International Journal of Humanities and Social Science Invention (IJHSSI)
ISSN (Online): 2319 – 7722, ISSN (Print): 2319 – 7714
www.ijhssi.org ||Volume 9 Issue 5 Ser. I || May 2020 || PP 15-25

Impact of Corona Pandemic on Indian Economy

DR. Tarasankar Das
Associate Professor, Department of Commerce. Fakir Chand College. University of Calcutta.

ABSTRACT: *It was declared by The World Health Organisation (WHO) that the new corona virus outbreak is a public health emergency of international concern and COVID-19 can be characterized as pandemic. In this scenario lockdown and social distancing plays an important role to prevent the spread of the disease. India has imposed a 3-week lockdown till April 14 to condemn the pandemic.A complete social and economic lockdown of India for 21 days will have a severe impact on the economy. Indian economy is already under a demand depression, rising unemployment, and lowering of industrial output and profits, all of which are happening together for several quarters. Present study attempts to measure the impact of pandemic on different sector of the Indian economy. The study reveals that social distancing measures will severely affect the service sector including airlines, hotels, malls, multiplexes, restaurants and retailers. The migrant labours are forced to leave the place which will have serious impact on the Indian economy. The Government will have to pay attention to the upcoming economic crisis and adopt differentfiscal and monetary stimulus measures to save the Indian economy.*

KEY WORDS: ***Coronavirus, Pandemic, Social distancing***

Date of Submission: 19-04-2020 Date of Acceptance: 03-05-2020

I. INTRODUCTION

Corona viruses 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 (WHO). A novel, or new, corona virus is called n Cov and with the year of origin prefixed it has been named 2019-nCov. Wuhan, the capital of Hubei province in central China, is the epicenter of the outbreak. The first case of corona virus in India was that in Kerala. An Indian student of Wuhan University in China was the first infected. The diagnosis was confirmed by the National Institute of Virology (Pune). After which several measures were initiated in the country, as a measure to combat the pandemic. The health ministry of India advised compulsory testing of people coming to India from China after 15th January 2020 as there in an incubation period for the virus. The cabinet secretary of India stressed upon the need for 14 day’s home isolation for all those who had returned from China. It was also decided to increase the laboratory facilities and to put up surveillance in relevant tourist location. Gram panchayat were instructed to make people aware of the symptoms and precautionary measures. States were advised to open control rooms, appoint a nodal officer and popularize the control room number. WHO has been assessing this out break around the clock and was concerned both by the alarming levels of spread and severity. According to the assessment made by WHO, COVID-19 has been characterized as a ‘pandemic’. Under the given scenario lockdown and social distancing was considered the only means to restrict the spread of the virus. Initially government of India imposed a three- week country-wide lockdown from 24th March, till April 14 to combat the pandemic. India’s 1.3 billion people went under complete lock down. Total coronavirus cases in India crossed the 24,500 mark on Saturday morning (25/04/20) with 1,429 additional cases in the last 24 hours, according to the Health Ministry. The tally includes more than 5,000 cured and discharged, and 775 people who lost their lives to the respiratory illness causing virus. Government of India has invoked powers under the Epidemic Diseases Act 1897 to enhance preparedness and containment of the virus and declared COVID-19 a 'notified disaster' under the Disaster Management Act 2005. Community surveillance, quarantine, isolation wards, adequate PPEs, trained manpower, rapid response teams for COVID-19 are being strengthened further in all States and UTs. A new strain of Coronavirus, COVID 19, is spreading around the world, causing deaths, lock down and major disruption to the global economy. Such a complete social and economic lockdown of India for 21 days would certainly have a severe impact on the economy. Indian economy is already facing a demand depression, rising unemployment, and lowering of industrial output and profits, all of which are happening together for several quarters. Now the lock down of 21 days would severely impact the supply side of the economy, as the production and distribution of goods and services would trigger a deep economic crisis.

Economic Shock

The pandemic is expected to hit the confidence of the consumers both indirectly and directly. With a consequential fall in the market and contraction in household wealth, house-hold savings is expected to move up thus leading to a fall in the rate of consumption. This being an indirect out fall, the pandemic also appears to have a direct hit on the consumer confidence, by keeping the prospective consumers at home, weary of discretionary spending and perhaps pessimistic about the future. The coronavirus will also influence the supply side of the economy. As the lockdown brings production to a halt, the market will fail to maintain supply chain, and that would lead to absence and layoffs. *(Source: Harvard Business Review)*

Possible impact on different sectors

High risk		Moderate impact	Low impact
Near Term Impact	Impact if the pandemic prolongs		
Service sector Including airlines, hotels, malls, multiplaxes restaurants and retailers	Construction and engineering sector Steel, Gems and jewelry, Textiles	Automobiles, Auto components IT, Petrochemicals Renewable Consumer durables and electronics	Pharmaceuticals Power (other than renewals) Financial sector

(Source: CRISIL)

II. REVIEW OF LITERATURE

FICCI (2020) attempts to measure the demand side impact, supply side impact, financial market impact and impact on international trade caused by recent coronavirus pandemic. The summary shows that 53 per cent of Indian businesses indicate the marked impact of this pandemic and it could require up to three months for normalcy to return.

CRISIL (2020) shows that the pandemic affects the domestic consumption, investments and production which in turn affect the financial markets in India. The study covers how Covid-19 is playing out in different sectors in India. Study reveals that most affected area are auto components, consumer durables, airline service, premium hotels, IT services, construction and petrochemicals.

Kumar Sunil, Pratibha B Thombare and Pandurang A kale (2020) attempts to measure the sector wise impact of coronavirus on Indian industry. The study shows that chemical industry, auto industry, electronic industry, foreign trade and poultry industry will be highly affected by this pandemic.

