

Pandemic Effect on Indian GDP

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Introduction

Corona virus is driving people to death across the nations; whole world is battling this pandemic in their own ways and means. Scientists hypothesized Corona virus originated from the bats and having similar structure to SARS (Severe Acute Respiratory Syndrome), which caused several thousand deaths in China and some parts of European countries, in the early 21st century.

Corona Outbreak and its Effects

People and governments were unaware of the virus spread when it first appeared in Wuhan. But by February, the virus was threatening the existence of human race across the nations. When a virus contracted person sneeze or cough in open, the virus transmits to the nearby person through the droplets. Though the virus takes days to affect the human immune system and show the symptoms, the rate of transmission or spread among people is within seconds. The symptoms include dry cough, cold and fever. One hypothesis postulates, there would be as many as 8 to 12 viruses in one saliva droplet of a virus contracted person. Generally, it takes minimum five days for an infected person to show the symptoms and the number of days varies with individuals. One hypothesis suggests, some people may exhibit symptoms after two weeks; individual with healthy and active

immune system sometimes may go without exhibiting symptoms at all. This implies throughout the incubation period the virus contracted person will be the virus carrier, transmitting to all the individuals around him without his conscious. *This is the main reason the epidemic soon turned out to be a pandemic.*

The whole world has never seen such a death toll since world war II. USA, Italy, Spain and France are experiencing their worst nightmares. So far, there are more than one million confirmed cases with more than one lakh deaths worldwide (status as on 11th April 2020).

India, the second populous country in the world, responded and announced lockdown when the virus spread was at its initial stage. Yet, the number of cases have been increasing since lockdown. The country urged its people to stay at home and maintain social distancing to contain the communal spread. Still the poor in the country – especially the migrant workers from other states – kept a deaf ear to the government appeals. Migrant workers are waiting in hundreds at the bus stations to board buses to their respective states. When inquired about why they are not maintaining social distancing and government's stay-at-home appeals, they all have one answer in accord:

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“We are left with two choices – either die due to hunger or die due to corona; we prefer the latter to the former!”

Objectives of the study

- To understand the impact of COVID-19 in poor households.
- To understand the impact of COVID-19 in development industry.
- To understand the impact on India’s GDP.
- To understand the possible changes of Indian GDP in future
- How COVID-19 is a challenge for development professionals?

Methodology

This study constituted by reviewing the articles issued by organizations like UNWTO, CII, WHO and media reports.

Indian Economy

Economy is directly proportional to consumption. If consumption increases economy increases and vice versa. Due to lockdown, country’s consumption is declining and is likely to touch the lowest point if the lockdown further continues. Post-lockdown, India will have to face a massive impact in the form of unemployment, and food crisis; vulnerable sections being the worst affected.

“Personal Income – Personal Tac Liability = Personal Disposable Income”

Personal disposable income can be spent in two ways: one by **Savings** and second through **Consumption**. Due to uncertainties in the existing conditions, people prioritize savings rather consumption. In 2008-2009, the decline in India’s GDP resulted due to reduced consumption and more savings. As the number of confirming cases increasing daily, it is evident that people prefer to retain or save the money which will result in GDP taking the declining curve.

Indian GDP

In financial year 2019-2020, Indian GDP has been in declining trend; taxes collected for the FY 2019-2020 was just 37%, the lowest collected in last five years. The year 2020 is already facing a financial crisis due to lockdown and there is a possibility that the tax collected for the FY 2020-2021 will be lower than the previous year.

For the FY 2019-2020, three balance sheets were not good: 1. *Bank&NBFC* 2. *Corporate* 3. *MSME*. This resulted in unemployment. To balance it, Indian government provided incentives to big corporates to create employment. But the corporates in India constitutes to 2% whereas rest 98% are the farmers, villagers, laborers etc., who didn’t benefit through this initiative. Hence there is less consumption which eventually resulted in declined GDP.

Economic Possibilities

The three possible economic curves post-lockdown:

A) V- Curve

Economy sharply declines and sharply graduated and will subsequently reach the same spot as earlier. There is a possibility of this economic trend in India if the corona virus spread will be stopped at its early stages and every country in the world starts bounding back, like China economy did.

B) U-Curve

U-Curve depicts economy slowing down and taking more time in its lowest position and after a considerable time starts graduating and returning to its original state.

