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A Study on Impact of Government Schemes on Indian Economy

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Abstract – In 2020, the world was threatened by a new COVID-19 virus, which threatened all – mobility, stability and the regular existence. In fact, this provided India and the planet with the biggest economic threat in a century. Public health strategy has been established as a solution or vaccine to combat this overwhelming problem. The need for the curve of the disease to flatten was related to the cost of livelihoods of a lower recession which stemmed from the constraints of the pandemic's economic locks. This inherent exchange contributed to "life versus livelihoods" political dilemma. Governments and central banks worldwide have utilised numerous policy mechanisms to support their economies, including lowering main policy rates, quantitative stimulus initiatives, debt subsidies, currency flows and financial rewards. India acknowledged the destructive effects of the pandemic and defined a peculiar direction among dreadful predictions by a variety of foreign organisations, owing to the large economy, the high population rate, and a heavy system for health.

Key Words – Economic Impact, Government Schemes, Indian Economy

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INTRODUCTION

The world also experienced many epidemics such as the Spanish Flu of 1918, occurrence of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. Indian diseases such as pox, plague and polio had to be treated in the previous period. Nevertheless, one of the most serious health crises in our history has been the Covid-19 Novel Corona Virus, which originated in China in November-December and in the coming months has spread quickly in nearly all countries. On 30 January 2020, India reported the disease's first occurrence. Since then, the cases have steadily increased to approximately 33610 cases and 1075 deaths (as on 30 April 2020). Indeed, the number of cases in other countries, particularly developing countries that were seriously impaired, was lower than in other countries. The Covid-19 global pandemic triggers two forms of shocks: health shock and economic shocks. Given the high-contamination aspect of the epidemic, policy interventions such as social distancing, insulation at home, establishments and public facilities closing, travel limitation and even the lockout of a whole world are included in the measures to control the outbreak. The government of India declared a national lockout for three weeks from 25 March 2020 and lasted until 3 May in an attempt to curtail the transmission of the virus. The epidemic of COVID-19, first in China and now having been reported in more than 190 countries, has emerged as a core danger to human health as well as global growth outlook across various channels including trade, development and supply chain disruptions; decrease in demand; lower tourism and business travel; loss of investor confidence; and productivity losses from the health effects on morbidity and mortality of work force. The epidemic has now raised problems for the Indian economy, creating significant interruptions to both the elements of production and supply that have the ability to threaten the development history of India. The economic effect would have a whole economic impact, according to a report by the Federation of Indian Chambers of Industry (FICCI).

DEMAND SIDE IMPACT

Tourism, hospitality and air transport are three of the worst hit industries in the global recession. Closing of movie theatres and declining 3 footfall in shopping malls has impacted the retail industry by affecting consumption of both important and luxury goods. Consumption is also influenced by job losses and decreases in the incomes of citizens, particularly those on daily wages due to the slowdown in various sectors like retail, building, entertainment, etc. The general morale level of customers has declined sharply, triggering a postponement of buying decisions, as fear and confusion among citizens have risen now. The aviation business was seriously impaired by travel restrictions. Not only recreational tourists but even industry visitors cancel their hotels on a large scale, as conventions, seminars and workshops can be cancelled on large scale.

SUPPLY SIDE IMPACT

On the supply side, plant closure and the subsequent pause in delivering products from China have impacted many Indian manufacturing industries, which supply China with their intermediate and final product requirements. Any industries such as vehicles, pharmaceuticals, appliances, plastics, etc. face an immediate scarcity of raw materials and parts. This hinders the mood of industry and affects investment and company output plans. The slump in manufacture in China and other markets of Asia, Europe and the US has a negative effect on imports of essential raw materials and on exports of India in these nations.

