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How India is tackling the impact of Covid-19 on its economy

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Abstract
As the corona virus spreads, nations have adopted social distancing and lockdown strategy to control. Every country is undergoing stress and economies are facing slowdown in production and consumption. The outbreak of COVID 19 Pandemic is an unprecedented shock to the already slowing down Indian Economy. It is at this juncture when economists and policy makers are being sought after to explore the most appropriate solution for keeping the economy alive. The Government of India took series of measures to protect lives by adopting country wide lockdown. The lockdown strategy also came with a huge cost. There was a huge impact on production, distribution and employment. While the need of the hour was to save lives, there also was the need for measures to help the displaced and the needy. At this juncture, the Government launched the stimulus package 'AtmaNirbhar Bharat Abhiyaan' which seemingly is aimed at also reviving the economy and protecting lives of the people. This paper is an attempt to understand the importance of the series of measures taken by the government during the pandemic to sustain the economy. It also analyses the challenges before the economy and suggests measures needed for revival of the economy.

Keywords: pandemic, Covid 19, social distancing, lockdown, stimulus package

1. Introduction

The year 2020 will be a year to remember. Perhaps, the world will never be the same again. The present world had many great things to do as resolutions for the New Year 2020. It seems the resolutions will be taking a backseat as the pandemic Corona takes over the world.

Every country had its own story of achieving economic growth amidst its generic problems. There was a matter for deep concerns on rising unemployment, inequalities, and falling growth. The world, in general, seemed to be unanimous on an impending recession and was gearing up to device reform programs to reap the best. None ever thought that 'a virus' will so devilishly affect the whole world.

When globalization became a mantra in the 90s, nations were jostling to adopt the process sooner than later, lest they miss the bus. The mantra believed in the 'world as a village' and thus the free movement of men, goods, and capital. Little did they realize that by 2019, it would be rechristened as 'free movement of men, goods, capital and virus' It seems the nation now needs to realize that 'to be or not to be…' has become a critical issue. Are the process of modernization and rapid industrialization as a path to progress and growth questionable now? As the corona virus spreads, nations have adopted social distancing and lockdown strategy to control. Every country is undergoing stress and economies are facing slowdown in production and consumption. It seems the existing knowledge of the mankind has no solution for the problems. It is at this juncture when economists and policy makers are being sought after to explore the most appropriate solution for keeping the economy alive. While the world is undoubtedly going through the roughest patch in modern times, mankind is struggling to live and adjust in 'the new normal'.

2. Why corona is different from earlier epidemics

The world has witnessed several epidemics like the Spanish flu, SARS, MERS, EBOLA etc before but Covid 19 seems to be the severest in impact. The origin of Covid 19 is traced to Wuhan in China but due to a globalised world, Corona has affected the whole world and disrupted trade, business and GDPs of the economies.

Coronavirus has affected the stability of the economies-impacting business and assumption of common wellbeing which we had taken for granted since long. Thanks to globalisation and trade, the world is more inter connected than ever before and hence the impact of covid 19. Corona has induced the worst Recession since the Great Depression 1930 and the worst times since the Second World War.

According to IMF, the Global Economy is expected to shrink by over 3% in 2020- it is the steepest slowdown since the Great Depression of the 1930s and worse than the Great Financial crisis of 2008. https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020

