COVID-19: IMPACT ON INDIAN ECONOMY

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Abstract: this pandemic situation has played a major role in decrementing the economy in India. It affected the major industries such as agriculture, entertainment, small scale industries, large scale industries, food industry. In our paper we have compiled the information and the Acts implemented in India to reduce the impact on economy in India. We have put together some information about how people managed the financial crises. We organized some information about the impact of Covid-19 before and in our present situation. As per recent study tells the main factor affecting the Indian economy is tourism and closing of small scale industries. We have put together some information how other countries managed the impact on economy.

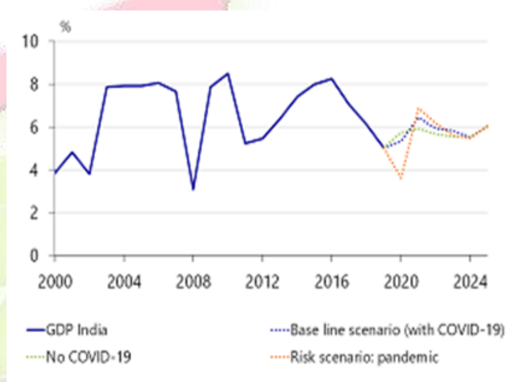
Introduction

In this paper presentation we have taken a topic of economic effect in India during this pandemic situation this we have shared some graphs and tables based on the topic and these are the subtopic we going to discuss in this paper

- ¥ Economic effect during covid19
- ¥ Gdp share market effect
- ¥ Effect on factories
- ¥ Welfare done by government to support economy
- ¥ Reference paper (link) important

Economic effect during covid19

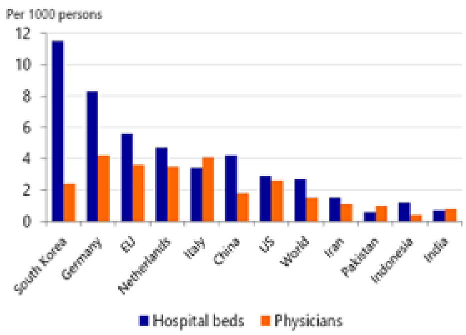
International firms have found out the hard way just how vulnerable their globally integrated supply chains are. This was already becoming clear due to US-China trade tensions but has been exposed to the full by the COVID-19 virus outbreak. The disruption of international trade may prompt international businesses to diversify their production across several countries. In a previous op-ed we already argued that India might even benefit in the medium term, because firms want to rely less on China as their only manufacturing hub and shift (part of) their production to other countries, such as India. This explains why we expect a relatively profound rebound of economic growth in 2021 and beyond



Ultimately, however, these potential positive economic effects will only materialize over time and are a small patch on the wound for all the personal tragedy that is caused by the virus.

What if the situation continues the limited economic impact in India in our baseline scenario assumes that the corona virus will not spread substantially on Indian soil and that the number of cases will remain limited? At the time of writing, only 58 cases have been reported in India, out of just fewer than 120,000 people infected worldwide (see the current COVID-19 monitor of Johns Hopkins University). However, one could question if India is doing sufficient testing. Moreover, we believe India is susceptible to a rapid spread of the virus, due among other things to high population density in combination with health care services that are less abundant than in many Western countries (see Figure 2). The average number of hospital beds and doctors per 1,000 Indians is 0.7

and 0.8 respectively, compared to 5.6 and 3.6 in the EU. Moreover, should the virus touch ground in larger numbers in India, the question would be: what containment measures is the Modi government willing to take, as these would sacrifice economic growth at a time when India's economy is already struggling.