IMPACT ON FINANCIAL MARKET

Greater confusion regarding the potential direction and the effect of Covid-19 often renders the stock sector highly unpredictable, contributing in response to enormous crashes and asset loss. One of the largest slides in domestic stock markets was the BSE Sensex and NSE Nifty, which plunged over 8 percent in one day, trailing the global equity trend. The Sensex fell by 2.919 points, with the NSE Nifty dropping by 868 points on the first day of its total fall. It is claimed that an approximate Rs ten lakh of market cap was wiped out due to collapse of this one day. The decline has persisted until now as buyers have relentlessly sold corona virus events. Indian shareholders fell again to a fresh low on 19 March. At 28,288, the Sensex shut down 581 points. Nifty fell 205 to 8,263. Further capital loss of holders is anticipated in future with stock markets likely to be unpredictable too. Sensex, however, earned 997 points on 30 April and closed with 33717.

IMPACT ON INTERNATIONAL TRADE

For many Indian goods such as sea fish, petrochemicals, gems and jeweleries, China has become a big market. The coronavirus epidemic had a negative effect on exports to China of this commodity. For eg, it is anticipated that the fishing industry will experience losses in exports of more than Rs 1,300 crore. Likewise, 36% of India's diamonds are shipped to China. An approximate Rs 8,000 to 10,000 crores of economic potential for Jaipur alone would be wasted from the cancellation of four major trade events between February and April. In addition, India exports to China 34% of its petrochemicals. Petrochemical products are expected to see a price reduction due to export restrictions on china.

IMPACT OF COVID 19 ON INDIAN ECONOMY

Almost all commercial operations have been suddenly halted in the world. However, the government has consistently assured the availability of vital goods like medication. After the lock-out is removed, the interruption in suppliers and demand will undoubtedly occur. It will take years for the economy to recover to its usual stage, and still, as the health shock continues, social distancing actions will begin. Thus, consumption, in particular demand for non-essential products and services, is unlikely to be revived in the coming months. It is possible that usage, capital expenditure and exports are subject for a long period to the three key components of aggregate demand. Besides a never before seen deflation in production, massive destruction of the supply chain, owing to the shortage of raw materials, the eviction of millions of jobs in metropolitan regions, the downturn of international trade, and the sanctions placed on exports and travel by almost all the countries impacted. It is doubtful that the supply chains can normalise for some time. The more the recession continues, the tougher it would be for businesses to survive on the board. In virtually all domestic industries, this would adversely affect output. This will have additional consequences for savings, employment, wages and demand, which will decrease the overall economic growth rate. The transportation, hospitality and tourism sectors would also have significant cascading impacts. In addition to internal challenges, the Indian economy would also be impacted by the global slowdown which is on the horizon. This is bound to have an effect on the financial and commercial ties between India and the rest of the world. Global funding has also withdrawn funds from Indian capital markets and moved to secure assets when equity markets collapsed. The magnitude of the harm that the Indian economy will suffer after the epidemic wanes is difficult to fully understand at this early point. Any early forecasts demonstrate the seriousness and length of the potential economic downturn.

THE ECONOMIC IMPACT OF COVID19 ON MAJOR SECTORS OF INDIAN ECONOMY

GDP Growth

India's FY 21 growth forecast has been reduced by the International Monetary Fund (IMF) to 1.9 per cent, down from a January estimate of 5.8 percent and warning that the "worst recession since the Great Depression" would exacerbate the global financial crisis's economic harm a decade earlier. It also claimed that India and China are the only two global economies expected to register development and that all other economies will contract. The Covid-19 pandemic would shrink world production by 3 percent in 2020, IMF said in the April update of its World Economic Outlook (WEO), the first since the severity of the epidemic became apparent. Similarly, the CRISIL domestic rating agency has lowered its estimate for India's growth rate to 1.8%, from 3.5% previously forecast for 2020-21. The Investors Service of Moody has also lowered India's calendar year 2020 growth target to 0.2 per cent, compared with 2.5 percent in March. For 2021, the rating agency expects India's development to recover to 6.2 per cent.

Agriculture and Rural Activities

This sector is crucial for agriculture since a vast number of employees and the economy of the whole nation rely upon it. The Covid-19 epidemic will contribute to a major worsening in rural India. Locking and related disturbances will effect on farming operations and supply chains across many channels: input delivery, harvesting, buying, transport barriers, selling and manufacturing. Movement constraints and labour shortages can hinder agriculture and food processing (FAO, 2020). March–April is the peak season for rabbit prices, however with the exodus of thousands of migrant workers harvests would be disrupted. Fertilizer scarcity, veterinary drugs and other inputs can have an effect on agriculture. Restaurant shutdowns, bottlenecks in transport will reduce the demand for fresh produce, fish and poultry products that impact farmers and suppliers.