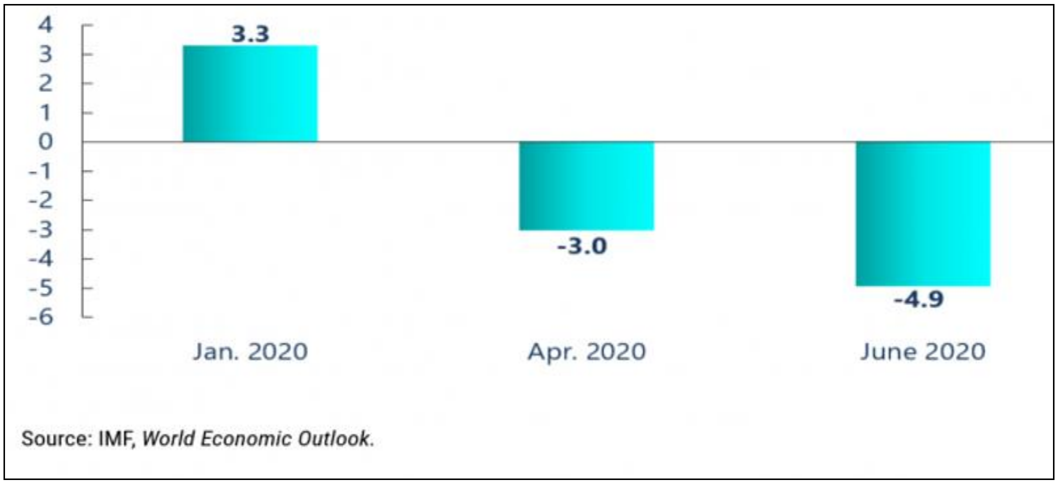


Fig 1

Output loss from the Pandemic…

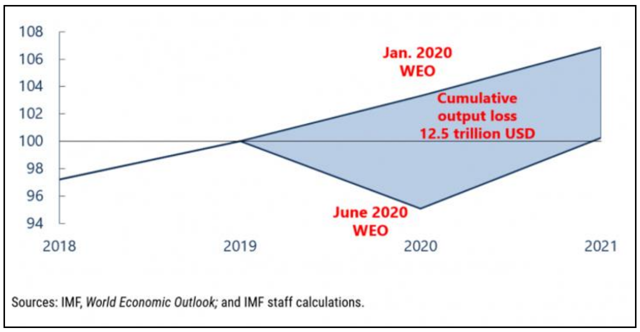


Fig 2

Highest Global Debt ever

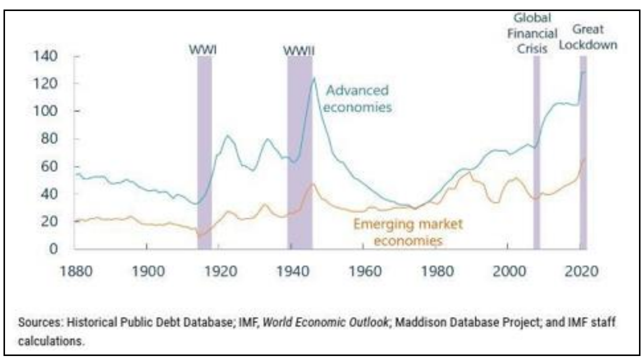


Fig 3

Studies by IMF shows that in all countries,public debt as a percentage of GDP will reach the highest level so far in recorded history. The figure shows that it will exceed the World War II levels. Since the virus affected countries by paralysing the entire economy, sound and timely policy measures are needed for restoration of normal economic activities. https://www.weforum.org/agenda/2020/06/imf-lockdown-recession-covid19-coronavirus-economics-recession/

India's debt to GDP ratio could climb from 72.2% last year to 87.6% this fiscal due to slowdown and high borrowings.
https://m.economictimes.com/news/economy/indicators/indias-debt-to-gdp-to-shoot-up-to-87-6-per-cent-in-fy21/articleshow/77065817.cms
Declining GDP and rising debt to GDP ratio is happening in almost all countries. But the matter for relevance is how each country is formulating measures to prevent the situation from further deteriorating and reposing confidence of its people.

3. State of India's economy before the pandemic

- GDP was already slowing down
- Demand slowdown
- Financial sector was in bad shape
- Global recession posed external supply and demand constraints
- Disruption of supply chains impacted both formal and informal sector.
- Unemployment rate at 45 year high
- Fiscal deficit is at 4.6% of GDP(2019-20)

3.1 Aggregate Demand and Supply shocks

- **Unprecedented collapse in Aggregate demand**-The major components of aggregate demand- consumption, investment, and exports have been falling since the slowdown in the economy. In India, private consumption and investment contribute about 90 per cent to GDP and government spending (excluding transfers) about 10 per cent. Thus, for every 1 per cent decline in consumption and investment, we require 8-9 per cent increase in government spending to keep GDP at the same level. The government expenditure program is constrained due to falling revenues and global slowdown since 2018, hence expenditure multiplier is affected.
- **Massive Supply chain disruptions**- Supply disruptions have been there and will continue for a while due to the unavailability of raw materials, exodus of millions of migrant workers from urban areas, slowing global trade, and shipment and travel related restrictions imposed by nearly all affected countries. This crisis will affect

production in almost all domestic industries and therefore investment, employment, income and consumption, pulling down the aggregate growth rate of the economy.