Bandyopadhyay Ritajyoti (2020) observed that the crisis of 2020 will hit the informal economy more dearly than the crisis of 2008-2009.It is also revealed that the lockdown is likely to adversely affect the logistic sector and the logistical city.

Chacko Kavita, Ranadive Dr Rucha, Hede Sushant (2020) has traced out that as China is India's largest trading partner and China is highly affected by COVID-19, slowdown in the economic activity of China will have an impact on foreign trade of India.

Objectives of the study

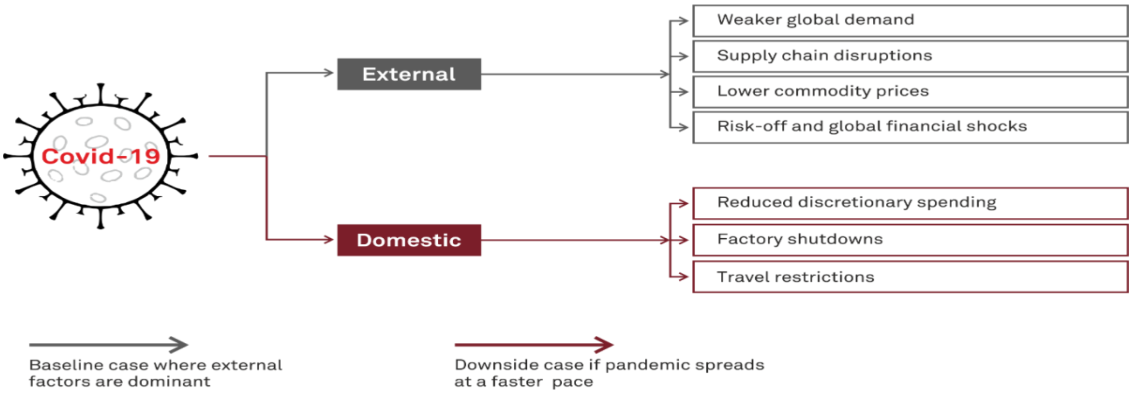
The present study aims to measure the impact of coronavirus pandemic on the different sector of Indian economy. Specifically, the objectives are as follows:

i. To analyse the impact of coronavirus pandemic on different sectors of Indian economy.
ii. To assess the prediction of GDP Growth Rate of India after the pandemic.
iii. To forecast the recovery of Indian economy after the pandemic.
iv. To assess the Government Stimulus for coronavirus outbreak.
v. To identify the factors for potential improvement of Indian economy after the coronavirus outbreak.

Methodology

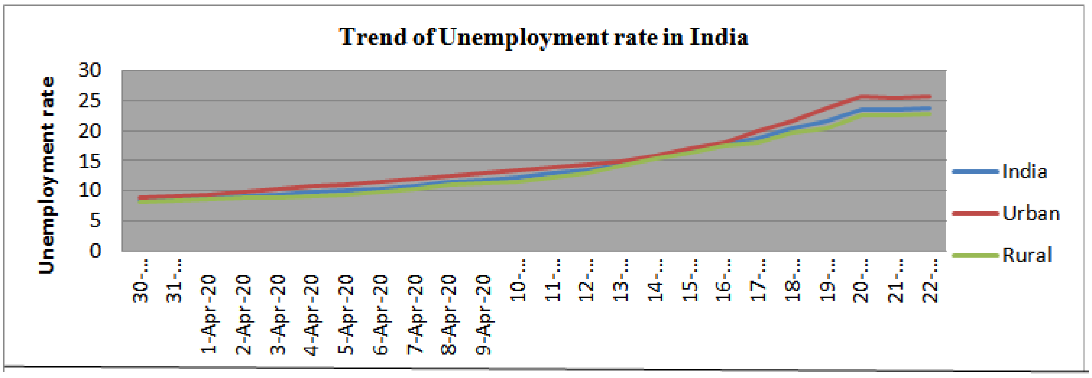
For the purpose of the study, data are collected from Ministry of Statistics and Programme implementation Government of India, Ministry of Micro, Small and Medium Enterprises. Government of India, CMIE, World economic forum, Money control, BSE, NSE, ICMR etc. Different charts and diagrams have been used with the help of daily newspaper such as Economic times, The Hindu etc.

Possible channels of Covid-19 impact on India
Source: CRISIL
2. ANALYSIS OF IMPACT OF COV-19 ON DIFFERENT SECTOR OF INDIAN ECONOMY



2.1 Poverty and Unemployment

About 400 million people working in the informal sector in India are at risk of falling deeper into poverty due to the pandemic which is having "catastrophic consequences", and is expected to wipe out 195 million full-time jobs or 6.7 per cent of working hours globally in the second quarter of this year (Economic times). The International Labour Organization (ILO) in its report titled 'ILO Monitor 2nd edition: COVID-19 and the World of Work', describes coronavirus pandemic as "the worst global crisis since World War II". It is also expected that the COVID 19 would affect the working hours and earnings globally.



(Source: CMIE)

The overall unemployment rate may have surged to 23 per cent, with urban unemployment standing at nearly 31 per cent, amidst the countrywide lockdown due to coronavirus outbreak. Centre for Monitoring Indian Economy (CMIE) estimates show, "In March 2020, the labour participation rate fell to an all-time low, so also the rate of employment, while the unemployment rate shot up sharply."

