

THE EFFECT OF COVID-19 ON THE INDIAN ECONOMY: WITH SPECIAL REFERENCE TO GUJARAT, INDIA

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ABSTRACT

The COVID-19 outbreak in Gujarat and its socio-economic consequences on India are swiftly changing, with the impact influenced not only by the impacts of the virus's spread on the broader economy but also by the nature of the government's response, which includes movement restrictions and other emergency measures, as well as the backing of Gujarat's development partners. To adopt appropriate mitigation measures or adjust existing emergency measures, it is necessary to have a good understanding of who is impacted, how, and for how long. The study's goal is to provide evidence for policy and programming goals, as well as to aid in the development of effective pandemic mitigation policies in Gujarat. The influence of COVID-19 on unemployment, public debt, and economic growth is assessed in this paper. According to the analysis, the Gujarat economy is facing serious challenges, including slower growth, higher unemployment, and rising public debt. In comparison to past years before COVID-19's breakout.

Keywords: COVID-19, Economy, Public Debt, Higher Unemployment, Slower Growth.

Introduction

Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus. Most people infected with the virus will experience mild to moderate respiratory illness and recover without requiring special treatment. However, some will become seriously ill and require medical attention. Older people and those with underlying medical conditions like cardiovascular disease, diabetes, chronic respiratory disease, or cancer are more likely to develop serious illnesses. Anyone can get sick with COVID-19 and become seriously ill or die at any age. The best way to prevent and slow down transmission is to be well informed about the disease and how the virus spreads. Protect yourself and others from infection by staying at least 1 meter apart from others, wearing a properly fitted mask, and washing your hands or using an alcohol-based rub frequently. Get vaccinated when it's your turn and follow local guidance. The virus can spread from an infected person's mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. These particles range from larger respiratory droplets to smaller aerosols. It is important to practice respiratory etiquette, for example by coughing into a flexed elbow, and to stay home and self-isolate until you recover if you feel unwell. (WHO website). COVID-19 affects different people in different ways. Most infected people will develop mild to moderate illness and recover without hospitalization.

Most Common Symptoms

- fever
- cough
- tiredness
- loss of taste or smell.

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Less Common Symptoms

- sore throat
- headache
- aches and pains
- diarrhea
- a rash on the skin, or discoloration of fingers or toes
- red or irritated eyes.

Serious Symptoms

- difficulty breathing or shortness of breath
- loss of speech or mobility, or confusion
- chest pain.

To prevent infection and to slow transmission of COVID-19, do the following:

- Get vaccinated when a vaccine is available to you.
- Stay at least 1 meter apart from others, even if they don't appear to be sick.
- Wear a properly fitted mask when physical distancing is not possible or when in poorly ventilated settings.
- Choose open, well-ventilated spaces over closed ones. Open a window if indoors.
- Wash your hands regularly with soap and water or clean them with an alcohol-based hand rub.
- Cover your mouth and nose when coughing or sneezing.
- If you feel unwell, stay home and self-isolate until you recover.

About Gujarat

Gujarat is a state on the western coast of India with a coastline of about 1,600 km – the longest in the country, most of which lies on the Kathiawar peninsula – and a population of 60.4 million. It is the fifth-largest Indian state by area and the ninth-largest state by population. Gujarat is bordered by Rajasthan to the northeast, Dadra and Nagar Haveli and Daman and Diu to the south, Maharashtra to the southeast, Madhya Pradesh to the east, and the Arabian Sea and the Pakistani province of Sindh to the west. Its capital city is Gandhinagar, while its largest city is Ahmedabad. The Gujarati people of India are indigenous to the state and their language, Gujarati, is the state's official language. The economy of Gujarat is the fourth-largest in India, with a gross state domestic product of ₹19.44 trillion, and has the country's 10th-highest GSDP per capita of ₹243,761. Gujarat ranks 21st among Indian states on the human development index. The state traditionally has low unemployment and is widely considered one of the most industrially developed states of India and a manufacturing hub. Gujarat – the home state of Mahatma Gandhi, the Father of Nation. It is renowned for its beaches, temple towns, and historic capitals. Wildlife sanctuaries, hill resorts, and natural grandeur are gifts of Gujarat. Sculpture, handicrafts, arts, and festivals also make the state rich. Gujarat is also among the most technologically advanced, housing the largest petrochemical complex in the country.

AavoPadharo, words of welcome in the language of Gujarat because it is here that these words ring truly and the guest is 'God' and the people of Gujarat are gregariously friendly, inviting, and will entice you to come again and again. Gujarat has always been a major center for the Jains and some of its most interesting locations are the Jain Temple centers at Palitana and Girnar Hills. Besides the Jain temples, the state's major attractions include the only habitat of the Asiatic Lions in India (Gir Forests), a desert ride at the Wild Ass Sanctuary

Gujarat

Known for its majestic forts and palaces, breath-taking national parks, and holiest shrines - Gujarat is the sixth largest state in India. Locals of this culturally rich state are deeply rooted in their traditions and follow their religion by heart. From the most religious Dwarkadhish Temple to the Great Rann of Kutch, from the astonishing Marine National Park to the awe-inspiring Sun Temple, sightseeing attractions in Gujarat are boundless.

