BUSINESS AND ECONOMIC RECESSIONS IN INDIA DURING THE COVID-19 – A REVIEW

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Abstract

The present article is presenting the present scenario of business and economic recessions in India during the COVID-19. The authors have revealed on few aspects related to business and economic recession of the world economy and the Indian economy of before, during and after COVID-19. Such as, an economic recession can be rebuilt during 2021-22; the impact of COVID-19 on international trade; the inconsistency of gold market during COVID-19; stock market during COVID-19; industrial progress during COVID-19; the service sector of the economy and its impact on business recession during the COVID-19; and agricultural produces and the role of social quarantine. The social distancing and quarantine of people and the efforts of the departments like police, health, telecom, and other service-oriented departments are helping to succeed the stringent situations. The above suggestions are very useful to revamp the entire national cultural and economic changes. The present article will give a scope to further research on the business and economic recession in India. The present article will give an idea to the policymaker to improve the economy of India. The authors have requested the government to improve the national income kindly review the present article suggestions.

Keywords: International Trade; Gold Market; Stock Market; Industrial Sector; Service Sector; and Agricultural Sector

Introduction

The whole world has been locked down on an effaceable virus named as COVID-19. The politicians, saints, businessmen, and philanthropists are unable to do their day-to-day progress on their regular activities. The household economy is lockdown under the conditions of COIVD-19 as well as countries and the global economies have also been locked down. The pharmaceutical business and the medication business are alone in progress for the need of the public. The agricultural activates are done to activate the people into agriculture. The vegetables and grocery prices are rapidly increased which means that the demand and supply elasticity has differed irrational conditions during the COVID-19 environment. The exports and imports of the countries are not dealt with with their regular balances of demand and supply. The transports of goods and the consumption of edible goods are also irrational. The result is, the prices of the goods are increased. The stock markets' indexes are not inconsistent levels. Its volatility is in different ends of negative and positive. The loss of derivatives of the corporate in India has increased day-by-day. The investors are met huge losses due to the COVID-19 conditions. The economy still is in its persisting conditions through only the service sector. The people are expecting the service sector operations to be continued as now provided except for public transport. The telecommunication, banking, electricity, public distribution system, and petroleum products are essentials to living under lockdown situations. The local vendors are highly affected due to the lockdown. The total economy of the country (India) is affected. The economic and business recessions have existed during the COVID-19 is an unhide truth and environment.

Business and Economic Recession of the world economy

A global recession is likely if COVID-19 becomes a pandemic, and the odds of that are uncomfortably high and rising with infections surging in Italy and Korea. The coronavirus has been a body blow to the Chinese economy, which now threatens to take out the entire global economy. The US economy is more insulated from the impact of the virus, but it is not immune, and it too would likely suffer a downturn in this scenario. The outbreak remains contained to China and largely plays out by the spring. The assumption that the virus will be contained to China appears increasingly tenuous, and the odds of a pandemic are rising. The article mentioned that the US agencies replicated that they previously put the odds of a pandemic at 20 per cent but now put them at 40 per cent. A pandemic will result in global and US recessions during the first half of this year. The note has painted a dire scenario if the coronavirus becomes a pandemic. COVID-19 is battering the global economy in numerous ways. Chinese business travel and tourism has all but stopped, global airlines are not going to China and cruise lines are canceling most Asia-Pacific itineraries. This is a huge problem for major travel destinations, including in the US, where some 3 million Chinese tourists visit each year. Chinese tourists to the US are among the biggest spenders of any foreign tourists. Travel in Europe is also sure to be severely impacted as Milan, Italy, the center of the new infections in that country, is a major travel hub for the Continent. Shuttered Chinese factories are also a problem for countries and companies fastened into China's manufacturing supply chain. Apple, Nike and General Motors are some prominent American examples. Under Moody's baseline scenario, which assumes the outbreak remains contained to China and largely plays out by the spring, the agency has forecast that China's economy will contract in the first quarter of this year, and growth for the year will be cut by a full percentage point to 5.4 per cent. The global economy will suffer a hit to GDP of almost a percentage point (annualized) in the first quarter, and slow by 0.4 percentage point to 2.4 per cent in 2020. The global potential growth is an estimated 2.8 per cent. The US economy will experience growth of only 1.3 per cent in the first quarter (annualized), down by 0.6 percentage point because of the virus. Growth in 2020 is now expected to be 1.7 per cent, down 0.2 percentage point. The US economy's potential growth is an estimated near 2 per cent. "A pandemic will result in global and US recessions during the first half of this year. The economy was already fragile before the outbreak and vulnerable to anything that did not stick to script. COVID-19 is way off script", the agency said. "COVID-19 came out of nowhere. It may be what economists call a black swan - a rare and inherently unforeseeable event with severe consequences. We all hope the global effort to contain the virus will ensure this black swan will not fly. But it is prudent to be prepared if it does", Moody's Analytics added.[1]