2.2 MSME

The Micro, Small and Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavours through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. The MSME sector contributes significantly to the Indian Economy in terms of Gross Domestic Product (GDP), Exports and Employment generation. As per the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MOSPI), MSMEs' contribution in Total Gross Value Added during 2016-17 was 31.8%. As per the information received from Directorate General of Commercial Intelligence and Statistics (DGCIS) the Share of MSME related Products in total Export from India during 2018-19 was 48.10%. MSMEs provide employment opportunities at comparatively lower capital cost and act as ancillary units for large enterprises to support the system in growth. Under the Prime Minister's Employment Generation Programme (PMEGP) the estimated employment generated (number of persons) in micro enterprises during the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 were 3.58 lakhs, 3.23 lakhs, 4.08 lakhs, 3.87 lakhs and 5.87 lakhs, respectively. A large number of MSMEs is expected to incur business losses and also face severe cash flow disruption, which is likely to have an adverse effect on the livelihood of several people working in this sector.

2.3 Tourism sector

Tourism in India is a growing sector and has become immensely important for the country's economy. The World Travel and Tourism Council calculated that tourism generated Rs 16.91 lakh crore (US$240 billion) which is 9.2 per cent of India's GDP, in 2018, down from 9.3 per cent in the previous year and supported 42.673 million jobs that being 8.1 per cent of the country's total employment. Unfortunately, the corona virus pandemic would have harmful impact on the tourism sector with the industry in India estimating an overall loss of Rs.5 lakh crore and job cuts to about 4-5 crore people. According to Confederation of Indian Industry estimates of the total losses, the organized sector in the industry such as brand hotels, tour operators, travel agencies which are the mainstay of the sector shall be hard-hit with an estimated loss of around Rs.1.58 lakh crore. As per the World Economic Forum (WEF), this pandemic is putting up 50 million jobs in the global travel and tourism sectoral at risk. Of the 50 million jobs that could be lost, around 30 million would be in Asia. (Economic times). According to CII National Chairman Tourism Committee, "The Industry is facing an existential crisis today". According to him occupancies in hotels have come down to single digit and recovery from such a fall is not expected in near future. Due to the fear of the rapid spread in the pandemic, travel restrictions in different places in February 2020 have led to a fall in foreign tourists in India to 1.01 million as compared to 1.08 million in February 2019, registering a year –on-year decrease of 6.6 percent. According to Industry Chamber (CII), this is one of the worst crisis ever to hit the Indian tourism industry, impacting all its geographical segments - inbound, outbound and domestic, almost all tourism verticals - leisure , adventure, heritage, MICE, cruise, corporate and niche segments.

According to the CII Report, "As the news of the virus started picking up from November, the percentage of cancellations started going up in this segment exponentially and has reached a peak of almost 80 per cent in March in many Indian tourist destinations. "As a result of this pandemic, Indian tourism industry is heading towards bankruptcies, closure of businesses and mass unemployment," [Federation of Associations in Indian tourism and Hospitality (FAITH)]. The World Travel and Tourism Council has warned a cut down of 50 million jobs worldwide in the travel and tourism industry and Asia is expected to be the worst affected. "There has been a drop of 67 per cent in inbound tourism since January as compared to the same period last year. On the other hand, there is a dip of 52 per cent in the outbound travel for the same period. "It seems March is going to be even worse than February," said Pronab Sarkar, President, Indian Association of Tour Operators (IATO).

2.4 Automobile and automakers.

The nationwide lockdown to counter the Covid-19 pandemic has seriously affected the Automobile Industry of India. The country's largest two-wheeler manufacturer, Hero Motor Corporation reported 42 per cent drop in sales during the month of March 2020, over March 2019 to 334647 units of motorcycles and scooters. Owing to the novel coronavirus in March 2020 the auto industry along with the entire global economy has confronted an unprecedented disruption. The COVID -19 has resulted in broken supply chains, sharp cut down in production and lock down, leading to no retails. Premium motorcycle maker Royal Enfield too reported a similar fall of 41 per cent over March 2019 to 35,814 units. The dip in business of TVS Motor Company has been more severe with 55 per cent reduction.

Company	March-20	March-19	Change (%)
Hero Motor Corp	334647	581279	-42.4
Royal Enfield	35814	60831	-41.1
Honda Cars India	3697	17202	-78.5
TVS Motor Com.	144739	325323	-55.5
Ashok Leyland	2179	21535	-89.9

(Source: Economic times)

According to industry estimates, the sale of passenger vehicle in the local markets in March 2020 halved from a year earlier to about 141000units. While two-wheeler sales are estimated to have fallen by 45 per cent to less than a million units, the trucks segments are worst hit with dispatches dropping by over 70 per cent to about 25,000- 30,000 units (Economic times). Market leader Maruti Suzuki reported a 47.4 per cent decline, selling a meagre 76,420 vehicles in the local market in March this year.

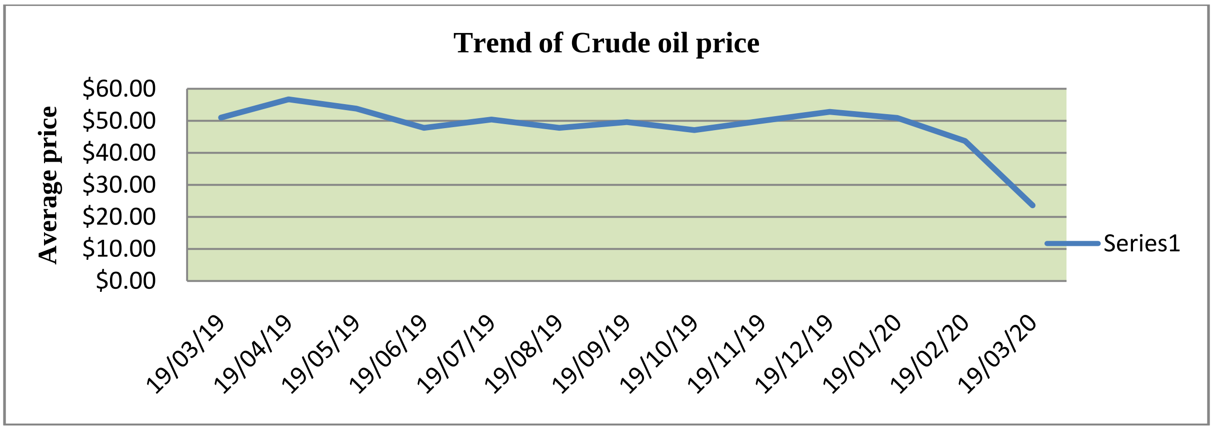
Company	March-20	March-19	Change(%)
Maruti Suzuki	76240	145031	-47.4
Hyundai Motor India	26,300	44350	-40.7
Mahindra & Mahindra	3384	27646	-88
Toyota kirloskar Motor	7023	12818	-45
MG Motor India	1518		