3.2 Financial sector in bad health

The banking sector in India has been in bad shape on account of rising NPAs. The problems in the banking sector have been adversely affecting credit growth and by the time the pandemic hit India, these problems had begun to hurt the debt markets as well which also play an important role in the context of financial intermediation. India has been dealing with the Twin Balance Sheet (TBS) stresses in the banking and corporate sectors. It is believed that high levels of non-performing assets (NPAs) in an inadequately capitalised banking system, combined with over-leveraged and financially weak firms in the private corporate sector led to this state of affairs. The government and the banking regulator (RBI) took a series of steps to address the crisis. These included putting the weakest ten banks under a Prompt Corrective Action framework, initiating investigations by the Central Vigilance Commission (CVC), Central Bureau of Investigation (CBI) etc. against senior officials of the banks, and directing banks to trigger the Insolvency and Bankruptcy Code (IBC, 2016) against defaulting firms

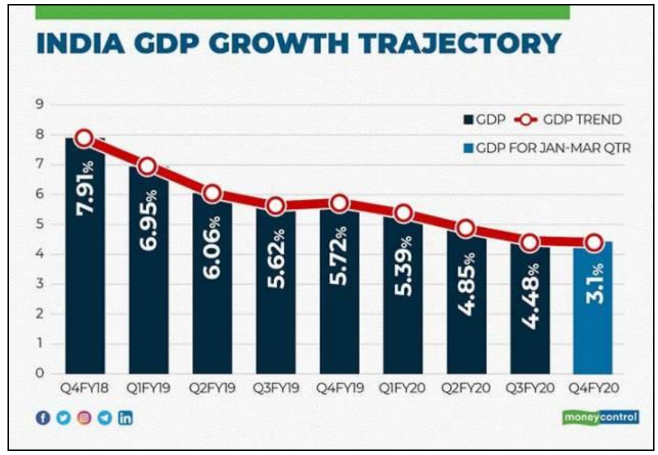
After the NPA crisis, the financial system faced another blow when a large non-banking finance company (NBFC), IL&FS (Infrastructure Leasing and Financial Service) defaulted on its debts in September, 2018. This sent shockwaves through the banking system as well as the debt markets- the two biggest funding sources for the NBFC sector. The IL&FS crisis further worsened the risk appetite of the banks and enhanced risk aversion in the debt markets as well. Public sector banks (PSBs) who hold the major share of the NPAs (90% of the NPAs) lowered lending to the private corporate sector. Consequently, investment and production were affected and the economy suffered.

3.3 Falling fiscal space

With a bad state of the economy and the financial institutions, the policy choices available to the government to deal with the economic crisis becomes limited. The fiscal deficit of the central government in 2019-20 was 4.6% of GDP against the target of 3.5% of GDP. This has been the highest fiscal deficit since 2012-13 and had breached the target as specified in the FRBM Act (Fiscal Responsibility and Budget Management Act). Net tax revenues in April 2020 fell by a whopping 70% in comparison to the previous year. Also, another matter of concern is that if the state-level deficits are added, then the overall fiscal deficit in 2020-21 could exceed 10% of GDP. With falling tax collections, declining revenues of public sector enterprises and rise in health sector expenses, the ability of the government to support the economy is greatly affected.

3.4 The Downslide in GDP continues…..

According to the official statistics, GDP growth slowed down to 4.2% in 2019-20, the lowest level since 2002-03 and Unemployment reached a 45-year high. The GDP growth rate has been on a fall on account of global and internal slowdown. The pandemic has struck a serious blow to the economy by affecting all most all sectors of the economy, leading to further slowdown.