Business and Economic Recession of the Indian Economy

Before COVID-19

All the key economic indicators have been on a downward swing for quite some time during end of the year 2019. If this slide is not checked India may slip into recession sooner than later. Finance Minister Nirmala Sitharaman made a dramatic statement at the Rajya Sabha on November 27: If you are looking at the economy with a discerning view, you see that growth may have come down but it is not a recession yet, it will not be a recession ever. Two days later, the National Statistical Office (NSO) released the GDP estimates for the Q2 of FY20 showing a sixth straight fall in the quarterly GDP growth - from 8.1% in Q4 of FY18 to 4.5% for Q2 FY20 - as shown in the graph below. world measures of recession is in India does not have its own norms or standards for identifying and declaring recession was said by Pronab Sen, economist and statistician who supervised the finalization of the 2011-12 GDP series as chairman of the National Statistical Commission (NSC). The globally accepted definition of recession comes from the US' National Bureau of Economic Research (NBER) which expresses that "A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." Now, the UK and the European Union accept the following definition: The commonly accepted definition of a recession in the UK is two or more consecutive quarters (a period of three months) of contraction in national GDP.[2]

During COVID-19

Ramkishen Rajan and Sasidaran Gopalan (2020) in their report entitled "Covid-19: Another blow to India's economy" stated that the immediate economic and market impacts of the coronavirus have been on India's financial markets as well as the rupee, which hit a new low vis-à-vis the US dollar in March due to global risk-off sentiment. It can be understood from the following figure.

Source: Pacific Exchange Rate Database and Bombay Stock Exchange

Keeping in mind that the continuous down trends on USD/INR bilateral exchange rates from the beginning of 2018 to 2019. From the beginning of 2019 it has improved and fluctuated, during the end of 2019 and the beginning of 2020, due to COVID-19 these fluctuations are unable to get up from a sudden fall.

For firms laden with dollar-denominated debts, a continuous weakening of the rupee is likely to intensify their struggles to repay their obligations. Beyond the financial shocks, India has to urgently find a way to cushion the demand-side shocks induced by potential lockdowns and other ongoing containment measures.[3]

After COVID-19

The central government is begging with the general public to collect the fund for COVID-19 rehabilitations. Hence, the BJP government will take the steps to collect the due on recovery from the businessmen who were got financial assistance from the Indian Commercial banks (1.7 lakhs of Crores). The government will increase the tax revenue from the GST and Government Stamp duty. The central government will increase the railway fare and petroleum excise duty to bear the losses during the COVID-19. The Government of India will approach the World Bank to get financial assistance for their deficient budgets of 2020-21 and 2021-22 financial years. The RBI will give the accumulated rests full funds of profit to the central government.

Economic Recession can be rebuilt during 2021-22

The authors have identified certain fields of services rendering by the state and central government to the general public with a simple modification of getting service benefits. First, the motorcycle stands are everywhere all over the country, it is under the maintenance of the local body that has been given under the politically influenced auctions. The government can run the Motor Cycle Stands under its administrative purview; it is stable and steady of continuous income generation source with government employees. It will create employment opportunities. Second, all temples entry fees (including Church, Mosque, Hindu and the like) and income (34: 33: 33 percentages of sharing to the temple, central and state government respectively) to be collected by the government. Devotees should not give any amount to the temple persons. All are to be done through a digital mode of payment and receipts. Third, 50 percent of toll road collections are should be accounted for into the state and central government income. The RBI should notice this identified suggestion to enhance the revenue of the government.