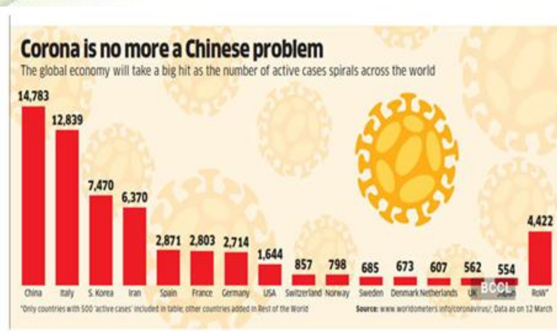
Comparing India with other countries

Given that the WHO already is talking about a pandemic, there is a risk we are quickly moving towards our pandemic scenario. In this scenario, we assume that global spread of the infection sharply increases, also in India. Our calculations show that in this scenario, real growth of the global economy would slow down to 0.7% in 2020. Moreover, we expect the Indian economy to grow by 3.6%, which would make 2020 even worse than 2019 from an economic perspective. In the last couple of weeks, we have conducted a scenario analysis to be able to gauge the global economic impact of COVID-19. The idea behind our scenario study is that we do not resort to top-down judgments on key parameters, but we use a set of assumptions to capture the disrupting effects that COVID-19 is causing. We made assumptions for two scenarios. In the first scenario, which is our baseline scenario, there will be heavy output losses in China and certain other countries (South Korea and Italy) where the virus has spread substantially, but the downturn in economic activity will remain limited in countries where the virus is not as yet widespread. The second scenario is a risk scenario in which the global spread of the infection sharply increases, with countries where the outbreak is currently limited facing a corona epidemic as well (thus a full-blown pandemic). Finally, we used our economic models to calculate the impact.

A comparison of year-on-year growth in GVA and jobs in 2018-19 shows that the construction sector and the trade, hotels, transport, storage and communication sector had the highest employment elasticity in the non-farm, non-government sector. Which states or sectors to support is not the only policy question going forward. There will also be a choice in terms of supporting producers and consumers. For instance, according to the Annual Survey of Industry (ASI) data, Tamil Nadu, Gujarat, and Maharashtra had a share of 45% in value of output of textile and apparel in 2011-12. This output was consumed across the country. An analysis of the 2011-12 Consumption Expenditure Survey shows that Uttar Pradesh and Bihar had a share of 19.9% in total consumer expenditure on clothing and bedding. These two states had a share of just 3.9% in value of output of textile and wearing apparel. If consumer demand does not revive in these two states, supporting textile manufacturers will not yield results.

Gdp share market effect

In just weeks, the Corona virus pandemic has shaved off nearly a third of the global market cap. The Indian equity market bounced back valiantly on Friday, but the Sensex still closed 20% below the peak achieved two months ago. Investors can get some cold comfort that other markets have fallen more. The spread of the virus has triggered panic across the world and shaken the confidence of investors.



Making things worse is the crude oil war between Saudi Arabia and Russia, which has injected volatility into other assets. "Earlier, only the equity and debt markets were impacted by the Covid-19 scare; now the commodities and currency market are in turmoil due to the crude oil war. After a crash of this magnitude, market confidence usually does not come back soon. So, it is better to wait for calm before taking

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big investment decisions," says Anil Sarin, CIO - Equities, Centrum Broking. Before considering what investors should do now, let us understand the reasons behind this turmoil.

Financial sector woes

The domestic consumption slowdown, triggered by the failure of large financial institutions such as IL&FS and DHFL, is still lingering. Now we have another situation in the form of the Yes Bank crisis. Though only time will tell how the Yes Bank fiasco will shape up, the revival package for the bank is a good short-term step. "The Yes Bank crisis seems to be heading for a solution due to government and RBI actions. If that happens, at least one immediate worry will be out of the way," says Sarin.While other commodities are down, gold has gone up because of the demand for a safe haven in uncertainty. The hope of rate cuts by global central bankers (the US Fed has already cut rates by 50 basis points) is also keeping gold demand intact. "Our initial target for gold was $1,700. However, it can go up to $1,800 if Covid-19 is not contained soon and central bankers are forced to come out with more rate cuts," says Singh. The impact gold rally will be more for Indian investors because of the fall in rupee now. Gold and stocks are inversely proportional. When the price of gold rises, the stock market falls. Gold does well when the stock market is bearish. There is a maximum sale of gold ETFs, gold bars and gold coins when the stock market goes through a rough phase.