Source: moneycontrol.co (https://images.app.goo.gl/DrWLj1pJvkAPCbhT9)

Fig 4

4. The Present challenge of twin crisis- Economic and the Health crisis

The outbreak of COVID 19 Pandemic is an unprecedented shock to the already slowing down Indian Economy. With prolonged countrywide lockdown, global economic downslide, US-China trade wars, disruption of demand and supply chains, the economy is set ahead for a deep and prolonged period of slowdown ever in history. The twin crisis- Economic and the Health crisis will form a formidable challenge for revival of growth.

International funding agencies like the World Bank and the IMF are working round the clock advising and helping the member nations on the course of action.

President of the IMF, Kristalina Georgieva in a press release suggested that five things that needs to be done to fight against Covid-19 –

Firstly, continue with essential containment measures and support for the health system.

Secondly, shield affected people and firms with large timely targeted fiscal and financial sector measures.

Thirdly, reduce stress to the financial system and avoid con tangent.

Fourthly, must plan for recovery and must minimize the potential scaring effects of the crisis through policy action.

Fifthly, concerning the serious and worsening conditions all over the world, nations need cooperation and coordination among themselves including the help and mature as well as sensible behaviour of people to effectively fight against Coronavirus. Otherwise, because of the globalized and connected world, wrong actions and policies taken by any state will leave a severe impact on other countries as well. This is not the time of political point-scoring and fight with each other rather it is high time for states to cooperate, coordinate, and help each other to defeat this fatal pandemic first for saving the global economic and financial structure.

5. How India took up the challenge to face the crisis

India implemented surveillance as early as January 17t, 2020 even before the 1st case of Covid 19 was officially detected. India's first COVID 19 Case was detected on January 30th 2020.The Government announced a series of travel advisories and restrictions and efforts to repatriate and quarantine Indian nationals arriving from abroad. An experimental 14 hour 'JANTA CURFEW' was observed on March 22nd and India went into LOCKDOWN on March 24th, 2020. The outbreak of the pandemic posed severe and unprecedented challenge to the economy. The shock is playing out in almost a similar manner in all countries of the world in terms of demand and supply disruptions and the consequent economic slowdown. In case of India, however the problem might be more acute and longer lasting owing to the state the economy was, in the pre-Covid-19 period and also due to the huge disruption caused on production and distribution due to the lockdown.

6. Human cost VRS Economic cost

The human cost/human spread becomes an important factor for the next course of policy action. If both the economic cost and human cost are high, then what does the country do? Different countries decided on strategy for lessening the impact. Compared to the developed countries who have developed health care system and whose per capita expenditure on health is high, India was suddenly caught on crossroads. The possibility of vaccine coming up in time was a factor too, which guided the design of the next course of action. At the same time, there was dearth of idea as to the handling of quarantine and the extent and scale of arrangements for quarantine. Since the pandemic was unprecedented and had a huge human cost, the Government started to prepare for the worst case scenario. The Government adopted lockdown of the economy to tackle the crisis while building up the health infrastructure.

7. Lockdown

Given the highly contagious nature of corona, the ways to contain spread include policy actions such as-. Imposition of social distancing, self-isolation/quarantine, Closure of institutions, restricted mobility and Lockdown of the economy. The Strategy of Lockdown was basically intended to check the spread of the virus and to prepare the health system to meet the emergency-To put together an action plan to tackle the crisis.

8. Lockdown opened the lives vrs livelihood debate

Bringing the economy to a 'lockdown state' with only essential services operating is a hard decision to make. The consequences may be detrimental to the economy. But effective containment of the disease required the strategy of lockdown. The Lockdown opened up the debate of 'Lives vrs Livelihood'. Given the nature of the Indian economy, where 90% of the workforce is employed in the informal sector and the lockdown announcement sort of wreaked havoc.