Impact of COVID-19 on International Trade

According to WTO (2020) report entitled "COVID-19 and world trade" stated that the COVID-19 pandemic represents an unprecedented disruption to the global economy and world trade, as production and consumption are scaled back across the globe. WTO has answered to this question "The COVID-19 crisis looks like bad news for the global economy and trade – what does the WTO think the impact will be?" The answer is: Because of the rapidly changing situation and increasing gravity of the crisis, economists are revising their forecasts almost daily. Director-General Roberto Azevêdo recently noted that the COVID-19 crisis had caused dramatic supply and demand shocks in the world economy, and that these shocks are inevitably causing major disruptions to trade. These disruptions will be apparent in the WTO's annual trade forecast which is expected to be released in a few weeks. In the meantime, the WTO's Goods and Services Trade Barometers issued on 17 February and 11 March respectively pointed to continued weakening of world trade in both sectors and the likelihood of further declines in the coming months as the full economic impact of the COVID-19 virus becomes more apparent. The second question is: "There are lots of stories about countries imposing trade restrictions and export bans on medical products in reaction to the COVID-19 virus outbreak – are WTO members allowed to do that?" The answer is "it is important to note that trade plays an important role in ensuring the availability and affordability of vital medicines, medical products and health care services, particularly among its most vulnerable members. International trade is crucial to ensuring access to medicines and other medical products - no country is entirely self-reliant for the products and equipment it needs for its public health systems. That said, each WTO member is free to determine what is necessary to protect its citizens and take the measures it deems appropriate. In general, WTO rules provide broad space for members to adopt trade measures deemed necessary to protect public health and public welfare (including import and export bans, quantitative restrictions on imports and exports, and non-automatic import licensing). These measures should be applied in a manner that does not discriminate between WTO members and should not constitute a disguised restriction on international trade. The general exceptions are set out under two of the WTO's cornerstone agreements – the General Agreement on Tariffs and Trade (GATT) 1994 and the General Agreement on Trade in Services (GATS). The Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) also provides members with flexibilities to ensure that life-saving drugs are available and affordable for their citizens. Among other tools, governments can use WTO-compliant compulsory licensing procedures in cases where patented drugs have been unaffordable or not widely available. In addition, two WTO agreements address measures adopted by members to protect public health or public safety – the Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) and the Agreement on Technical Barriers to Trade (TBT Agreement). The SPS Agreement establishes that members have the right to restrict trade by taking SPS measures necessary for the protection of human, animal or plant life or health. These measures should only be applied to the extent necessary to achieve their objectives, be based on scientific principles and be supported by scientific evidence. In situations where relevant scientific evidence is insufficient, members may provisionally adopt SPS measures on the basis of available pertinent information. The TBT Agreement aims to ensure that technical regulations, standards and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade. At the same time, it recognises WTO members' right to implement measures to achieve legitimate policy objectives, such as the protection of human health and safety. Both the SPS and TBT agreements require WTO members to notify others of any new or changed requirements which affect trade, and to respond to requests for information on new or existing measures.[4]

Inconsistency of Gold Market during COVID-19

The present conditions of the gold market are in stringent positions due to the international investors' portfolios are diversified into the gold market under inconsistent of its price fluctuations and the stock markets' falls. The major player of the stock and gold market is china and India respectively. They are affected in COVID -19, hence the market conditions during the period are reached down-trend because of lock-down. The following chart is portraying the gold market environment.

