ISSN: 2474-5146 (Online) 2474-5138 (Print)

17. ISSUES AND CHALLENGES OF INDIA'S UNHEALTHY ECONOMY DURING COVID-19 PANDEMIC WITH GLOBAL OUTLOOK

C. KOKILA HARINI, Research Scholar, PG & Research Department of Economics, Quaid- E-Millath Government College for Women(Autonomous), Chennai.

Dr.K.PARIMALAM, Assistant Professor,PG & Research Department of Economics, Quaid- E-Millath Government College for Women(Autonomous), Chennai.

ABSTRACT

The economic activity in global level with high COVID-19 cases suffering prolonged disruption as restrictions could continue longer. Indeed, given one of the most stringent lockdowns in the world, the worst-performing months for India this fiscal Year. The purpose of study is about highlights the need for urgent action to modify the epidemic's health and economic consequences by the government in India and as global, and the extensive reform programs to improve the fundamental drivers of economic growth once the crisis lifts.

INTRODUCTION

The first time since the COVID-19 epidemic started, the number of new cases outside of China was greater than inside the country. By 1 March, the total number of confirmed COVID-19 cases in China was 80,565 (3,015 deaths) and in the rest of the world 14,768 (267 deaths). The data from many countries is not trustworthy due to a lack of testing capability, political expediency and the clinical characteristics, most notably a long phase up to 12 days during which infected people may be symptomless. But, it is clear that this pandemic is growing exponentially.

The COVID-19 pandemic is in exponential growth. Its economic consequence is already more severe than SARS or MERS. The political issues are harder to outguess, but could be evidential and long-lasting. The World Health Organization's response has also been extraordinary but requires private sector support, in three areas in particular:

1. Keeping supply chains and logistics open: The drugs, vaccines and masks are available to deal with surging demand.
2. Providing a flow of trusted information to staff: Firms should be as honest, transparent and as informed as possible.
3. Engagement in specific sectors of health and pharmacy in critical research: This includes diagnostic tests, research in public health and prevention, and the development of new drugs and vaccines, therapeutics and drugs for patients who have already contracted COVID-19.

It is important to contain and prepare to mitigate further impacts, particularly in countries with struggling or under-resourced health systems. We should work collectively to support these countries with new drugs and vaccines and we should not leave anyone behind, because of enlightened self-interest in preventing and controlling ongoing infection and spread, but also to take an equitable approach to world health.

The Corona virus disease 2019 (COVID-19), first identified in Wuhan, the capital of Hubei, China, in December 2019 and since they extended globally, it has been recognised as a pandemic by the World Health Organization (WHO) on 11 March 2020. India is widely affected by this pandemic. As on 29.04.2020, more than 31000 cases of Corona virus have been confirmed in India with more than 1000 deaths.

THE GLOBAL VIEW OF ECONOMIC OUTCOME DUE TO COVID - 19

The COVID-19 pandemic has out spread wings with alarming speed, infecting millions and bringing economic activity to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. As the health and human toll grows, the economic change is already evident and represents the largest economic shock the world has experienced in decades.

The June 2020 Global Economic Prospects, describes both the immediate and near-term outlook for the impact of the epidemic and the long-term change it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights the deep global recession in decades, the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer purview, the deep recessions triggered by the pandemic are expected to leave lasting scrape through lower investment, a condition of human capital through lost work and schooling, and explosion of global trade and supply linkages.

The crisis highlights the need for urgent action to modify the epidemic's health and economic consequences, protect susceptible populations, and set the stage for a lasting recovery. For emerging market and developing countries, many of which face intimidating vulnerabilities, it is critical to strengthen public health systems, address the challenges posed by informality, and implement reforms that will support strong and sustainable growth once the health crisis abates.

Every region is subject to substantial growth downgrades. East Asia and the Pacific will grow by a scant 0.5%. South Asia will contract by 2.7%, Sub-Saharan Africa by 2.8%, Middle East and North Africa by 4.2%, Europe and Central Asia by 4.7%, and Latin America by 7.2%. These downturns are expected to reverse years of progress toward development goals and tip tens of millions of people back into extreme poverty.