If this trend likely to happen in India post-lockdown, there is a possibility that governments need to face citizen's aversion due to lack of basic and needy things as well as unemployment.

C) L-Curve

L- Curve means a sudden and violent drop in the economy and will continue in its lowest point without growing for a long time. L-Curve economy trend is very dangerous for any country. This trend is very unlikely for a country like India since there are many ways to increase the Indian economy.

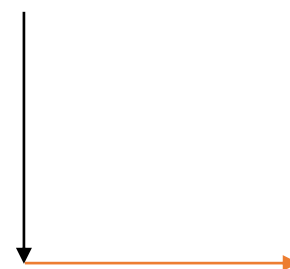
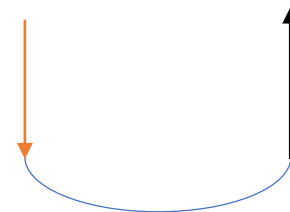
India's Geographical Advantage

US president is persistent in his verbal attacks against China. He went ahead and named the virus as 'Made in China

Virus' rather than Covid-19 during his press meets. On the flipside, Chinese officials are counter attacking every remark of US president. Post-pandemic both the countries are in good business, US providing a business of \$220 billion for China (Excerpt: Donald Trump's Interview). If the current situation prevails there is a possibility that US may withdraw all its businesses from China.



Japan, one of the top five business tycoons in the world, is second to US having huge business investments in China. Just like any other country, Japan now facing country's biggest financial crisis since the second world war. Japan reverted back setting example to other nations. Japan has allocated \$220 million dollars asking all Japan's industries to move out of China. Additionally, Japan offered \$25 million for the industries to set their place in any part of the world except China [Excerpt from Japanese Prime minister interview).



Five nations which are having geographical advantages in the world,

next to China are: India, Vietnam, Thailand, Malaysia and Indonesia. Why? Because these are the nations where the industries will get cheap workforce.

In this regard, India has the huge advantage and likely to become the contemporary options to China. In fact, the recent India's humanitarian act of exporting Hydroxychloroquine to the needy nations especially to US, showcased India's need for the world.

Livelihood Impact

1. Low Income Families

Due to lockdown, corporates and big companies are working from home hence they might not be facing huge economic crisis. Whereas the situation of daily labors and homeless is very critical as they were out of money within the first week of lockdown.

Menial wages and habituated to lead the lives on the basis of daily wages lead the vulnerable sections neither to have savings nor groceries in surplus. Whereas, middle class families and rich families are safe in buying the groceries and needy things in surplus and stocking in their homes.

2. Farmers and Daily Wage Laborers

Amidst lockdown, crops are getting spoiled either at fields or at farmer's houses. Farmers are cutting their produce and spreading in their own farms so that at least the produce might be useful as manure. Most of the farmers take loans before cultivation, wherein they will be pay the moneylenders with interest, after selling their produce. Now the farmers are at loss without able to pay the loan amount; forget about paying with the interest.

Table 1.1 India's Global Ranking

List	India rank	Source
Alcohol consumption per capita	76/191	World Health Organization
Global hunger index	103/119	International Food Policy Research Institute
Suicide rate	19/176	World Health Organization
Health expenditure per capita	141/190	World Health Organization
Medical services	145/176	Global Health Care
Health and survival	150	Health Care World Economic Forum

India's global ranking showcases India's positioning in the world and

depicts how far India needs to grow w.r.t health and medical services.

Conclusion

Australia and Taiwan urged the nations across the world to impose travel ban on China when the Corona deaths increased in Wuhan. But WHO disagreed and preached against travel ban on China. The result - the epidemic turned into pandemic; every nation witnessing loss of life as well as finances since world war II. Unless and until, scientists invent a vaccine, it is very difficult for the nations to revert back to the original conditions.

Many countries are extending their lockdowns beyond 21 days, and India also soon likely to declare the extension of its lockdown beyond 14th April 2020. No one has any idea of how long it may extend! When the pandemic stops; its wrath on the world is uncertain. In this regard, post-pandemic is as important as lockdown since lack of basic things and unemployment in India may likely to lead to manmade calamity which may turn poor against rich, unless the governments tackle the situation benefitted the vulnerable sections.