Gujarat has a rich history as it was one of the most significant centers of the Indus Valley Civilization. Since then it has grown into an ultra-modern state where one can see some of the biggest exemplars of modern times.

Gujarat is located on the western coast of India and has the longest coastline of 1,600 km in the country. Gujarat is one of the high-growth states in the country.

Gujarat is one of the leading industrialized states in India. At current prices, Gujarat's Gross State Domestic Product (GSDP) is estimated at Rs. 18,79,826 crore (US\$ 259.25 billion) in FY22, an increase of 7% YoY.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), in FY21, Sugg: Gujarat received the highest FDI (Foreign Direct Investment) at US\$ 21.89 billion and stood at the top of all states, with 30% of the total equity inflows.

Objectives of the Study

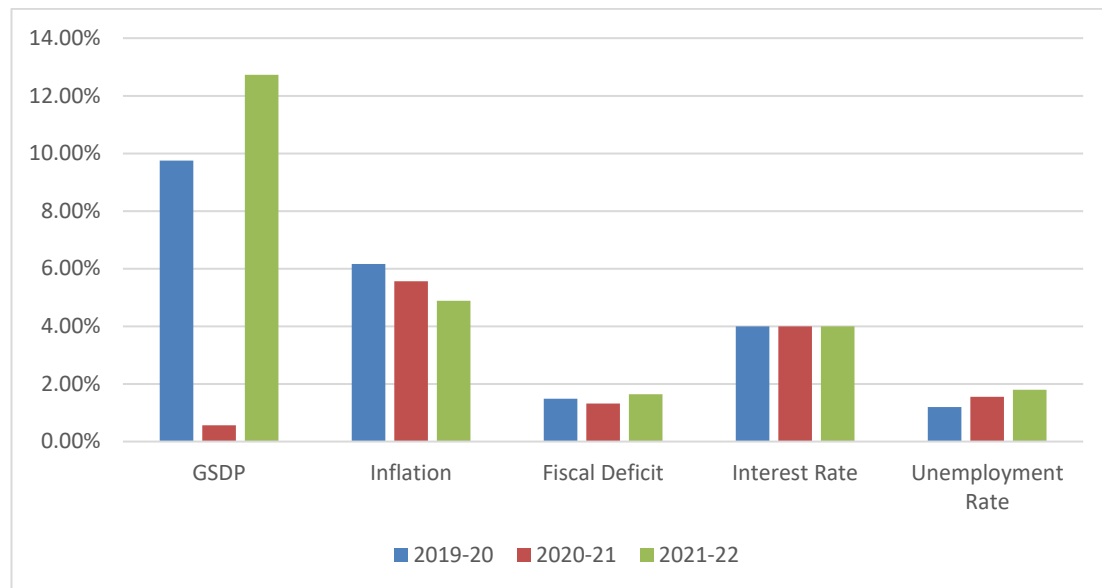
- To assess the impact of COVID -19 on unemployment and economic growth in Gujarat, India.
- To analyze the impact of COVID-19 on the public debt in the Gujarat Economy.

Following are some of the major initiatives taken by the Government to promote Gujarat as an investment destination:

- In 2020, 220 investment intentions worth Rs 46,141 crore (US\$ 6.36 billion) were filed in Gujarat.
- As per Indian Ports Association data published in June 2020, the number of ports in the state stands at 46. Between April to November 2020, Deendayal (Kandla) port handled 73.86 million tonnes of cargo traffic.
- The government of Gujarat has initiated several steps for the development of a world-class port city at Mundra. The port has a cargo handling capacity of over 200 million tonnes per annum.
- To meet the rising demand for containers, in May 2021, the government announced the establishment of pilot projects for containers. It aims to receive an estimated potential investment of Rs. 1000 crore (US\$ 137.91 million) from private players.
- In May 2021, Borosil Renewables announced a plan to expand its manufacturing unit in Gujarat at an investment of Rs. 500 crore (US\$ 68.96 million), to double its capacity to 900 tonnes per day or 5GW of installed capacity at its solar power plants.
- In May 2021, ReNew Power announced to establish a solar component manufacturing unit in Gujarat at an initial investment of Rs. 1,200 crore (US\$ 165.49 million), which is likely to increase to Rs. 2,000 crore (US\$ 275.82 million).
- In April 2021, Coal India Limited (CIL) signed a PPA (Power Purchase Agreement) with Gujarat UrjaVikas Nigam Ltd (GUVNL) for the sale of 100 MW of solar power to the company for 25 years.
- In May 2021, Mr. Nikhil Kamath, a co-founder of Zerodha, announced the launch of True Beacon Global, the first alternative investment fund (AIF) in Gujarat's GIFT City.
- In April 2021, Singapore Stock Exchange (SGX) announced to establish its offshore office at GIFT City.