Emerging market and developing economies will be hit by economic headwinds from multiple quarters: pressure on unhealthy care systems, loss of trade and tourism, dwindling remittances, subdued capital flows, and tight financial conditions amid mounting debt. Exporters of energy or industrial commodities will be particularly hard hit. The pandemic and efforts to contain it have triggered an unprecedented collapse in oil demand and a crash in oil prices. Demand for metals and transport-related commodities such as rubber and platinum used for vehicle parts has also collapse. While agriculture markets are well supplied globally, trade restrictions and supply chain disruptions could yet raise food security issues in some places.

A POSSIBILITY OF ECONOMIC OUTCOMES EVEN WORSE

Even this bleak outlook is subject to great uncertainty and significant downside risks. The forecast assumes that the pandemic recedes in such a way that domestic extenuation measures can be lifted by mid-year in advanced economies and later in developing countries, that adverse global fall over ease during the second half of 2020, and those widespread financial crises are avoided. This scenario would envision global growth reviving, however modestly, to 4.2% in 2021.

However, this view may be positive. Should COVID-19 outbreaks persist, should restrictions on movement be extended or reintroduced, or should disruptions to economic activity be prolonged, the recession could be deeper. Businesses might find it hard to service debt, high risk avoidance could lead to climbing borrowing costs, and bankruptcies and defaults could result in financial crises in many countries. Under this downside scenario, global growth could shrink by almost 8% in 2020.

Looking at the speed with which the unstable situation has overtaken the global economy may provide a clue to how deep the recession will be. The sharp pace of global growth forecast downgrades points to the possibility of yet further downward revisions and the need for additional action by policymakers in coming months to support economic activity.

A peculiar concerning aspect of the outlook is the humanist and economic toll the global recession will take on economies with wide informal sectors that make up an estimated one-third of the GDP and about 70% of total employment in emerging market and developing economies. Policymakers must consider innovative measures to deliver income support to these workers and credit support to these businesses.

LONG-TERM CHANGE TO POTENTIAL OUTPUT, PRODUCTIVITY GROWTH

The June 2020 Global Economic Prospects looks, beyond the near-term outlook to what may be tarriance issues of the deep global recession: setbacks to possible output□ the level of output an economy can achieve at full capacity and full employment□ and labour productivity. Efforts to contain COVID-19 in emerging and developing economies, including low-income economies with limited health care capacity, could precipitate deeper and longer recessions□—exacerbating a multi-decade trend of slowing potential growth and productivity growth. Many emerging and developing economies were already experiencing weaker growth before this crisis; the shock of COVID-19 now makes the challenges these economies face even harder.

Another important feature of the current landscape is the historic period of sudden break down in oil demand and oil prices. Low oil prices are likely to provide, at best, temporary initial support to growth once constraints to economic activity are lifted. Even though after demand recovers, adverse impacts on energy exporters may exceed any benefits to activity in energy importers. Low oil prices offer an opportunity to oil producers to diversify their economies. In addition, the recent oil price immerse may provide further momentum to undertake energy subsidy reforms and deepen them once the immediate health crisis subsides.

In the face of this disquieting outlook, the immediate priority for policymakers is to address the health crisis and contain the inadequate period of time economic change. Over the longer term, authorities need to undertake extensive reform programs to improve the fundamental drivers of economic growth once the crisis lifts.

Policies to rebuild both in the short and long-term strengthening health services and putting in place targeted stimulus measures to help reignite growth, including comfort for the private sector and getting money directly to people. During the mitigation period, countries should concentrate on sustaining economic activity with support for households, firms and essential services.

Global coordination and cooperation of the measures needed to slow the spread of the pandemic, and of the economic actions needed to facilitate the economic change, including international support to provide the greatest chance of achieving public health goals and enabling a strong global recovery.

INDIA'S VIEW OF ECONOMIC OUTCOME DUE TO COVID – 19

The current recession staring at India brings a new set of challenges. The crisis has emerged out of the blue as the country is in a lockdown, severely hampering economic activity. Indian government has consideration its high intensity, seen in the context of India having the highest rate of density population in the world, the Governments, both at Union and State levels, commenced necessary actions on war footing to prevent the spread of this pandemic.