Informal sector

In overall jobs, India has a very high proportion of informal employment. The share of farm employees, from 94% in 2004-5 until 91% in 2017-18, decreased slightly. In 2017-18, 422 million were informal jobs, out of a total of 465 million workers. In the same year, informal workers' share was around 84 percent also in the non-firm field (manufacturing and services). In the pre-Covid-19 era, informal workers already faced issues related to low salaries and revenue. Day wage workers and other informal workers are the worst affected during the lockdown and are affected even when the lockdown is quick. The lockdown has caused major losses of employment and wages to these workers, with virtually no economic development, especially in urban areas. The seasonal migrant workers in India are around 40-50 million. They lead to the development of urban infrastructure, highways, manufacturing and take part in a variety of services. The lockdown sparked a wide scale evacuation. The formal sector would still have their jobs and earn their wages in so long as businesses do not close. The informal economy is working differently. It depends on the everyday demand of people. The sustainability of informal sector units becomes questionable every day, particularly with the health crisis and its related block-out dragging on, when a significant section of possible informal clients remain at home right now and refrain from non-essential costs. Many businesses in the informal business would have to close down.

Micro, small and medium enterprises (MSMEs)

All the micro, small and medium-sized enterprises constitute a significant part of India's manufacturing and play an important role in the production of large-scale jobs and exports in India. In recent annual reports on MSMEs, the sector accounts for around 30% of Indian GDP and hires about 50% of industrial employees based on optimistic figures. Over 97 percent of MSMEs may be listed as micro-entities and over 94 percent are not registered in government (with investments in plants and machinery below Rs 25 lakh). Many small, household-managed micro enterprises. While all industries have suffered from the pandemic, decreased cash flows resulting from national lockout will severely impact the MSME business. Their chain of supply will be clashed with and impacted by the foreign workers' migration, limitations on the supply of raw materials, production delays and imports, as well as the comprehensive travel ban, closing of centres, hotels, schools etc. In exchange, this will hamper MSME firms immensely. As a result, hundreds of thousands of people who work with these small firms will lose employment and salaries.

Employment

The findings from a Market Pyramid household survey carried out by the Center for the Monitoring of Indian Economy (CMIE) indicate that in the week ending March 29, unemployment in urban areas rose dramatically to 30%, about 3.5 times the amount in a week-end ending March 22. The corresponding figures are 21% and 8.3% for rural areas. The national unemployment rate rose from 8.4% to 23.8%. The week-end statistics for April 5 predict that the average would be 30.9% in urban areas, 20.2% in rural areas, and 23.4% in the whole country.

Financial markets and institutions

The risk aversion to the banking system gets significantly worsened by the country-wide lockdown. With companies constantly unable to keep solvent and unwilling to repay their dues in the face of the tremendous restructuring in production and supply, corporate crimes will escalate and the NPAs of the already precarious financial sector are slowly rising. As the outlook for the Indian banking sector has already shifted, the Moody's Investors Service predicts a reduction in the efficiency of the Bank's assets as a consequence of dislocated economic activities. There is a possibility that defaults will not only increase in the banking system, they will also increase in NBFCs that lend to the MSME sector as their earnings will decline significantly. The depth of financial stress in the broad microfinance sector (NBFC-MFIs) that funds countless small and micro businesses across the world could be especially worrying. MIFs are offering savings and loan programmes to many low-income disadvantaged citizens. The microfinance economy demands large rates of repayment. Any failure of the redemption pace is insolvent for these organisations. Repayment rates will plunge sharply now, following the precipitous income shock, as investors strive to produce a result. Much of MFI customers work in the micro or much smaller businesses and borrow for the short term. The lockout would end in an utter collapsening of their sales. Moreover, even though creditors will repay, the processing of payments is a grave issue, the rest of the MFI loans are in cash and in the core of a lock-out. The NPAs on current lending will begin to mount up and, if the banks are not properly capitalised, the still risk-averse financial sector will potentially grow even less able to expand fresh lending. In other words there are several channels by which an already unstable financial system can get choked as the crisis worsens, thus aggravating the slowdown.