9. Informal Sector

The informal sector in India contributes about 45% of the GDP and employs 90% of the workforce. The sudden lockdown had a severe impact on millions of low income migrant workers and daily wage earners. With no savings, no guidance, no financial help from the government and an uncertain future these workers and their families faced unimaginable hardship –many walking hundreds of miles to their villages, some even perishing on the way (reminding of the agony of the1947 partition). The 'reverse migration' of 50 million workers to the villages came with more challenges. It has serious implications on the poor rural health infrastructure.

10. Measures taken by the Government so far----to handle the crisis

A comprehensive economic relief package called the "Atmanirbhar (self-sufficient) package" which is said to be a mix of Fiscal support, Monetary support, Ease of Doing Business processes as well as Fundamental reforms was launched in India to tackle the distortion caused by the pandemic corona.

On May 12, the Prime Minister, Mr. Narendra Modi, announced a special economic package/Stimulus package of Rs 20 lakh crore (equivalent to 10% of India's GDP) with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants who have been adversely affected by COVID.

The overall package which stood at Rs 20, 97,053 crore, included the Rs 1.92 lakh crore stimulus from measures announced by Modi on March 26th, such as the Pradhan Mantri Garib Kalyan Package worth Rs 1.7 lakh crore and about Rs 8.01 lakh crore belonged to the various measures announced by the Reserve Bank of India to inject liquidity in February, March and April this year. The rest of the Rs 20 lakh crore package was announced in five tranches –covering MSME Sector, Migrants, Agricultural sector, sectoral reforms and allocations for MNERGA.

1. On March 26, 2020 the Government announced a Rs. 1.7 lakh crore package largely aimed at providing a safety net for those who have been worst affected by the Covid-19 lockdown i.e. the unorganised sector workers, especially daily wage workers, and urban and rural poor. https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1608345

The "Pradhan Mantri Garib Kalyan Yojana" (PMGKY) contains the following components:

- Free additional 5 kg wheat or rice per person for 3 months;
- 1 kg free pulses per household for 3 months;
- Free LPG for Ujjwala beneficiaries for 3 months;
- Rs.2000 to 87 million farmers under PM Kisan Yojana in 10 days;
- Increase in MGNREGA wages to Rs.202 from Rs.182;
- Rs.500 per month to 200 million female Jan Dhan account holders for next 3 months;
- Direct benefit transfers (DBT) to old age people, and widows, under Ujjwala Yojana, and under Jan Dhan Yojana amounting to Rs. 470 billion
- Ex-gratia of Rs.1000 to poor senior citizens, widows and disabled;

- Rs.20 lakh collateral-free loans to women self-help groups;
- Govt. to contribute EPF to companies with less than 100 workers;
- Non-refundable advances of 75% or 3 months wages from PF account;
- States to use Rs.31 crore from construction workers welfare fund;
- States to use district mineral fund for medical activities. The new spending proposed in this package would amount to around 0.85% of estimated GDP.

2. The Prime Minister's Citizen Assistance and Relief Care in Emergency Situations Fund (PM CARES) was created on March 28th 2020- https://pmcares.gov.in/ https://en.wikipedia.org/wiki/PM_CARES_Fund
3. On May 12, the Prime Minister, Mr. Narendra Modi, announced a special economic package/Stimulus package of Rs 20 lakh crore (equivalent to 10% of India's GDP) with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants who have been adversely affected by COVID. https://www.prsindia.org/report-summaries/summary-announcements-aatma-nirbhar-bharat-abhiyaan https://en.wikipedia.org/wiki/Atmanirbhar_Bharat

The first set of relief measures announced by Nirmala Sitharaman focused on enabling the Indian economy's backbone – MSMEs that employ around 11 crore people and have a GDP share of approximately 29 per cent. Out of the 16 announcements made by the minister, six were dedicated to the MSME segment to infuse liquidity. This included Rs 3 lakh crore collateral-free loans and Rs 50,000 crore equity infusion for MSMEs through Fund of Funds. Liquidity relief measures worth Rs 30,000 crore were also announced for NBFCs, HFCs etc. and Rs 90,000 crore for power distribution companies. The minister also advised states and regulatory authorities for extending the registration and completion date of real estate projects under RERA to de-stress developers and ensure completion of projects for homebuyers to get their booked houses on time.