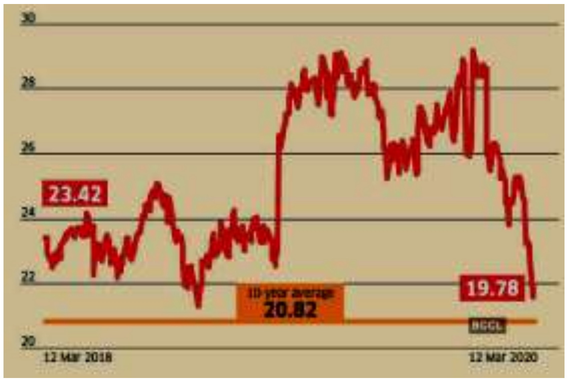
Source: https://www.goodreturns.in/gold-rates/#Historical+Price+of+Gold+Rate

In an overall gold market conditions are favour of the investors when comparing the previous year's growth of the price has been improved. The problems of the market are to the small investor and those who are proposed to purchase the gold for their needs of gifting, cultural and social.

From December 2019 to March 2020, the gold market shows its positive growth with negligible fluctuations, but after the vigorous of COVID-19 the gold market downs suddenly. The effect of COVID-19 impact and the market down has highly coincided. Hence, investors and gold ornament sellers should avoid further investments in gold. The general public should avoid investing in gold during this situation because of unknown predictions about the Novel Corona Virus effects in the rest of the months in 2020. Now, China assumes that the problems are rectified utmost of good faith, despite, few problems are persisted still certain problems are not fully rectified. Again and again, the people are affected through the virus and investments, their hard-earned money has been lost; the Indian government should consider the market as well as Corona virus impacts. Therefore, the departmental actions are required to study the impacts and effects of COVID-19 and the hazards values.

Stock market during COVID-19

Narendra Nathan (March 16, 2020)[5] wrote an article entitled "Stock market hit by coronavirus: Reasons for turmoil, what equity investors should do now" expressed that the Indian market is out of the overvaluation zone should provide comfort to long-term investors. The broader market valuation has gone below its 10-year average while the 10-year real return from the Sensex is in the negative. In other words, this turmoil is an opportunity for long-term investors.



Source: https://www.bseindia.com/markets/keystatics/Keystat_index.aspx

During the March, 2020, the Sensex PE (price-to-earnings) is below its 10-year average; with the market back in the fair valuation zone, long-term investors can get in slowly. This situation is prevailing at present 19.78. It losses 1.04 per cent of its ratios. The expectations of the analysts are the ratio loss may increase in future. Hence, the investors to be keenly watch the market and invest at very safe of COVID-19 situations.

Industrial progress during COVID-19

Subash S (March 21, 2020) wrote an article entitled “Covid-19, an opportunity for Indian industry” and stated that “now for many companies, the shift from China began prior to the Covid-19 outbreak, thanks to the rising input costs and the US-China trade war. The virus just added fuel to the fire, and with the disruption caused by it likely to persist until mid-April, the manufacturing companies are staring at an imminent crisis. This has had a catalytic impact on companies looking to relocate their production hubs. The movement of companies away from China to other less-developed countries would trigger a new wave of industrialization. Consequently, the expansion of the manufacturing hub linked with global supply chains would increase not only productivity but also create large-scale employment. He concluded that every industry is different. Hence it is vital to understand the diverse need of these businesses and focus on specific sectors (such as pharma and automotive), which could yield greater and faster gains. These steps are eminently feasible, with first steps like the adoption of national logistics policy already in progress. India cannot dethrone China before the world recovers from Covid-19. It, however, can establish itself in the manufacturing space.”[6] Therefore, the pharmaceutical industries will have a better position during and after the COVID-19 in all over the world.

Service sector of the economy and its impact on business recession during the COVID-19

According to Rakesh Kochhar and Amanda Barroso (March 27, 2020) have stated that “COVID-19 and the coronavirus that causes it are proving to be not only a public health crisis but also an economic one. With calls for social distancing, service sector jobs that depend on customer-provider interactions or involve the congregation of large numbers of people are likely to take a huge hit. Workers in industries such as restaurants, hotels, child care services, retail trade and transportation services are at a higher risk of losing their jobs."[7] Shikha Goyal (March 25, 2020) has expressed that "up to a large extent, it will impact the Indian industry. In imports, the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them. India's total electronic imports account for 45% of China. Around one-third of machinery, almost two-fifths of organic chemicals that India purchases from the world come from China? For automotive parts and fertilisers China's share in India's import is more than 25%. Around 65 to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India."[8] Therefore, the Indian economy is lifting from the revenue of the service sector. The Indian government should save the sector to take certain strong measures to survival of economy during the COVID-19. The software and IT employees should give their supports to the organization as well as to the national economic stability during the COVID-19.

