

The Indian Economy and Covid 19

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Coronavirus 2019 is an infectious disease caused by respiratory syndrome coronavirus2 or sars-cov-2. First case of coronavirus was found in Wuhan, China in December 2019. After that it has spread globally. The World Health Organization, declared the covid-19 outbreak, a public health emergency in January 2020 and a pandemic in March 2020. Covid-19 outbreak has affected economic condition of all the countries around the world. Indian economy has also badly affected by covid19. Both the supply (production) and the demand (consumption of non essentials) have been decreased.

Agricultural sector has Prime role in Indian economy. The growth of Indian economy depends on the performance of Agricultural sector. The share of agriculture in GDP is around 15.4%. The main focus of agricultural policy across the decades has been of self sufficiency in food grain production. The considerable progress has been made on this front. Agriculture generates employment opportunities either we consider it as a means of subsistence or as a commercial farming. This sector provides employment to 44% of country's total work force. The share of agriculture in national income has come down, 15.4% in 2019. Still it has substantial share in GDP. Agricultural sector also provide raw material to industries. Sugarcane, oilseeds, cotton and jute are important agricultural inputs for oil mills, sugar, and cotton and jute textile industries. Many small scale and cottage industries are also dependent on agricultural sector for their raw material. Covid-19 and subsequent lockdowns have affected agriculture. Due to stopped work and ban on transportation has specially affected Rabi crop. The season of Rabi crop is October to March, April. This crop is sown in last October and harvested in March, April every year. Rabi crop includes wheat, Barley, gram and mustard. Pandemic covid-19 also put an impact on landless labourers, artisans and MNREGA workers. Without work, they have no income. Generally the farmers of Punjab and Haryana employ labourers from other states of India. Due to coronavirus outbreak, migrant labourers are returning to their states. So, Punjab and Haryana are facing acute shortage of labourers for harvesting of the wheat crop. They require around 16 lakh labourers for harvesting and procurement. It will not only affect the income of farmers but it will also affect the supply of the wheat.

Agriculture sector provides the essentials of life and raw material to industries. Industrial sector provides commodities for diverse human needs. Industrial production in India largely focused on consumer goods with the help of conventional technology. So they provide employment to large number of people. In 2019, 25% of workforces get employed in industrial sector. Industrial sector comprises of mining, manufacturing, electricity and construction.

Small scale and cottage industries also play an important role in Indian economy. Generally, small scale and cottage industries use labour intensive technology. Therefore, by comparing with large scale industries, small scale industries have a greater potential for generating employment opportunities. Outbreak of covid-19 has affected industrial sector. The consumption of non-essential commodities have been decreased. Due to lockdown, work had been stopped in industrial sector which affected the livelihood of workers. It is very hard to survive without livelihood. So, migrated workers have started returning to their home states. Industrial sector has started facing shortage of workers. It will affect labour market, production, supply and income.

Tourism sector also plays an important role in the economic development. Tourism places a key role in the social economic progress through creation of jobs, infrastructure and revenue. This sector has been identified as a second largest sector in our country to provide employment to low skilled workers. Pandemic covid-19 has badly hit the tourism industry. Gems and jewelry, Paper, Fertilizer, Silk, Chemical and Leather are the other industries which are badly hit by coronavirus outbreak.

Covid-19 has also affected import and export adversely as the effect of pandemic is global. All the economies of the world has been adversely affected by this pandemic. China is India's third largest partner in export for Organic chemical, fish product, plastic and cotton.

India import 45% of electronic items, one third of machinery, 65% of active Pharmaceutical ingredients, 95% of mobile phones and their parts and 25% of automobile parts from China. Therefore, electronics sector, machinery sector, Pharmaceutical sector and automobile sector have been affected.

In a nutshell, we can say that all the sectors of Indian economy have been affected by covid-19. All the economies of the world have been badly hit by the outbreak of pandemic covid-19. The consumption, production and investment has been increased in all the countries around the world. How long this situation will prevail? Nobody has the answer. Will there be depression, the second great depression?

In 1930, during the world depression John Maynard Keynes developed a theory to understand the behavior of aggregate economic variables such as employment and output. The book containing this theory was 'The general theory of employment, interest and money' by John Maynard Keynes. According to Keynes theory, low aggregate demand was the reason behind high unemployment. Keynes favored Government spending to stimulate aggregate demand. According to simple Keynesian model, the components of aggregate demand are consumption, private investment, and government spending and net exports. According to this model of income determination, there is mutual interaction between spending and output. Change in spending affects income and output but Change in income and output also affect spending. When spending increases, it leads to increase

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output and income which increases consumption. During pandemic consumption of non essential commodities has been decreased. Private investment has also decreased. Private investors lose their faith due to uncertainty and downturn economic condition of the economy. Exports and imports are already badly hit by pandemic covid-19. Government spending can stimulate aggregate demand. Government expenditure is necessary for the upliftment of the economy. When government spending will increase it will lead to increase output, income and consumption. For the upliftment of the economy, we can only rely on the government sector.

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