- **Gold**

Gold is India's most popular investment option and the country is one of the largest consumers of the metal, contributing around 25 per cent of the global demand. Gold is regarded a safe investment, especially during economic and financial crises. Investors use gold as an instrument to shield their portfolio investment. Gold prices fluctuate in financial and political uncertainties as well as changes in interest and exchange rates, government policies and other reasons. The corona virus pandemic upended the gold market in 2020. The temporary closure of refineries and mines affected supplies, while social distancing, curfews and lockdowns measures hurt demand. Demand returned when other investment options looked shaky in the pandemic. Here is what shapes gold investment. Gold exposure brings down portfolio volatility and experts recommend 5-10% allocation to gold in an individual's portfolio. Investors underweight on gold should add more now. The best way to invest in gold is through gold ETFs or gold bonds, not in physical gold. But don't go overboard. "Gold has already rallied and most of the fear premium is already priced in. Since global gold ETFs are very liquid, there may be profit booking if the price continues to move up," says Lakshmi Iyer, Head of Fixed Income and Product, Kotak Mutual Fund According to the World Gold Council, with one per cent rise in income per capita, gold demand rises by one per cent. With one per cent increase in prices, gold demand dips by 0.5 per cent. Jewellery demand is rising in India for wedding and festivals, causing an increase in gold prices. The amount of gold mined decreases every year, but not demand. Mines and refineries comprise majority of the total gold supply, and jewellery makes up for over half of the total demand. The difference between total demand and total supply is a deficit or surplus (net balance, reflecting the gold price to go rise or dip).

- **Crude oil shares**

Crude oil is a volatile commodity in world markets. Gold price increases when that of crude oil falls. A volatile US dollar affects gold and crude oil as well. A weak dollar may trigger a

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volatile boost in the prices of crude oil and gold. An expansion of oil revenues improves investment conditions in the gold market. Consequently, price levels of crude oil and gold move upward. Furthermore, a rise in the oil price leads to a surge in the demand and price of gold. Since oil and gold are 'dollar-demonstrated assets' so when the value of dollar rises then the price of both oil and gold decreases as investors from other countries find these assets or commodities expensive to buy. When the value of the dollar wavers, both commodities fluctuate simultaneously in opposite direction to the dollar. “Though there will be counter cyclical rallies during times of central bankers’ actions like rate cuts, the outlook is clearly bearish and in worst case, Brent oil can go down to $25 level,” says Praveen Singh, AVP, Fundamental Research – Commodities & Currencies, Share khan Comrade. However, the crude oil war is a blessing in disguise for oil importing economies like India.

Currency

In India, high import duty and the value of Rupee keep gold prices high. When the US dollar dips in value, demand picks up for gold as the metal becomes cheaper than other currencies. A strong US dollar makes commodities like gold expensive to purchase in other currencies, weakening demand for the metal. Gold and Rupee are inter-dependent. If the Rupee’s value increases (in comparison to the dollar), then gold prices go up. The Rupee’s value is linked to India’s exports and imports. If India’s imports exceed exports, the Rupee weakens. If India increases its exports, the Rupee rises. If India exports more gold, then the strength of its currency increases when gold prices increase. If India imports more gold than usual, then the Rupee falls.

Effect of corona in small scale factories in India

The MSMEs sector has been one of the most vulnerable sectors during pandemic because of its size, scale of business and availability of financial resources. Studies and surveys showed that approximately 95% firms were impacted negatively due to national lockdown imposed in April 2020, 70% of businesses remained disrupted till August 2020. Even after progressive unlocking, reports suggest that almost 40% businesses remained interrupted till the end of February 2021. The three critical barriers faced by MSMEs are market access, overall productivity and getting access to more finances. An average 11% decline in business volume of Indian MSMEs has been recorded because of lockdown in 2021 in comparison to 46% decline during nationwide lockdown in year 2020.The apparel manufacturing units of the export sector realized business loss of over Rs. 150 core from March 2020 to May 2020. Loss of India’s leather industries has been valued to be Rs. 11,210 core in global market. All India Manufacturers Organization conducted survey on MSMEs and confirmed that the self-employed MSME units, predominantly 35% of MSMEs sector, do not have any scope of recovery for their businesses and have already started winding up their units. Most informal workers labor for micro, small, and medium-sized enterprises (MSMEs) that emerged as intermediate inputs and services suppliers to the modern sector. However, workers struggle to get paid, which the government identifies as great challenge. Payroll and other taxes, as well as limited access to subsidized credit for large firms, are disincentives to MSME growth. Although over half of India has Smartphone access, relatively few can timework. Retail and manufacturing jobs require physical presence involving direct client interaction. Indeed, income for families unable to timework has fallen faster . In a statement, the Confederation of All India Traders (CAIT) reported that the traders across the country are highly depressed because of very minimal footfall of the consumers, considerable absence of employees, and having serious financial problems. Another survey conducted by a non-financial banking institution, in the second half of May 2020, focused on the financial impact of the pandemic on MSMEs and their outlook towards the earnings. It is based on responses from 14,444 MSMEs. Nearly 50 per cent of micro, small and medium enterprises (MSMEs) were reported to have witnessed a 20-50 per cent reduction in their earnings. According to apparel industry body Clothing Manufacturers Association of India (CMAI), which surveyed 1500 of its members, at least 60 per cent of them anticipated a drop in revenue to the tune of 40 per cent and almost 20 per cent of them were thinking of closing down their business after lockdown. CMAI has around 3,700 members employing over 7 lakh people, mostly MSMEs. Garment industry in India is largely populated by MSMEs. In a survey of 360 enterprises

