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**FUTURE THREAT TO INDIAN ECONOMY IN THE PRESENCE OF COVID-19
PANDEMIC: AN ANALYSIS**

- Piyush Khandelwal & Dr Snigdha Sarkar¹

ABSTRACT

"No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.-Adam Smith"²

The word economy depicts as the enormous arrangement of "inter-related production and utilization activities that aids in determining how scarce resources are allocated"³. Here, commodities are produced and is utilized to cater to the requirements of those who reside and work in the area. Our Indian budget "keeps on moving forward, arising out of shackles of pandemic," yet the ascent of the COVID-19 has risen as the greatest gamble factor, said the state of the economy report. The Indian Economy is in unrest state, with significant signs highlighting an extensive slowdown. Since April, the Covid pandemic has harmed all areas of the Indian economy, and recuperation seems dicey this year. India's GDP development is probably going to remain negative over time, and ongoing investigations show how gravely Covid-19 has upset jobs, especially for poor people. India's budget is reaching the end of the first half of the "current fiscal year" as the month of March draws to a close i.e., April, May and June. This study will focus on these emerging changes which are taking place in Indian economy.

Key words:*Economy, Resource Allocation, COVID-19, RBI, GDP, NCAER, MoSPI, Inflation, Bank Credit, Credit offtake, Rate of recovery, The Federal Reserve, Upcoming Danger.*

INTRODUCTION

So, with the month ending, completing its first quarter of recent fiscal year i.e., April, May and June⁴, there are two most basic concepts that comes up in our minds regarding this situation:

Q1) How far India's inexperienced monetary recapture was hurt by the second COVID wave?

¹ Student & Assistant Professor at KIIT School of Law Respectively.

²Adam Smith Quotes, <https://www.brainyquote.com/authors/adam-smith-quotes> (last visited May 10, 2022).

³Economics Definition: Overview, Types, and Indicators, <https://www.investopedia.com/terms/e/economics.asp> (last visited May 2, 2022).

⁴Latest News, India News, Breaking News, Today's News Headlines Online, English News Top Stories, Coronavirus News, IPL 2022 Updates|The Indian Express, <https://indianexpress.com/> (last visited April 28, 2022).

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Q2) What are the more various impacts of the second COVID wave from a scale of medium to long term effects?

In simple terms, *“what is the nature of current difficulties confronting the Indian economy and where do the future threats lie?”*.

The ending of any quarter usually sparks a flurry of economic speculation. It was 1st week of April when the *“Reserve Bank of India delivered its June notice of 2021”*⁵, which gave the Reserve Bank of India’s appraisal of how and where the Indian budget is positioned. Despite the fact that few companies have as much knowledge of the Indian budget as the Reserve Bank of India, the more informative study was done by the *“National Council of Applied Economic Research (or NCAER)”*⁶ at the presentation of its Quarterly Financial Analysis. “NCAER distinguished itself” in tracking down creative methods of planning the condition of the Indian budget during the widespread. At the time when authorized bases of information experienced enormous breaches and in-sufficiencies, scientists at NCAER tracked down their own particular way to survey the degree of monetary interruption because of COVID. *“As soon as December 2020, they had precisely forecasted that the entire year Gross Domestic Production development will be short to “minus 7.3%”, a proportion that the “Ministry of Statistics and Program Implementation (MoSPI)” showed up on simply by May 31,2022”*⁷. It’s a good idea to stand by listening to the “NCAER’s” prediction in risen of COVID’s 2nd wave.

RESEARCH METHODOLOGY

As the study is focusing on Indian economy and the threat related to it. Therefore, it is a descriptive cum analytical study⁸. Here the writer is aiming to find out the future threat which may occurs to Indian economy by taking into consideration Covid-19 pandemic. To find out the fact the author has used articles, government reports, news clips, book, web sites, journals English newspapers (Times of India, Indian express), Government sites and some private sites etc. To identify the actual condition of Indian economy and to draw an clear picture regarding the topic⁹. Here the author is examining every fact to reach to the answers of the following questions like

1. What is the state of the Indian economic after pandemic?
2. What are the probable threat to words the economy which are basically result of covid-19?

⁵RBI, Reserve Bank of India, RES. HANDB. CENT. BANK. 68–93 (2008), <https://www.rbi.org.in/> (last visited May 2, 2022).

⁶NCAER | Quality . Relevance . Impact, <https://www.ncaer.org/> (last visited May 2, 2022).