(Source: Economic times)

According to a recent report released by the Fitch Solutions, vehicle production in India is likely to contract by 8.3 per cent in 2020 following an estimated 13.2 per cent decline in 2019. Covid-19 will also make the transition to Bharat Stage Six (BS VI) emission norms difficult which was schedule for, from April 1st, 2020 (FICCI).

2.5 Oil and Gas market

The corona virus pandemic in China and its spread around the world has a crushing effect also on the oil and gas market. Crude oil is at $55 per barrel, down by 20 per cent ($13) since January 7th, when Chinese authorities announced the coronavirus outbreak (Economic times).



(Source: CMIE)

As the pandemic severely restricts public movement, domestic demand for petrol, diesel, jet fuel and shipping fuel have all attenuated 10 per cent in the first fortnight of March, being the first decline in several years and has hampered the economic activity. The country is witnessing a never before fall in the sale of petrol and CNG at different petrol pumps and compressed natural gas filling stations across different states in spite of falling prices. Earnings of refiners and fuel retailers are falling due to drop in sales volume and price collapse, and they are facing deep inventory losses during this quarter. According to Indian Oil Corporation, “The overall demand of liquid fuels has gone down by 10-11 per cent during the first fortnight of March 2020. Due to restriction in movement and travel advisories, the *Aviation Turbine Fuel* (ATF) sales have also dropped by over 10 per cent. The bunker fuel sales are also down by approximately 10 per cent”.

Despite a depressing scenario of the Fuel Industry world over, things have come out as boon in disguise for India.

- Cheaper crude oil will help improve current account deficit, value of rupees and rate of inflation.
- Reduced spending on fuel will leave more money in the hands of the consumers.
- Refiners will be able to raise fuel prices to recover the investments made by them for BS-VI up gradation
- Fuel subsidies is expected to decline
- Government can raise duties to boost revenue.
- LNG terminal operators can store gas at cheap rates now and sell later
- Marketers can look for more customers as gas becomes cheaper.

(Source: Economic times)

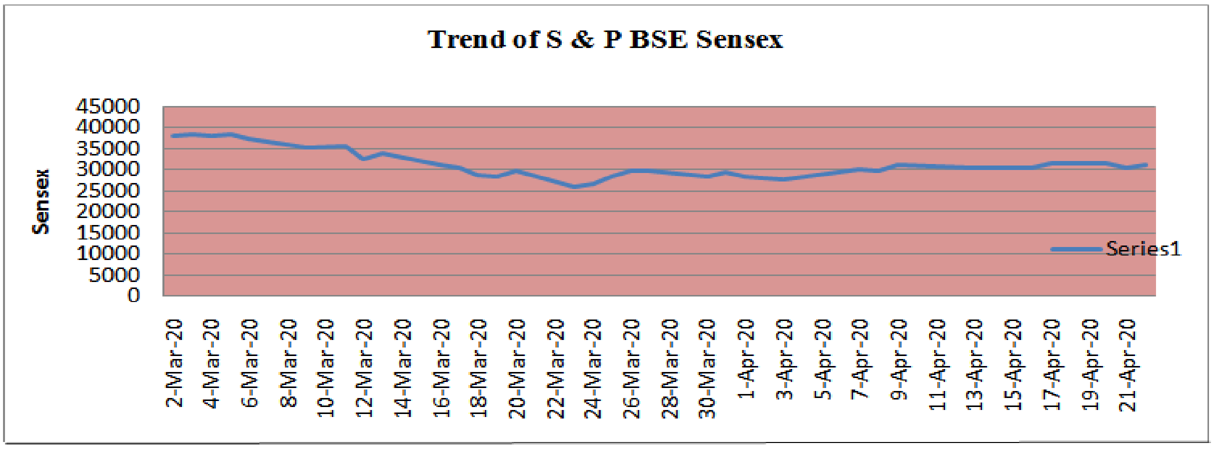
2.6 FMCG

The lockdown in several Indian cities to tackle the COVID-19 outbreak has had an unintended consequence in the FMCG Sector. Manufacturing of essential items has been hit hard (Business Standard). As per reports of various E-commerce platforms, a sharp surge in sales of staples, daily necessities and personal hygiene products in the past few days as panic buying took hold across India amidst the fear of closures as