India's historical economic recessions

In past, contractions in India's GDP had commonly – faint monsoon, energy, oil crisis. The recession predominant now in differ from previous recession's period as it comes with a fresh set of challenges. But if India's FY21 GDP contracts, as projected by analysts, its cause would be entirely different. They saw contraction of -1.2% (FY58), -3.66% (FY66), -0.32% (FY73) and -5.2% (FY80).

First recession period

The year 1957 was a difficult period for agriculture sector. Faint monsoon adversely affected agricultural production, which leads to increased in prices. The government which had already imported 20lak, tonnes of food grains in the previous fiscal had to further import 40lak, tonnes. During 1957-58, India's first dropped in economic growth when a negative GDP growth of 1.2 per cent was recorded.

Second recession period

India which had fought wars with China in 1962 and more recently with Pakistan in 1965 was in a recovery stage. The very next year, two severe droughts affected Indian economy (during 1966 & 1967). During that time India had depended on foreign aid especially from the US.

Third recession period

In 1973, world witnessed its first energy crisis as the Organisation of Arab Petroleum Exporting Countries (OAPEC) proclaimed an oil embargo (an embargo is an official ban on an activity or trade with a particular country). It targeted nations that were supporting Israel during the ongoing "yom kippur" war. Consequently, India's oil import bill rose from $414 million in 1972-73 to $900 million till 1973-74. This was twice the amount of foreign exchange reserves present at that time. Since then energy became a top most priority for India.

Fourth recession period

The world witnessed a second impact of oil during 1979-80. It happened due to a decrease in oil production in the wake of Iranian revolution and leads to increase in oil prices. This leads to a serious crisis as the cost of India's imports almost doubled between 1978-79 to 1981-82. During this time, India's exports also took a hit as it contracted by 8%, which leads to a balance of payment crisis.

To minimise the effect in the economy caused by the COVID -19 outbreaks, the Union Finance & Corporate Affairs Minister, on 24.03.2020, announced several important relief measures taken by the Government of India, especially on statutory and regulatory compliance matters related to several sectors. The Central Government, amongst others, announced much-needed relief measures in areas of Income Tax, GST, Customs & Central Excise, Corporate Affairs, Insolvency &Bankruptcy Code (IBC) Fisheries, Banking Sector and Commerce, intended to boost the economy.

STEPS TAKEN BY THE INDIAN GOVERNMENt

The Central Government, amongst others, has taken the following decisions in these directions:

A. Income Tax

- Extension of last date for income tax returns for financial year 2018-2019 from 31.03.2020 to 30.06.2020.
- Aadhaar-PAN linking date to be extended from 31.03.2020 to 30.06.2020.
- Due dates for issue of notice, intimation, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents and time limit for completion of proceedings by the authority and any compliance by the taxpayer including investment in saving instruments or investments for roll over benefit of capital gains under Income Tax Act, Wealth Tax Act, Prohibition of Benami Property Transaction Act, Black Money Act, STT law, CTT Law, Equalization Levy law, Vivad Se Vishwas law where the time limit will be expiring between 20.03.2020 to 29.06.2020 shall be extended to 30.06.2020.
- For delayed payments of advanced tax, self-assessment tax, regular tax, TDS, TCS, equalization levy, STT, CTT made between 20.03.2020 and 30.06.2020, reduced interest rate at 9% instead of 12 %/18 % per annum (i.e. 0.75% per month instead of 1/1.5 percent per month) will be charged for this period. No late fee/penalty shall be charged for delay relating to this period.

B. GST/Indirect Tax

- Those having aggregate annual turnover less than Rs. 5 Crore can file GSTR-3B due in March, April and May 2020 by the last week of June, 2020, without any interest, late fee, and penalty.

Others can file their returns due in March, April and May 2020 by last week of June 2020 but the same would attract reduced rate of interest @9 % per annum from 15 days after due date. However, no late fee and penalty shall be charged, if the compliance is made before 30.06.2020.