Collateral free loans for businesses: All businesses (including MSMEs) will be provided with collateral free automatic loans of up to three lakh crore rupees. MSMEs can borrow up to 20% of their entire outstanding credit as on February 29, 2020 from banks and Non-Banking Financial Companies (NBFCs). Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnover will be eligible for such loans and can avail the scheme till October 31, 2020. Interest on the loan will be capped and 100% credit guarantee on principal and interest will be given to banks and NBFCs.

Corpus for MSMEs: A fund with a corpus of Rs 10,000 crore will be set up for MSMEs. This will provide equity funding for MSMEs with growth potential and viability.

Subordinate debt for MSMEs: This scheme aims to support to stressed MSMEs which have Non-Performing Assets (NPAs). Under the scheme, promoters of MSMEs will be given debt from banks, which will be infused into the MSMEs as equity. The government will facilitate Rs 20,000 crore of subordinate debt to MSMEs. For this purpose, it will provide Rs 4,000 crore to the Credit Guarantee Fund Trust for Micro and Small Enterprises, which will provide partial credit guarantee support to banks providing credit under the scheme.

Schemes for NBFCs: A Special Liquidity Scheme was announced under which Rs 30,000 crore of investment will be made by the government in both primary and secondary market transactions in investment grade debt paper of Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)/Micro Finance Institutions (MFIs). The central government will provide 100% guarantee for these securities. The existing Partial Credit Guarantee Scheme (PCGS) will be extended to partially safeguard NBFCs against borrowings of such entities (such as primary issuance of bonds or commercial papers (liability side of balance sheets)). The first 20% of loss will be borne by the central government. The PCGS scheme will facilitate liquidity worth Rs 45,000 crores for NBFCs.

Employee Provident Fund (EPF): Under the PM Garib Kalyan Yojana, the government paid 12% of employer and 12% of employee contribution into the EPF accounts of eligible establishments for the months of March, April and May. This will be continued for three more months (June, July and August). This is estimated to provide liquidity relief of Rs 2,500 crore to businesses and workers.

Statutory PF contribution: Statutory PF contribution of both the employer and employee will be reduced from 12% to 10% each for all establishments covered by EPFO for next three months. This scheme will apply to workers who are not eligible for the 24% EPF support under PM Garib Kalyan Package and its extension. However, Central Public Sector Enterprises (CPSEs) and State Public Sector Units (PSUs) will continue to contribute 12% as employer contribution.

Street vendors: A special scheme will be launched within a month to facilitate easy access to credit for street vendors. Under this scheme, bank credit will be provided to each vendor for an initial working capital of up to Rs 10,000. This is estimated to generate liquidity of Rs 5,000 crore.

Nirmala Sitharaman's second tranche of measures catered to migrant workers and street vendors. The minister introduced 'one nation one ration card' to allow migrant workers to buy ration from any depot in the country.

A special credit facility of Rs 5,000 crore was announced to support around 50 lakh street vendors who will have access to an initial Rs 10,000 working capital.

The minister also said that close to Rs 2 lakh crore will be given to farmers through Kisan credit cards while 2.5 crore farmers, including fishermen and animal husbandry farmers, would be able to get institutional credit at a concessional rate.

The government allowed states to fund the food and shelter facilities to migrant workers from the disaster response fund that would cost Rs 11,000 crore to the centre

The third tranche of the measures worth Rs 1.5 lakh crore focused on the agriculture and allied sectors including dairy, animal husbandry and fisheries as the government announced steps to strengthen the overall farm sector.

The Finance minister announced Rs 1 lakh crore agriculture infrastructure fund for farm-gate infrastructure including using it for setting up cold chains and post-harvest management infrastructure. Other key announcements made by the minister included Rs 20,000 to be provided to fishermen through Pradhan Mantri Matsya Sampada Yojana. Rs. 10,000 crores scheme for formalisation of Micro Food Enterprises, Rs. 15,000 crores for Animal Husbandry Infrastructure Development Fund. National Animal Disease Control Programme for Foot and Mouth Disease (FMD), Brucellosis launched with total outlay of Rs.13,343 crores Rs.4000 crores for promotion of Herbal Cultivation, Rs. 500 crores for Beekeeping initiatives, Rs. 500 crores for improving supply chains for all fruits and vegetables Agricultural Reforms.