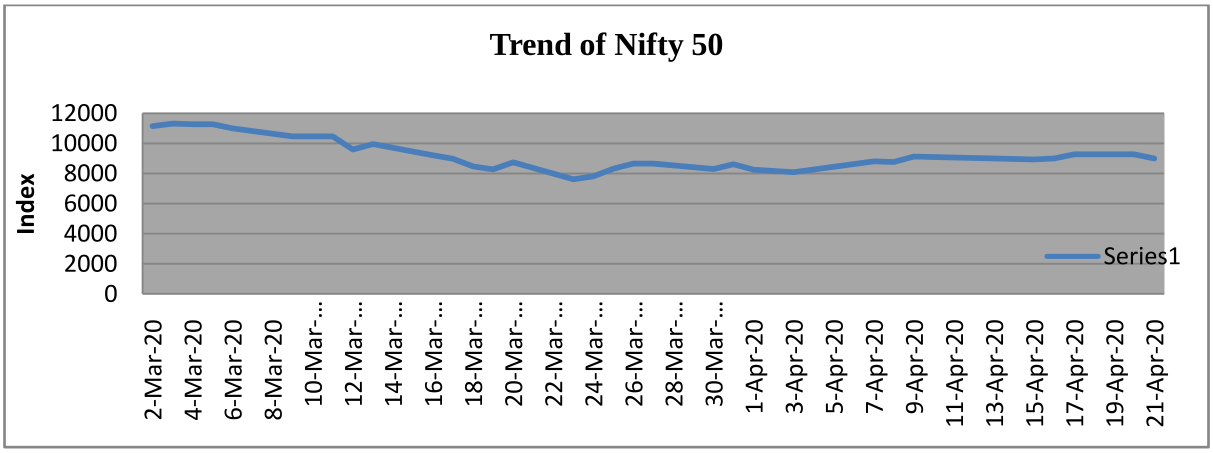
Covid-19 cases increased (Economic times). Deliveries have been delayed and some items such as sanitizers have gone off shelves or are unavailable online. Retailers and FMCG companies said there are no shortages and that they will speed up supplies to shops besides seeking to curb hoarding. According to different Ecommerce platforms sale of products such as rice, atta, pulses, edible oil, sugar, biscuits, tea, instant noodle butter, frozen food, soaps, hand washes and floor cleaners paced up in different places in India. E-grocers like Big Basket and Grofers say that sales have gone up by almost 100%. The unprecedented demand has led to delays and the shortage of delivery personnel has caused the bottleneck. According to online grocery firms some fast-moving staples like onions, potatoes, rice and wheat are stocked out across platforms. Shutting down of malls and shops has severely hurt business for all retailers. This could lead to major job losses as companies won't be able to sustain this for too long (Economic times).

2.7 Stock market

First, "Black Thursday" happened on March 12, 2020, when major global stock markets registered the greatest single-day percentage fall since the '1987 stock market crash'. The Nifty 50 was also down by about 8 per cent on the same day (Money control). The FTSE, Dow Jones Industrial Average and the Nikkei have all witnessed huge falls since the outbreak began on 31 December. The Dow and the FTSE recently saw their biggest one-day decline since 1987. The Indian equity markets as seen on March 12 exhibited a similar trend of that of the global equity markets with the BSE Sensex and NSE Nifty crashing down by more than 8 per cent in a single day. The BSE Sensex dropped over 2,919 points being its biggest one-day fall in absolute terms while the NSE Nifty dropped by 868 points. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to this single day fall. The fall is continuing till date as investors resort to relentless selling with rising cases of coronavirus. On March 19, Indian equity markets again plunged to a new low. Sensex closed at 581 points lower at 28,288 and Nifty fell 205 points to end at 8,263 (FICCI). However, on March 25, one day after the 21-day complete lock down was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years, adding a value of Rs.4.7 lakh crore (US$66 billion) to investors wealth.



(Source:BSE)



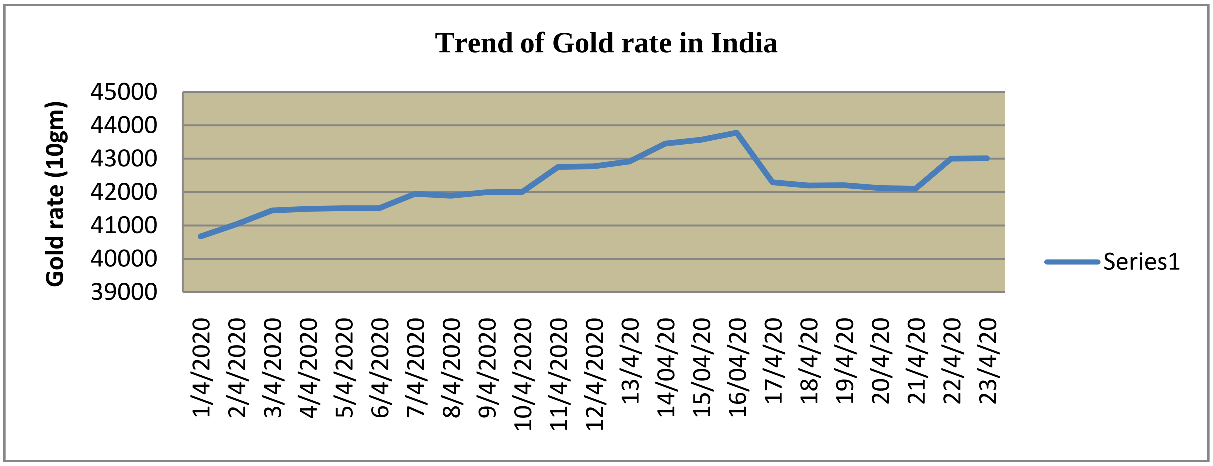
(Source: NSE)