Agricultural produces and the role of social quarantine

The agricultural sector of the Indian economy is highly affected through the transport and lesser consumption conditions of the general public invariantly in villages semi-urban and urban, and cities. The demand and supply of the consumption and distributions are not at the equilibrium level. Hence, agriculture produces will affect due to COVID-19. According to ABP review (2020) on the impact of COVID-19 on demand and supply sides are mentioned as per the FICCI survey, tourism, hospitality, and aviation are among the worst affected sectors that are facing the maximum brunt of the present Coronavirus pandemic. Closing of cinema theaters and declining footfall in shopping complexes have affected the retail sector by impacting the consumption of both essential and discretionary items. Consumption is also getting impacted due to job losses and decline in income levels of people, particularly the daily wage earners due to slowing activity in several sectors including retail, construction, entertainment, and others, the survey stated. With widespread fear and panic rapidly increasing among people across the country, the overall confidence level of consumers has dropped significantly, leading to the postponement of their purchasing decisions. Even the travel restrictions imposed by the Central government to prevent the spread of COVID-19 in India have severely impacted the transport sector. The impact of COVID-19 on the supply side is that large scale shutdown of factories and the resulting delay in supply of goods from China have affected many Indian manufacturing sectors. According to the FICCI report, sectors like automobiles, pharmaceuticals, electronics, chemical products, etc. are facing an imminent raw material and component shortage. Besides having a negative impact on imports of important raw materials, the slowdown in manufacturing activity in China and other markets of Asia, Europe, and the US is impacting India's exports to these countries as well, the report added.

Discussions and Suggestions

From the above discussions of the researchers and reviewers the authors of the present paper suggested that the government can run the Motor Cycle Stands under its administrative purview; it is stable and steady of continuous income generation source with government employees. It will create employment opportunities. Second, all temples entry fees (including Church, Mosque, Hindu and the like) and income (34: 33: 33 percentages of sharing to the temple, central and state government respectively) to be collected by the government. Devotees should not give any amount to the temple persons. All are to be done through a digital mode of payment and receipts. Third, 50 percent of toll road collections are should be accounted for into the state and central government income. The RBI should notice this identified suggestion to enhance the revenue of the government. Investors and gold ornament sellers should avoid further investments in gold. The general public should avoid investing in gold during this situation because of unknown predictions about the Novel Corona Virus effects in the rest of the months in 2020. Again and again, the people are affected through the virus and investments, their hard-earned money has been lost; the Indian government should consider the market as well as Corona virus impacts. Therefore, the departmental actions are required to study the impacts and effects of COVID-19 and the hazards values. The Indian economy is lifting from the revenue of the service sector. The Indian government should save the sector to take certain strong measures to survival of economy during the COVID-19. The software and IT employees should give their supports to the organization as well as to the national economic stability during the COVID-19.

Conclusion

The authors have concluded that the Indian economy is affected by the tragedy of COVID-19. India and most of the countries in the world are in economic recessions. Indian economy is a mixed type of capitalist and socialist economies. Now, it is on a safer side of economic position. The possibility of a downtrend is highly possible due to the world economic recessions. The state governments of India are taking in-charges of defeating the spreading of disease. The social distancing and quarantine of people and the efforts of the departments like police, health, telecom, and other service-oriented departments are helping to succeed the stringent situations. The above suggestions are very useful to revamp the entire national cultural and economic changes. The present article will give a scope to further research on the business and economic recession in India. The authors have requested the government to improve the national income kindly review the present article suggestions.

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