Economy Covid affect -19 Comparative Table Gujarat State

S.No	Name of Economy Variable	2019-20	2020-21	2021-22
1	GSDP	9.75%	0.57%	12.73%
2	Inflation	6.16%	5.56%	4.88%
3	Fiscal Deficit	1.49%	1.32%	1.64%
4	Interest Rate	4%	4%	4%
5	Unemployment Rate	1.2%	1.55%	1.8%



As the Covid19 virus came to India in March 2020, therefore keeping in view the normal financial year 2019-20 and thereafter two financial years 2020-21 and 2021-22 are selected to check the impact of Covid19 on the economic parameters of Gujrat and Chhattisgarh. The data shown in the above table have been collected from the various government and non-government websites and the google search engine. The references for the data collected are provided in the reference section.

Estimates of Gross/Net State Domestic Product (GSDP) is one of the most important single indicators to measure economic development as well as for this study. The Gross State Domestic Product (GSDP) of Gujrat state was 9.75% in the financial year 2019-20 and it had no impact on covid 19, as the next financial year 2020-21 suffered due to Covid 19 and lockdown prevailed for months together and the GSDP fell sharply from 9.75% in the previous year to 0.57% in the year 2020-21. The influence of covid 19 came down in the financial years 2021-22 and the GSDP went up from 0.57% in the year 2020-21 to 12.73% in the FY 2021-22. It is evident from the above statistics that Covid 19 impacted badly the FY 2020-21 and it revived in the FY 2021-22 but if we compare this growth from the normal financial year 2019-20, then this GSDP increase is merely 2.98%.

The next economic parameter is inflation which shows a persistent downfall from the financial year 2019-20 to FY 2021-22. This could be possible with active monetary and fiscal policy changes by RBI and the ministry of finance. If the monetary policy and fiscal policy had not been handled properly in due course of time, then the inflation would have created havoc among the people. It is seen from the available data that the inflation rate declined from 6.16% in FY 2019-20 to 4.88% in FY 2021-22. The present status of inflation is different as it got impacted due to the ongoing war between Russia and Ukraine and its likely consequences.

The fiscal deficit in the state of Gujrat is less than the national fiscal deficit. The data table reflects that the fiscal deficit was 1.49% in FY 2019-20 which came down to 1.32% in FY 2020-21 and it rose to 1.64% in the financial year 2021-22. The overall analysis shows that the Gujrat government has managed its expenditure over its revenue well and kept it within the limits.

The interest rate remained stagnant at 4% during all the financial years starting from 2019-20 to 2021-22. It helped the industry and MSME and sole traders to get the loan at a cheaper rate to promote the business activities. The RBI has followed a proactive approach during the pandemic period.

The unemployment rate of Gujrat state got affected to covid 19 and it went up from 1.2% in the financial year 2019-20 to 1.8% in the financial year 2021-22. It is amply clear that the pandemic impacted the employment opportunities and it added more people to seek employment from 2020 to 2022. It could be seen that hiring by government and corporate came down drastically which led to an increase in the state of unemployment in the job market. However, it seems to be a revival in the job opportunities in the recent past and it is expected that the statistics on unemployment may be different in the forthcoming financial year.

Research Methodology

This study is based on a data set that includes secondary data to measure the level of unemployment, the level of economic growth, and public debt in Gujarat India, which were collected through government reports. The data and reports were taken before the breakout of the COVID19 pandemic and reports after the onset of COVID-19. The data considered for the study was based on unemployment, economic growth, and public debt before the emergence of COVID-19 and data after the emergence of COVID-19.

Influencing Factors and Measures of the Economy

- **Unemployment:** Unemployment is defined as people over a particular age who are not working or self-employed but are looking for work at the survey time. Unemployment is calculated using the unemployment rate, the number of unemployed persons as a percentage of the labor force. During the COVID-19 period, unemployment in Gujarat was found to increase.
- **Public Debt:** Public debt refers to the entire amount borrowed by the government to meet its development budget, including all liabilities. The term is also used to describe the federal and state governments' combined disadvantages; nevertheless, the Union government separates itself from the states' debt commitments. Gujarat's public debt soared throughout the COVID-19 period as the government struggled to find fiscal flexibility.
- **Economic Growth:** Economic growth is defined as an increase or improvement in the inflation-adjusted market value of an economy's goods and services over time. During the COVID-19 period, Gujarat India's economic growth slowed. High unemployment, expanding external imbalances, rising debt, and low investment levels all represent substantial obstacles to a strong recovery in the Gujarat India