2.8 Small savings, moratorium on EMIs, repo rate

On March 31st, Government of India announced steep cut in the interest rate on small savings schemes for the first quarter of 2020-21. Interest rates on various small savings have been cut between 70 basis points and 140 basis points. Interest rates on Public Provident Fund (PPF) and Sukanya Samriddhi Yojana have been cut by 0.8 per cent or 80 basis points. The sharpest slash was in the interest rate on Post office time deposits by 1.4 percent or 140 basis points. The latest rate reduction in small savings schemes does not portend well for fixed income members, especially for senior citizens who are dependent on interest as a major source of their regular income. RBI governor announced that its Monetary Policy Committee (MPC) decided to advance its meeting in view of the Covid-19 crisis and voted for a massive reduction in repo rate in order to mitigate economic risks**.** Interest rate cut to the tune of 75 basis points brings the repo rate down to 4.4 per cent from 5.15 per cent. It has been decided to reduce the fixed reverse repo rate under Liquidity Adjustment Facility (LAF) by 25 basis points from 4 per cent to 3.75 per cent, with immediate effect. The Reserve Bank of India (RBI) has supplied fresh currency of Rs.1.2 trillion during March 1st, 2020 and April 14th, 2020 to currency chests across the country in order to meet increased demand of currency in the wake of the COVID-19 outbreak. According to RBI Governor Shaktikanta Das, "Expectations of a shallow recovery in 2020 from 2019 decade's low global growth have been dashed." He also announced that banks are permitted to allow a three-month moratorium on payment of EMIs on all term loans that were outstanding on March 1st,2020. The RBI Governor further announced a reduction in the Cash Reserve Ratio (CRR) of all banks by 100 basis points to 3 per cent of Net Demand and Time Liabilities with effect from the fortnight beginning March 28th for a period of one year.

2.9 Gold

Gold being the best investment option during geopolitical uncertainties, central bankers are also starting to add gold to their reserves. As per the data of World Gold Council (February 2020), RBI has also started buying gold after a long gap. India's central bank has 633.1 tonnes of gold as holdings, which is 6.8 per cent of the share held in gold in total foreign reserves. India ranks as the 10th largest gold reserve holders in the world (Economic times). In a volatile market where the trading sessions are marked by losses and gains, gold prices in global markets rose to its highest level in seven years marked due to the uncertainty in financial markets caused by the outbreak of Covid-19. Spot gold price has risen by 6 per cent in one month, 11.7 per cent in 3 months, 6.1 per cent in 6 months. It rose by 5 per cent in January 2020, due to concerns over global slowdown. Similarly, Gold prices on MCX have risen by 10.6 per cent half-yearly, 13.1per cent in the last 3 months, and 6.6 per cent in the last one month.



(Source: Economic times)

2.10 Migrated labour

The Covid-19 pandemic and the consequential lock down have forced the migrant labours to leave the place which will definitely have a serious impact on the Indian economy. An estimated 139 million migrant workers from the countryside work in India's cities and towns. With factories and workplaces shut down, they were left with no livelihood. In the first few days of the lockdown, television screens captured long processions of migrant workers walking miles to go back to their native villages, often with families and young children on shoulders (Wikipedia). States should be prepared to face the consequences in the behavioural changes caused by the lockdown. Several migrant workers who managed to abscond from big cities will probably never return, preferring to spin out a living on their marginal farms or find work in nearby towns. The Economic Survey 2016-17 had estimated that at least nine million people migrate annually within the country mostly in search of work. While the top destination for migrants are Delhi, followed by Mumbai, the southern states have become a migrant magnet in recent years. The largest number of them sets off from Bihar, UP, Bengal and Assam, often travelling more than 3,000 km to distant Kerala. The sudden lockdown and the consequent shutdown of transport created a humanitarian crisis in many states as panic-stricken migrant workers took to the highways trying to walk hundreds of kilometers back home. There may be a second wave of homecoming of the migrant workers once the lockdown is lifted. Many who decided to stay back are desperately waiting for transports to be available. They would take off at the first opportunity. That would mean even if those who left earlier decides to return, companies may find a shortage of labour. The disruption could extend to farms which may also feel the shortage as the kharif sowing season begins with the rains. While the better skilled ones such as drivers and salespeople would be financially better off, the unskilled workers who typically work in the construction sector will lead a hand-to-mouth existence and will have to depend on welfare schemes such as the rural job guarantee scheme, MGNREGA, when they return home. (Source: Economic times).

2.11 Foreign Trade

According to the latest data from Chinese Customs, the trade between China and India fell by 12.4 per cent year on year i.e., to about USD 12 billion in the first two months. As per report of the State –run Global Times, during January and February, China's exports to India was 67.1 billion yuan (USD 9.5 billion), which is lower by 12.6 percent on a yearly basis and imports from India dropped by 11.6 per cent to 18 billion yuan (USD2 2.5 billion). Bilateral trade dropped by 12.4 per cent to 85.17 billion yuan (USD 12 billion) in the first two months (Economic times). China is a major market for Indian products including seafood, petrochemicals, gems and jewellery, but India's export of these products to her neighbour has been severely affected by the pandemic outbreak. The slowdown in manufacturing activity in China, other Asian markets, Europe and the US due to coronavirus epidemic is seriously affecting Indian exports. According to some estimates the domestic fisheries sector is anticipated to suffer a loss of more than $ 171000 due to fall in exports to China.