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the enterprise owners were asked to estimate their total losses if the lockdown were to end on 17 May. On average, this was reported to be around 17% of their annual sales, which suggests that about two months of revenue has already been wiped out. The smallest MSMEs experienced the biggest losses. Firms with less than eight employees lost 24% of their annual sales, whereas those with over 45 employees lost about 10%, which is significantly lower. The survey data also show that MSMEs were, on average, operating at 75% of their capacity before the lockdown. After the lockdown, MSMES were operating at an average of only 11% of capacity, with 56%

Crunch of Capital

SMEs in India are largely UN organized; most of the transactions carried by them are in cash and not entered properly in accounting books. In the absence of accurate transaction data, these businesses do not get the mandatory credit score and find it difficult to access business loans from the formal sector.

High Cost of Transaction

Business volumes of MSMEs remain low in most of the cases and hence cost of transactions remains high, both in offline and online modes of payment. This affects company's profit margin significantly in medium to long run.

Risk perceptions by banks & financial institutions

In absence of high credit score or collaterals, most of the banks perceive MSMEs as risky clients. This problem amplifies when the client is any start-up. Even if banks get convinced to disburse loan, rate of interest remains higher than normal. Different MSMEs have different financial requirements, depending upon the size of business, cash flow pattern and vendor engagements. All this requires tailor made services and products.

Managing the crisis

Government of India started its e-market place to increase the share of MSMEs in Government procurement. A digitally activated market ecosystem is capable to reduce cost, improve work efficiency, foster product development and improve safety of workers. Collaboration with research institutions, tech start-ups, and existing foreign players may prove an effective business strategy for MSMEs to develop a low-cost production base and penetrate in Indian market. Indian Governments supportive programmers from SMEs like Emergency Credit Line Guarantee Scheme, low repo rate, e-market linkages, PF and EPF support for both businesses and workers etc. have started showing positive result

Relaxing tax returns and due dates:

Several measures to help businesses including MSMEs were announced. Income tax filing due dates have been extended by 30/90 days, in the case of small tax payers (INR< 50 million of turnover) the late payment interest on delayed payment of taxes reduced to 9 per cent till June 2020, and filing due dates for Goods and Services Tax (GST) is extended to June 30, 2020, among many other administrative relaxations.

Easing the cost of bank credit:

The Reserve Bank of India has gradually reduced interest rates from 5.15% in February to 4% on 22 May. It has also announced a three-month moratorium on repayment of term loans.

Special Package: The government announced a support package with the specific objective to support the availability of credit to SMEs andmicroenterprises.19 the package has the following three components INR 3 trillion (INR 300,000 core) for collateral free loans to MSMEs. Under this scheme commercial banks and Non-banking

Welfare done by government to support Indian economy

The Ministry of Corporate Affairs (MCA) administers the provisions of the Companies Act, 2013 (herein after called as the Act) and the Limited Liability Partnerships ('LLPs') Act, 2008 and the Insolvency and Bankruptcy Code (IBC), 2016.This was stated by Shri Anurag Singh Thakur, Union Minister of State for Finance & Corporate Affairs in a written reply to a question in Lok Sabha today. Giving more details, the Minister shared the information pertaining to MCA

Companies Fresh Start Scheme (CFSS) 2020:-

Through the General Circular no. 12/2020 dated 30.03.2020, the Ministry launched the "Companies Fresh Start Scheme, 2020 which inter- alia provides opportunities to Companies to make good any filing related defaults, regardless of duration of defaults, and make a fresh start as a fully compliant entity. The Scheme condoned the delay in filing the belated documents and gives immunity from prosecutions and