Tourism, Hospitality & Medical Value Travel

With the large-scale cancellation of travel schemes by domestic and international visitors, inbound and outbound tourism has decreased by some 67 percent and 52 percent from January to February compared with the same span last year, respectively. Meetings, incentives, seminars and exhibits — known as the MICE segment — have become the most commonly received in all parts of the hospitality industry. Any of the big foreign events like software gatherings such as Mobile World Congress (MWC), Google I/O and Facebook's F8 events have already been postponed, triggering enormous economic losses. In the coming summer the tourism industry expects to further deteriorate. From April to June. In general, during March and April, the number of Indians travelling to national and foreign destinations peak. However, almost 90% hotel and flight reservations were cancelled this period. This time. The hotel, air transport and travel industries, together, will incur losses of about Rs 8,500 crore as a consequence of the travel restrictions levied by India on international visitors for one month, according to the Indian Association of Tour Operators, (IATO). This is also projected to have a detrimental effect on employment in the industry.

OTHER IMPORTANT SCHEMS AND PROGRAMMES

Rashtriya Krishi Vikas Yojana (RKVY)

At its meeting held on 29 May 2007, the National Development Council (NDC) determined that a special supplementary assistance programme (RKVY) was adopted. The National Conference of the Democratic Republic of Germany (NDC) decided that agricultural growth policies should be reorientated to fulfil farmers' demands. The NDC reaffirmed its commitment in the 11th Plan to achieve 4% of annual agricultural growth.

Mission on Seed and Planting Material

The new arrangement calls for drastic improvements to conform to the modified situation. Four of the reasons why the scheme has been restructured and launched as a mission are as follows. The scheme actually runs with 9 sections. It is appropriate, in view of the dynamism in the seed sector and the experience acquired in the execution of the system, to amend certain current components of the scheme. The criteria for seed storage, processing and laboratory etc., and the 'Seed Village Programme' and 'Privileging Development Assistance for Private Seed Development' require significant reform. A analysis is also expected of the pattern of help of certain other components. The existing scheme is being implemented from 2005-06. The technology of seed production is evolving and new innovations have arisen, including transgenic, tissue, landless, and so on. Specifically to safeguard farmers' interest there is greater focus on seed quality management. The socio-economic dynamics of the world have often shifted dramatically. The economy has been gradually liberalised, and in numerous fields, including agriculture, the private sector is progressively playing a part. The existing Central Sector Plan schemes of the XI Plan include: I the construction and upgrading of infrastructure for quality seed production and distribution (SPSS) facilities and (ii) the introduction of PBL (PPVFRA) with 26 new seed sector portion and another 6 proposed for plant variety and farmers' protection. The 26 new components may be grouped into 10 groups, in other words. 1 component Seed Preparation, 7 seed development components, 4 varietal replacement components, two unique initiatives components for public seed generating organisations, 2 different and 1 modern quality management component, 1 component disaster planning, seed business PCP, multinational meeting expense delivery plans, National Campaign, Capacity Building, Creative 1 component Seed Planning, During the XI Plan era, the implementation of the PPVFRA had 12 components, and these components are now expanded to 18 components.

CONCLUSION

For India, Covid-19 was an obstacle without precedence. The volatile economic condition of the pre-Covid 19 era and the economy's reliance on informal labour, lock-downs, and other social distance steps must have been particularly perturbing in view of the broad population. The central governments and the state governments have acknowledged and reacted to the task, but it has to be the start. As the events unfold in order to minimise the impact of the shocking both on the official and the informal sectors, policymakers must be prepared to expand their response and open the way for a V-figured recovery. Around the same time, they must guarantee that the answers stay enshrined in the law and restrict independence so as to minimise harm to the economy in the long run.

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