Slowing economic growth in major trading partners is bad news for India's exports

Economy	Change in 2020 GDP forecast (percentage points)	Share in India's goods exports* (%)	Share in India's goods imports* (%)
US		-2.1515.9	6.9
Eurozone		-1.7514.5	11.4
China		-2.755.1	13.7

(Source: S&P Global, Ministry of Commerce, CRISIL)

India's merchandise exports fell sharply year on year by 34.6 per cent to USD 21.4 billion in March 2020, as per the data released by the Ministry of Commerce and Industry. Among the major export commodities, oil meals recorded a fall of 69.9 per cent, meat, dairy and poultry products of 45.5 per cent, engineering goods of 42.3 per cent, gems and jewellery of 41.1 per cent, leather and leather products of 36.8 per cent and petroleum products of 31.1 per cent. India's import bill declined year on year by 28.7 per cent to USD 31.2 billion in March 2020. Crude oil imports fell by 15 per cent while non-oil imports declined by 33.8 per cent. The non-oil commodities that recorded a fall in imports include pearls, precious and semi-precious stones (-53.5%), machinery, electrical and non-electrical (-31.7 per cent), electronic goods (-29.1 per cent) and coal, coke and briquettes (-23.5 per cent). Trade deficit in March 2020 narrowed to USD 9.8 billion from USD 11 billion in the year-ago month. (Natasha Nadkar, Economic Outlook, CMIE).

2.12 IT Sector

Due to Covid-19 pandemic the Indian IT services companies will face a significant slowdown in growth during the financial year. The Indian IT sector gets most of its revenue from the US and European markets. As per an expert top software exporters-Tata Consultancy Services, Infosys and HCL Technologies- will be impacted by the reduced technology spending by clients in the US and Europe following lockdowns across the globe (Economic times). According to HDFC securities revenue may fall 2-7% in the next six months for Indian IT. According to a report by Emkay (Global Financial Services on the IT sector) these companies should face their revenue growth hit, especially in the first quarter of FY21, due to the global growth scare and potential shift in client expectations. It is also expected that Indian IT sector's FY21 growth prospects remain at risk.

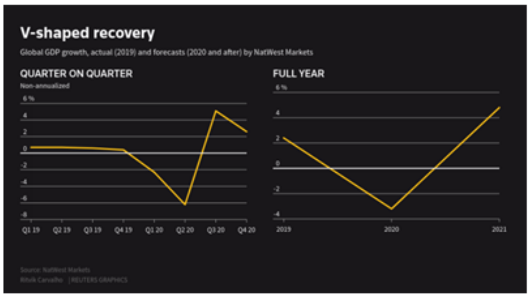
III. GDP GROWTH RATE PREDICTION OF INDIA

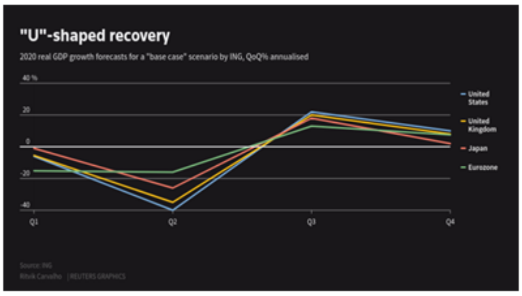
According to Fitch Ratings, India's growth for the current fiscal year is forecasted to a 30-year low of 2 per cent, from 5.1 per cent projected earlier, as economic recession gripped global economy following the lockdown. Moody's Investors Service sharply cut India's growth forecast for calendar year 2020 to 2.5 per cent from 5.3 per cent estimated barely 10 days before the Government ordered a nationwide lockdown to curb the spread of the coronavirus. The International Monetary Fund (IMF) further slashed India's growth estimate for FY21 to 1.9 per cent from 5.8 per cent estimated in January. It also said that India and China would be the only two major economies likely to register growth, with all others contracting. As India extended the nationwide lockdown till May 3rd, Barclays cut its growth forecast for the country to 0 per cent for calendar year 2020 from its earlier projection of 2.5 per cent, stating that the economic fallout will be worse than it had earlier estimated. As per the World Bank's latest assessment, India is expected to grow 1.5 per cent to 2.8 per cent during the current fiscal due to the impact of the COVID-19 pandemic and the consequent lockdown. Goldman Sachs sees India GDP growth to plunge to 1.6 per cent in FY21 due to the impact of the COVID-19 outbreak. According to a research report by SBI, India's GDP growth may slide to 1.1 per cent in the current financial year, on account of the disturbed economy.

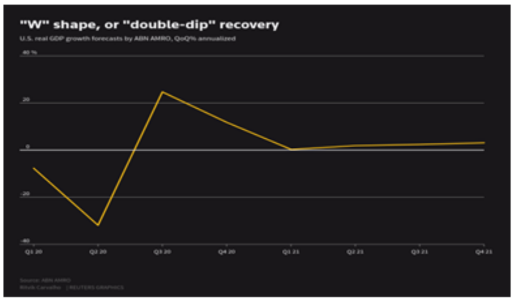
IV. FUTURE RECOVERY ESTIMATE

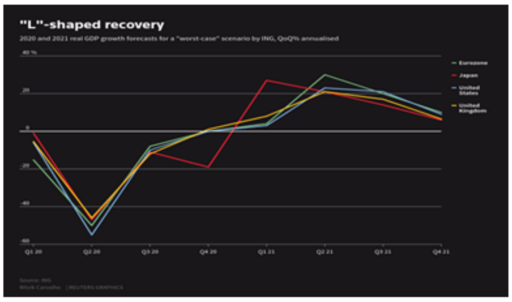
The two major questions we are likely to confront during any recession are: 'When will it end?' and 'How quickly will we recover?'