Review of Literature

One of the most severe threats to the global economy and financial markets right now is the spread of a brand new coronavirus (COVID-19). According to the World Health Organization (WHO), the virus was initially identified in the Chinese community of Wuhan in December 2019. It has affected more than 3 million people in more than 110 nations and territories worldwide (WHO, 2020). According to WHO figures, 221,823 men and women have died due to the outbreak since it began on May 1, 2020. To contain the COVID 19 outbreak, Chinese authorities have taken drastic measures to halt the virus's spread, including a complete quarantine of Wuhan, the outbreak's epicenter, and thus preventive measures (Chen et al., 2020). In a bank-dominated economy, particularly at a time when the stock market is touching new lows every day, the financial intermediaries that most firms will turn to are the banks. Actions taken by banks would be crucial in addressing this economic challenge. Banks also play a vital role as institutional participants in the debt market.

However, the banking sector in India is badly broken. Banks, especially the public sector banks, have been struggling to deal with mounting losses from non-performing assets on their balance sheets. 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. This could rapidly become a serious choke point as the Indian economy struggles to come to terms with this unprecedented shock. Over the last few years, India has been dealing with the Twin Balance Sheet (TBS) stresses in the banking and corporate sectors. This was a consequence of high levels of non-performing assets (NPAs) in an inadequately capitalized banking system, combined with over-leveraged and financially weak firms in the private corporate sector (Sengupta and Vardhan, 2017,2019).

Overall Macro Impact

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. The disruption of demand and supply forces is likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially demand for non-essential goods and services. Three major components of aggregate demand- consumption, investment, and exports are likely to stay subdued for a prolonged period.

Over and above the domestic problems, the Indian economy will also continue to get affected by the global recession that may last for a while.²¹This is bound to have spillover effects through the financial and trade linkages of India with the rest of the world. Already foreign investors have been pulling money out of the Indian financial markets and are fleeing to safe assets as stock markets have crashed.

MSME

The micro, small and medium enterprises as a whole form a major chunk of manufacturing in India and play an important role in providing large-scale employment. Recent annual reports on MSMEs indicate that the sector contributes around 30% of India's GDP, and based on conservative estimates, employs around 50% of industrial workers and contributes half of the overall exports. Over 98% of MSMEs can be classified as micro firms, and 94% remain unregistered with the government. Many of the micro-enterprises are small, household-run businesses. However, many aspects of government policy are at best scale neutral and do not explicitly favor these enterprises. This sector does not have access to adequate, timely, and affordable institutional credit. More than 81% of MSMEs are self-financed with only around 7% borrowing from formal institutions and government sources (Economic Census, 2013).

Financial Markets

Since the outbreak of Covid-19, there has once again been turbulence in the debt markets. Credit spreads of corporate debt papers have risen sharply to levels higher than what was witnessed in the aftermath of the IL & FS crisis of September 2018. Debt mutual funds, even those that invest at the short end of maturity –liquid funds, ultra-short duration funds, etc. have taken serious hits to their net asset values (NAVs) making investors nervous. These funds are considered investments second only to bank deposits in terms of safety and hence decline in their NAVs is a matter of concern.

The confluence of several factors has led to the current turmoil in the debt market. Foreign institutional investors (FIIs) have been steady investors in Indian debt over the last few years due to arbitrage between international interest rates and Indian rates along with a generally stable currency. As the Covid-19 pandemic began spreading across countries and especially affected the US, growing risk aversion and flight to safety led these investors to sell large volumes of Indian debt paper, in addition to stocks (figure 12). Overall, FPI outflows were of the order of USD 7.1 billion in 2019-20 (up to March 31, 2020). In addition to this, March is generally a tight liquidity period in India. Advance tax payments, financial year ending, etc. result in greater demand for cash during this period.

Conclusion

Covid-19 has posed an unprecedented challenge for India. Given the large size of the population, the precarious situation of the economy, especially of the financial sector in the pre-Covid-19 period, and the economy's dependence on informal labor, lockdowns, and other social distancing measures are turning out to be hugely disruptive. The central and state governments have recognized the challenge and have responded in a better way. The epidemic has had massive consequences for enterprises of all sizes, and sorts, including a dramatic decline in economic activity and interruption of Public debt. The announcement of lockdowns, restrictions on millions of people's movements, and the suspension of business activity did indeed cause the economy to halt. India enacted one of the most stringent curfews in the world to stop the spread of the coronavirus. Nonetheless, the measures and steps taken had an impact on the economy and the functioning of other commercial and public sectors in the country.

The study aims to provide evidence for policy and programming objectives, as well as to support the development of sound measures to mitigate the pandemic's effects.

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