March 2020 was alarming. Yet things have become even stronger over the past two weeks. In April 2020, the unemployment rate hit an all-time peak of 23.8%. In March 2020, the labor rate was 41.9%. In February it was 42.6% and in March 2019 it was 42.7%. Because of the national closure to curb the spread of corona virus, CMIE data expected a decline in labor participation levels. Yet just before the lockout, this decline appears to have happened.

From January to March, the number of people working fell from 411 million to 396 million, whilst the number of unemployed increased from 32 million to 38 million.

(b) Fall in Industrial Production

The lock-down is excluded from power generation, steel processing, fertilizers, fuel, drugs, petroleum products and mining. Output in these sectors continues. But exempted sectors face rising competition, labor shortages and fragmented supply chains. Data are compiled as four month moving average.

Consumption of oil products fell 18.8% in March 2020 compared with a year earlier. This was the largest decline since monthly data on petroleum usage were released in 2003-2004. So, in at least 16 years this would be the biggest fall. In March 2020, electricity generation fell by 8.8 percent relative to March 2019. Therefore, the decline in power production was 5 of the 12 months of fiscal year 2019-20. Reports show that, on the first day of lock down, the average demand for energy dropped to 2.8 billion units from 3.5 billion units until locking on 25 March. That can be seen in the dropping of 8.8% in the whole month. Coal output in March was confirmed to have been in full swing. In March 2020, the CIL coal off take decreased by 10.3%. Inventories have been rising with coal companies and also with power generating companies. Demand also limits steel production. In March 2020, gross manufacturing of finished steel declined 27.4% the worst ever decline since series beginnings in 1995, according to the Joint Plant Committee (JPC). Companies of fertilizer have confirmed or allegedly dramatically decreased demand. GSFCL is the pioneer in sales of di-ammonium Phosphate (DAP) on the industry. Gujarat State Fertilizers & Chemical Ltd. Once of its plants in west Gujarat has been completely shut down, although other plants have cut capacity by 50%. The President of Nagarjuna Fertilizers and Chemicals said that, owing to decreased manpower, the U. S. Jha may not operate on maximum efficiency.

Urea prices increased by 19.2% in March 2020 the largest change since March 2018 and medicines, soaps, detergents and newspapers have also been exempted from the lockdown.

Apart from the above scenarios, the projects those were undertaken are in sure risk of remaining incomplete. Because of the pandemic, Project promoters seem to have postponed project completions. So, all the projects must get started as soon as the pandemic gets over to regenerate the economic growth of India.

(C) India: Needs to be rejuvenated

“We should now plan for what happens after the lockdown, if the virus is not defeated. It will be hard to lock down the country entirely for much longer periods, so we should also be thinking of how we can restart certain activities in certain low-infection regions with adequate precautions.”
– Raghuram Rajan, former Reserve Bank of India Governor. (Rajan, 2020)

The State and the Center will work together quickly in order to recognize the different forms of contribution provided by state and non-governmental organizations and grants of social support to disadvantaged households in the coming months. Owing to such condition of the economy, it is high time that people should work hand in hand with each other. That does not mean that we can ignore our budgetary constraints, especially given that our revenues will also be severely affected this year. We need to prioritize, cut back or postpone lower-sized expenditures, while concentrating on urgent needs. In order to reassure creditors, the State should voice its commitment to return to fiscal rectitude by supporting its plan, as suggested by the NK Singh committee, to create an autonomous fiscal Council and a medium-term debt objective. Small Industrial Development Bank of India may further improve the loan guarantee terms of its bank loans. This reflects the possible future contribution of the SME to the exchequer by the government and today it provides easier access to funding. Large corporations may also be a way of supplying their smaller suppliers with funds. In bond markets, they will generally collect money and pass it on. Unfortunately, corporate bond markets are not very accessible to issues today. Banks, insurance companies, and bond mutual funds should be encouraged to buy new investment-grade bond issuances, and their way eased by the Reserve Bank of India agreeing to lend against their high-quality bond portfolios.

Finally, in the financial field, there are certainly problems in both the household and business markets. Although the bank has saturated the banking system with liquidity, it may have to go beyond lending, for example to well-managed NBFCs, against high-quality collateral. Further liquidity, however, does not lead to loan losses. The non performing assets will increase as unemployment increases, including retail loans. In order to create capital reserves, the Reserve Bank will accept the moratorium on dividend payments by financial institutions. Nevertheless, some institutions can need more capital, and the regulator needs to prepare.

“It is said that India reforms only in crisis. Hopefully, this otherwise unmitigated tragedy will help us see how weakened we have become as a society, and will focus our politics on the critical economic and healthcare reforms we sorely need.” - Raghuram Rajan, former Reserve Bank of India Governor.

Conclusion:

The continuous decline in the jobs and growth will have a huge impact on health and survival for the weaker section of the people. (Jagannathan, 2020) Prime Minister Narendra Modi is in front of tremendous anxiety from several State Heads and his health department in India to extend the lock to avoid infection. The IT industries are now in function and the amount of citizens contaminated is increasing after they have begun their everyday jobs. There would be an eagerness to stretch the lock down so he must stop it. There is no situation where the lockout stops suddenly and it has to

be done in stages by keeping a balance between Covid 19 hotspots and economic needs. Mr Modi should open up certain places where there are very less or no cases registered in the past 14 days. The lock down in the more disease lying face down areas can be extended considering the situations. Long-term lock down would deepen our systemic unemployment. Mr Narendra Modi will think about deeply in the interest of protecting people from death before he can seek some political suggestions on expanding the lock down. Some remedies are worse than the illness and the condition is considered life-protection loss. Life itself is less relevant without livelihoods. Just as the right antidote to sickness is a healthy body, the right antidote to Covid-19 in the medium term is a healthy economy. (Jagannathan, 2020)

Lastly the country is now passing through a deep crisis, first due to the devastated economy, then for Covid epidemic, and third for the division amongst people.

WHO has stated that “Without unity we assure you, even any country that may have a better system will be in trouble and more crisis. That's our message unity at national level, no politicizing, no need to use COVID to score political points, no need.” What is urgently needed at this point is unity. Fight against Covid could not be won unless efforts of people are united. To regain the trust of people then the fear of poor and marginalized are to be mitigated. A fear psychosis has grown within the psyche of poor and marginalized that the ruling alliance has a secret plan to devour of their citizenship and other rights. So long it will not be done the objectives of Lockdown will be portrayed to them to be something else than Covid.

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