Amendments to Essential Commodities Act to enable better price realisation for farmers,

Agricultural Marketing Reforms to provide marketing choices to farmers.

Agriculture Produce Price and Quality Assurance: Facilitative legal framework will be created to enable farmers for engaging with processors, aggregators, large retailers, exporters etc. in a fair and transparent manner. This reforms basically relates to contract farming.

The fourth tranche of the Rs 20 lakh crore package comprised of reforms for sectors including coal, minerals, defence production, air space management, airports, MRO, distribution companies in UTs, space sector, and atomic energy. Commercial mining in the coal sector and privatizing discoms in metros to streamline their functions for better accountability and private participation in the space sector were some the important announcements.

Increase in borrowing limits: The borrowing limits of state governments will be increased from 3% to 5% of Gross State Domestic Product (GSDP) for the year 2020-21. This is estimated to give states extra resources of Rs 4.28 lakh crore. There will be unconditional increase of up to 3.5% of GSDP followed by 0.25% increase linked to reforms on - universalisation of ‘One Nation One Ration card’, Ease of Doing Business, power distribution and Urban Local Body revenues.

Under the Fifth Tranche, the Finance minister allocated an additional Rs 40,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for job creation in India’s hinterland. The government had earlier allocated Rs 61,000 crore in the budget for this financial year.

The Finance Minister also announced the formulation of a new Public Sector Enterprises Policy that would allow for consolidation of the PSU firms in strategic sectors. Each sector would have up to four such firms while state-owned enterprises will be privatized.

For improved ease of doing business among MSMEs, the minister extended the initiation period of fresh insolvency proceedings against MSMEs by six months to up to one year along with excluding Covid-19 related debt from the ‘default’ category under the IBC Code

Table 1: Allocations under Atma Nirbhar Bharat Abhiyaan

Items	Amount in (Rs Crores)
Stimulus under earlier measures	1,92,800
Stimulus under first tranche	5,94,550
Stimulus under second tranche	3,10,000
Stimulus under third tranche	1,50,000
Stimulus under fourth and fifth tranche	48,100
Subtotal	1,295,400
RBI Measures	8,01,603
Grand total	20,97,053

Source: Ministry of Finance, May 13th, 2020
https://www.india.gov.in/spotlight/building-atmanirbhar-bharat-overcoming-covid-19

11. Challenges and Real Concerns

- **Pandemic is still strong and vaccine is not ready:** The full scale of policy responses needed to combat COVID-19 is still unclear because the outbreak has not yet reached its peak and vaccine is not yet ready. In the longer term, what is required are investments in health infrastructure, ensuring continuity of regular health services, and improving health emergency preparedness.
- **Rising Unemployment:** Slowdown in the economy and rising unemployment are matters of great concern. India will have to design further policies in addition to the recent Atmanirbhar measures to spur growth, attract industrial investments to address rising unemployment.
- **Declining Saving Rate:** As per RBI Reports (2020), Gross domestic saving rate decreased to 30.1% of GDP in 2018-19 from 32.4%in 2017-18. The saving rate of the household sector, which is a net supplier of funds to the economy, declined from 23.6% of GDP in 2011-12 to 18.2% in 2018-19. To the extent that government relied heavily on households for financing its deficit, this decline in savings does not bode well. The large scale income losses of many businesses and households during this crisis further imply that the savings rate is likely to fall even further.
- **Monetisation of fiscal deficit a concern:** The policy actions required to minimise the economic fallout of the shock will involve government spending. It is almost certain that the government will not be able to adhere to its fiscal target for 2020-21 and will most likely breach it by a big margin. In India fiscal deficit is supported by financial repression wherein government borrows from a captive market of banks and other institutional buyers. Monetisation of fiscal deficit will create inflationary pressures, lead to greater uncertainty about future inflation, increase long term interest rates and adversely impact growth, thereby defeating the very objective of

supporting the economy. This move will hurt the credibility of India's inflation-targeting framework and attenuate the effectiveness of future monetary policy actions. If at all monetisation of fiscal deficit needs to be resorted to given the extraordinary circumstances, extreme caution and thought must be devoted to work out the details, an end date must be specified by which time the process will be stopped and there must be complete transparency about every step of the process including the total amount of money printed, and the specific uses of the funding as decided by the government