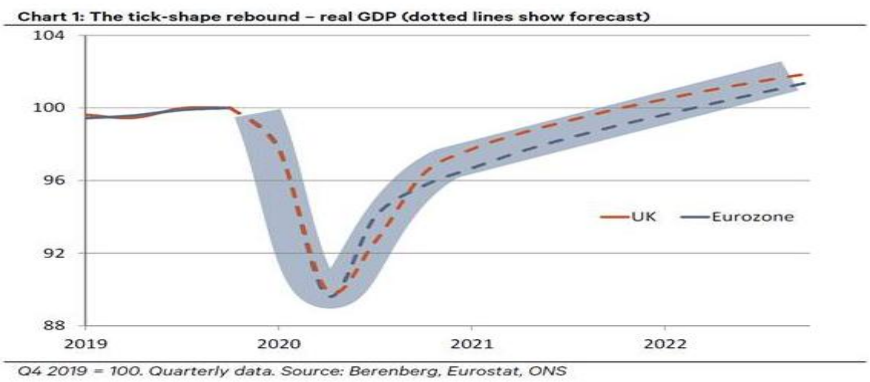
Recessions comes in various shapes. However, the five shapes that the economists consider most important are: V-shaped recession, U-shaped recession, W-shaped recession, L-shaped recession and Tick-shape 'Nike Swoosh' recession.











Source: WORLD ECONOMIC FORUM (Diagram paste)

V-shaped recessions are recessions that begin with a steep fall but then after touching the bottom rises sharply. Assume that virus clears up in April or May, allowing social distancing rules to be relaxed. Economies return to their pre-crisis levels of output around the start of 2021.

U-shaped recessions are recessions that begin with a slightly slower rate of decline but then remain at the bottom for an extended period of time before rising again. Assume that virus lingers into June and social distancing rules take time to be loosened. Factories and other workplaces take time to return to full capacity. Trade also remains slow as each trading partner slowly picks up. The recovery eventually materializes, but not until late 2020 or beyond (Economic times).

W-shaped recessions are recessions that begin like V-shaped recessions but then end up turning down again after showing false signs of recovery. W-shaped recessions are also called "double-dip recessions" because the economy drops twice before a full recovery is achieved.

L-shaped recessions are recessions that fall quickly and fail to recover. A L-shaped recession is a worst-case scenario because they offer no hope of recovery. Assume that the virus runs into the second half of the year, forcing social distancing rules to remain beyond June.

Tick-shaped recession is "Neither L nor U nor V. Instead, we look for a tick mark-style profile," Berenberg economist Florian Hence says that such a recession implies a sharp downturn, then gradual recovers as lockdowns are eased more gently than they were imposed.

There is a complex relationship between the spreading of the virus, the effectiveness of the lockdown and economic support policies of Government and consciousness of the public and behaviour of the private sector. Thus, there is great uncertainty about the future path. Although it is very difficult to forecast future, the Governor of Reserve Bank, Shaktikanta Das expects a sharp V-shaped recovery for India as projected by the IMF in 2021-22. (Economic times)

V. GOVERNMENT STIMULUS FOR CORONAVIRUS OUTBREAK

India on Thursday (26/03/20) announced a $22.6 billion economic stimulus plan that provides direct cash transfers and food security measures, offering relief to millions of poor people hit by a nationwide lockdown triggered by the coronavirus pandemic. The package will be disbursed through food security measures for poor households and through direct cash transfers, said India's Finance Minister Nirmala Sitharaman. The food security measures will benefit 800 million people. Under an existing scheme, low-income earners get five kgs of rice or wheat per month at a heavily subsidized rate. Now, the government will top up with an additional five kgs of either rice or wheat per person for the next three months, and one kg of pulses per household for that same period for free. Cash transfer measures are set to benefit farmers, rural workers, poor pensioners, construction workers, low-income widowers and many more, according to Sitharaman. Additionally, India will provide a medical insurance coverage of 5 million rupees per person for front-line workers in the coronavirus outbreak. They include nurses, doctors, paramedics, and sanitation workers in government hospitals. RBI governor announces Rs 50,000 crore booster package for small and medium-sized industries to recover from the lockdown.

Covit -19 Stimulus commitment size (as % of GDP)

US	10.71	France	11.38	Isreal	5.96
Italy	1.30	UK	15.27	Australia	8.02
China	1.32	S.Korea	5.13	Russia	0.30
Spain	15.29	Brazil	2.10	Malasia	16.17
Germany	20.95	Canada	2.16	Japan	10.00
				India	0.85

(Source: Economic times)

CII said, the Government should consider providing a strong fiscal stimulus to the extent of 1 per cent of GDP, or 2 trillion, to the poor, which would help them financially and spur consumer demand.

VI. CONCLUSION AND RECOMMENDATIONS

Director of the IMF,Chang Yong Rhee says that, "Comprehensive structural reforms are needed to achieve more inclusive and sustainable medium-term growth. The pandemic has highlighted the need to increase investment in the health care sector. It has become crucial to priorities health spending for medical equipment; compensate doctors and nurses appropriately; and make sure that hospitals and makeshift clinics have enough to function effectively."

The Government will have to pay attention to the upcoming economic crisis.

The Government should consider easy lines of credit for MSMEs
Fiscal and monetary stimulus measures need to be announced urgently. RBI should take necessary steps to ensure that adequate fund flows into the Corporate bond and Commercial paper market.
There is need of moratorium for debt servicing that includes principal and interest, reduction of interest rates, and rescheduling of loan repayments.
Credit limits for all regular banking accounts by 25 percent across the board need to be increased.
Measures must be taken to bring down the cost of funds further through reduction in policy rates
There is the need of liquidity supports for all companies / NBFCs/banks.
India needs to adopt revenue sharing model.
Policy should be taken by the Government for implementation of a Universal Basic Income (UBI) Scheme.
Special measures should be taken for the migrant workers, treating them in a humane manner, which includes sufficient food, water, beds and supplies as well as psychosocial counseling in shelters that are run by volunteers and non-security forces.
Given the ideal rabi season, the supply of agricultural products in the markets is expected to be sizable and Government must ensure that the such products are procured and stored well in time. The'bhawantar scheme' can be used for this purpose more effectively (FICCI).
There is need of balance between protecting health, minimizing economic and social disruption, and respecting human rights.

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