- Date for filing GST annual returns of financial year 2018-2019, which is due on 31.03.2020 has been extended till the last week of June 2020.
- Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20.03.2020 to 29.06.2020 shall be extended to 30.06.2020.
- Payment date under Sabka Vishwas Scheme shall be extended to 30.06.2020. Further no interest shall be charged if the payment is made by 30.06.2020.

C. Financial Services

- Relaxations have been provided for 3 months to the debit cardholders to withdraw cash for free from any other banks' ATM for 3 months, along with waiver of minimum balance fee, reduced bank charges for digital trade transactions for all trade finance consumers.

D. Corporate Affairs

- No additional fees shall be charged for late filing during a moratorium period from 01.04.2020 to 30.09.2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date.

- The mandatory requirement of holding meetings of the Board of the companies within prescribed interval provided in the Companies Act, 2013, (120 days) shall be extended by a period of 60 days till next two quarters i.e., till 30.09.2020.
- Applicability of Companies (Auditor's Report) Order, 2020 shall have been deferred by a year to financial year 2020-2021.
- As per Schedule 4 to the Companies Act, 2013, Independent Directors (IDs) are required to hold at least one meeting without the attendance of Non-independent directors and members of management. For the year 2019-20, even if the IDs of a company have not been able to hold even one meeting, the same shall not be viewed as a violation.
- Requirement to create a Deposit reserve of 20% of deposits maturing during the financial year 2020-21 before 30.04.2020 shall be allowed to be complied with till 30.06.2020.
- An additional time of 6 more months has been allowed to newly incorporated companies required to file a declaration for Commencement of Business within 6 months of incorporation.
- Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the Companies Act, shall not be treated as a violation.

- Due to the emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID 19, it has been decided to raise the threshold of default under section 4 of the IBC 2016 to Rs 1 crore from the existing threshold of Rs 1 lakh.

RELIEF FOR POOR

The Indian Government, on 27.03.2020, announced a Rs 1.7 lakh crore relief package aimed at providing a safety net for those hit the hardest by the Covid-19 lockdown, along with insurance cover for frontline medical personnel. About 800 million people are expected to get free cereals and cooking gas apart from cash through direct transfers for three months.

SUCH STEPS INCLUDE

- Ujjwala beneficiaries to get free cooking gas (LPG) cylinders in next three months.
- Collateral-free loan doubled to 20 lakh to 63 lakh women self-help groups.
- Government will pay EPF contribution, both of employer and employee, for 3 months for all those establishments with less than 100 employees out of which 90% earn less than ?15,000 per month.
- Ex-gratia of Rs.1, 000 shall be granted to 3 crore poor senior citizen, poor widows and poor disabled.
- Every MNREGA worker to get hike of Rs. 2,000.
- Health workers to get medical insurance cover of Rs. 50 lakh.

On 09.04.2020, the Indian Government approved a COVID-19 package worth Rs 15,000 crore to build on health infrastructure till March 2024, to be given to state governments and Union Territories to develop COVID-19 hospitals purchase of personal protective equipment, setting up of laboratories, procurement of essential medical supplies, medicines and consumables, and for strengthening health systems.

CONCLUSION

The Corona Virus pandemic may destroy the Indian economy. The level of GDP may further fall; more over India is not exempt to the global recession. In fact, it is believed that

India is more susceptible, since the economy has already been sick and in a deep-rooted lag of several quarters, much before the COVID-19 outbreak became known. The Prime Minister of India has already spoken of setting up an economic task force to devise policy measures to face the economic challenges arising from COVID 19, as also on the stability of Indian economy.

REFERENCES

1.Mudit Kapoor, "India stares at 5th recession: How is it different from the past downturns? June 10, 2020. https://www.businesstoday.in/

2."The economic, geopolitical and health consequences of COVID-19," 06 March 2020 https://www.weforum.org/

3."The Global Economic Outlook during the COVID-19 Pandemic: A Changed World", 8 June, 2020. https://www.worldbank.org/

4.Achal Gupta, "India: Coronavirues (COVID – 19) and Indian Economy" 19 may 2020,https://www.mondaq.com.