- **Consumer behaviour will take time to normalise:** Even after economic activity resumes gradually, the situation will take time to normalise. This is because consumer behaviour changes on account of social distancing and uncertainty about the end of the pandemic.
- **Pick-up activity would be uneven-** while pent-up demand may lead to a surge in spending in some sectors, viz., retail etc and sectors like travel, tourism, hospitality will remain depressed.
- Firms being unclear about demand for their output may start hiring slowly and hence slow employment generation.

12. Conclusion and policy recommendations

- The real magnitude of the twin crisis (economic + health)will depend on the duration and severity of the health crisis, duration of lockdown and the manner in which the situation unfolds post lockdown
- At the same time, this crisis also presents an opportunity to accelerate the shift to a more productive, sustainable, and equitable growth through investment in new green and digital technologies and wider social safety nets.
- Global cooperation is ever so important to deal with a truly global crisis.
- All efforts should be made to resolve trade and technology tensions, while improving the multilateral rules-based trading system.
- The IMF and the World Bank will continue to do all it can to ensure adequate international liquidity, provide emergency financing, support the G20 debt service suspension initiative, and provide advice and support to countries during this unprecedented crisis/
- Since the economy had already dipped prior to pandemics, the recovery will be an important issue- whether it will V shaped, U shaped, L shaped or W shaped will depend on the magnitude and composition of the reforms.
- Need for close-coordination and communication between the central and state governments Broad monetary and fiscal stimulus will be required to be coordinated on a national and international scale for a maximum impact. The concept ‘minimum government and maximum governance’ must be enforced now.
- Build up Food and Nutritional Security
- Digital payments will need to be strengthened to complement the in-kind support for food, medicines etc.
- Support the Informal Sector-over and above the fiscal package that the central government has already announced, more relief measures may be considered till the economic activities resume on a normal pace.
- Strengthen the MSME sector –The largest employment provider is the MSME Sector and thus needs to be supported and strengthened. According to World Economic Forum, supporting SMEs and larger business is crucial for maintaining employment and output. It says ‘there is concern that the size of the packages may prove insufficient for the duration of the crisis; that disbursement may be slower than is needed ; that not all firms in need would be targeted ;and that such programme may be overly reliant on debt financing’.
- Firms need to be supported via tax deferrals, credit guarantees, loans, grants, extended marketing helps. Mechanism for restructuring of debts and disposing of distressed debt should be developed. There are also many opportunities for MSMEs in the space vacated by China. Indian can’t become Atma nirbhar without dynamic MSMEs.
- If we refer to the recent measures announced by the government and the RBI to mitigate the impact of the pandemic, as said by the RBI governor, these are only for short term and may not deliver the desired results as the problem is severe and has been further aggravated by the lockdown.
- Improve institutional quality, governance structure and
- The need for taking corruption and leakages with zero tolerance.
- Expedite structural reforms in revival of the economy.
- Policy support to Labour market- to facilitate people to return to work and to facilitate a reallocation of workers to sectors with growing demand.– to train the low and semi- skilled –who do not have the option of online/tele working for becoming employable.
- Substantial fiscal and monetary support must continue as long as inflation is low.
- Continue building and strengthen health infrastructure- India spends only 1.5% of GDP on health. The need for adequate and affordable production and distribution of vaccines, medicines and treatment facilities are of utmost significance.

All the above measures along with supply side reforms will spur aggregate demand which has been lagging behind and gradually restore the economic growth.

Let us accept this -COVID 19 has impacted the world at large but mankind will win this battle too.

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