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proceedings for imposition of penalty which might arise on account of such delayed filing of documents. No additional fees was charged for late filing during a moratorium period from 1st April to 31st December, 2020 in respect of documents, returns etc. required to be filed in MCA-21 Registry. As per records, 4, 73,131 numbers of Indian Companies and 1,065 numbers of Foreign Companies have been benefited by availing the CFSS, 2020 scheme for filing their pending documents

LLP Settlement Scheme, 2020:-

This Ministry vide notification dated 04.03.2020 introduced LLP Settlement Scheme, 2020 to provide one-time relaxation in additional fees to the defaulting Limited Liability Partnerships ('LLPs') to make good their defaults by filing pending documents with the Registrar of Companies ('ROC' or 'Registrar') to ease the hassle of business enterprises. The LLP settlement scheme was initially rolled out from 16.03.2020 to 31.03.2020 for certain filings by LLPs. Further, due to the COVID-19 pandemic the said scheme was further modified and expanded from 01.04.2020 to 31.12.2020 to cover all e-forms. As per records 1, 05,643 numbers of LLPs have been benefited by availing the LLP settlement scheme 2020 for filing their pending documents.

Scheme for Condo nation of delay for Restored Companies by NCLT between 01st December, 2020 to 31st December, 2020:-

In order to provide benefit of filing overdue forms and to provide waiver of additional fees for restored companies by National Company Law Tribunal (NCLT), the Ministry vide Circular No. 3/2021 dated 15.01.2021 announced a Condo nation of Delay Scheme for Companies restored by NCLT between 1st December, 2020 to 31st December, 2020 under section 252 of the Act. The Scheme provides to condone delay in filing forms with the Registrar, and spares payment of additional fees. Certain other terms are stipulated and are available in the Scheme document. This Scheme is in operation from 01st February 2021 and will be available for filing of any overdue e-forms by such companies till 31st March 2021.

Scheme for relaxation of time for filing forms related to creation or modification of charges under the Act:-

In pursuance of the Government of India's efforts to provide relief to law abiding companies and in the wake of COVID 19 pandemic, the MCA has introduced the Scheme for relaxation of time for filing forms related to creation or modification of charges under the Act, vide General Circular no. 23/2020 dated 17th June, 2020.

a) where the date of creation / modification of charge is before 01.03.2020, but the timeline for filing such form had not expired under section 77 of the Act as on 01.03.2020 and if the form is filed on or before 31.12.2020, the fees payable as on 29.02.2020 under the Fees Rules for the said form shall be charged. If the form is filed thereafter, the applicable fees shall be charged under the Fees Rules after adding the number of days beginning from 01.01.2021 and, ending on the date of filing plus the time period lapsed from the date of the creation of charge till 29.02.2020.

b) Where the date of creation / modification of charge is falls on any date between 01.03.2020 to 31.12.2020 and If the form is filed before 31.12.2020, normal fees shall be payable under the Fees Rules. If the form is filed thereafter, the First day after the date of creation/ modification of charge shall be reckoned as 01.01.2021 and the number of days till the date of filing of the form shall be counted accordingly for the purposes of payment of fees under the Fees Rules.

Paid sick leave is a crucial tool for addressing the economic impact of the COVID‑19 crisis for workers and their families. It can provide some income continuity for workers who are unable to work because they have been diagnosed with COVID‑19 or have to self-isolate. By ensuring that sick workers can afford to remain at home until they are no longer contagious, paid sick leave also helps to slow the transmission of the virus.

Giving details further, the Minister said that the MCA has raised the threshold of default under section 4 of Insolvency and Bankruptcy Code (IBC) to Rs. 1 core from the existing threshold of Rs. 1 lakh vide notification dated 24.03.2020. IBC (Second Amendment) Act, 2020 was notified on 23.09.2020 giving effect from 05.06.2020 for inserting Section 10 A to IBC which has provided for temporary suspension of initiation of Corporate Insolvency Resolution Process (CIRP) u/s 7,9 and 10 of the Code for a period of six

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months or such further period not exceeding one year from 25th March, 2020.The benefit of the suspension is applicable to all those defaults of the corporate debtors that occur from 25th March, 2020 and till the end of period of suspension. The said suspension has been extended vide notification dated 22.12.2020 for further period of three months from 25.12.2020. Such defaults arising between 25th March , 2020 and till completion of suspension period will remain as non-east for the purpose of initiation of CIRP under the Code as Permanent carve out. Section 66 of IBC has also been amended to provide protection to directors from personal liability for COVID-19 period defaults.

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