⁷Government of India | Ministry of Statistics and Programme Implementation | MOSPI, <https://mospi.gov.in/> (last visited May 3, 2022).

⁸ Kothari, C.R. (2004). *Research Methodology-Methods and Techniques*. New Delhi: New Age International Publishers

⁹Kumar, R. (2007). *Research Methodology: A step by step guide for beginners*. New Delhi: Sage Publication

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3. What is the government contribution in this regard?

CONCEPTUAL ANALYSIS OF THE CONCEPT

Economy: The word economy depicts as the enormous arrangement of “inter-related production and utilization activities that aids in determining how scarce resources are allocated”¹⁰.

Resource Allocation: The practice of designating and handling assets and resources that supports a corporate overall goals is known as resource allocation¹¹.

COVID 19: COVID 19/Corona Virus is brought on by the “SARS-CoV-2 virus”. Corona Virus has the tendency to affect mortality as well as severe to serious respiratory problems and diseases¹².

RBI: India's central bank, "the Reserve Bank of India (RBI), was formed in 1935 under the Reserve Bank of India Act". In order to keep India's financial system stable, "The Reserve Bank of India" is in charge of managing the country's "monetary and credit systems", as well as enacting budgets¹³.

GDP: “The gross domestic product (GDP)” refers to the economic price of each and every final or finalized “products and services” produced inside country's boundaries in an particular/specific period of time.¹⁴.

NCAER: “The National Council of Applied Economic Research (NCAER)” is an autonomous, non-profit economic and social research institute that is one of India's oldest and biggest. It is one of the few research institutions in the world that collects original data and performs grant-funded research as well as commissioning research of governments and enterprises. *NCAER has developed “The National Data Innovation Centre (NDIC)” as a test bed for data collection projects, working with think tanks, Indian and international institutions, and the government. NCAER's long-term data collection operations include NDIC. For the NDIC, NCAER has teamed up with the Universities of Maryland and Michigan. The Bill & Melinda Gates Foundation is providing initial financing for NDIC*¹⁵.

MoSPI: “The Ministry of Statistics and Programme Implementation (MoSPI)” is the country's nodal entity for planning and enabling the country's statistics system's integrated development¹⁶.

¹⁰Economics Definition: Overview, Types, and Indicators, *supra* note 2.

¹¹Rachel Lebeaux, *What is resource allocation ? - Definition from WhatIs.com*, <https://www.techtarget.com/searchcio/definition/resource-allocation> (last visited May 5, 2022).

¹²Coronavirus, https://www.who.int/health-topics/coronavirus#tab=tab_1 (last visited May 5, 2022).

¹³Reserve Bank of India (RBI) Definition, <https://www.investopedia.com/terms/r/rbi.asp> (last visited May 5, 2022).

¹⁴Staff Author, *Gross Domestic Product (GDP) Definition*, INVESTOPEDIA (2020), <https://www.investopedia.com/terms/g/gdp.asp> (last visited May 5, 2022).

¹⁵The National Council of Applied Economic Research (NCAER) | Economic and Political Weekly, <https://www.epw.in/national-council-applied-economic-research-ncar-0> (last visited May 5, 2022).

¹⁶Sneak Peak: Ministry of Statistics and Programme Implementation (MoSPI) - MyGov Blogs.

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INFLATION: INFLATION IS THE PROGRESSIVE DECREASE OF A COUNTRY'S CURRENCY BUYING POWER OVER TIME¹⁷.

BANK CREDIT: IT IS THE LOAN AMOUNT THAT IS GIVEN BY BANKS TO MEET THE CORPORATE SECTOR TO MEET THE BUSINESS REQUIREMENTS FOR THE BUSINESS DEVELOPMENT¹⁸.

CREDIT OFFTAKE: CREDIT OFFTAKE MEANS DEMAND IN CREDIT. EVERY WEEK, BANKS ARE SENDING THEIR DATA TO RBI. ON ANALYSIS OF THESE DATA, IF THE CREDIT OFFTAKE FIGURES GO UP, THEN IT CALLED CREDIT OFFTAKE. NORMALLY, CORPORATE DEMAND INCREASES THE CREDIT PORTFOLIO¹⁹.

Rate of recovery: The recovery rate is the proportion of a bad debt's face value that can be recovered in principal and interest. The recovery rate refers to the value of an asset once it has been restored from default or bankruptcy²⁰.

The Federal Reserve: "The Federal Reserve System (FRS), also referred to as the Fed", is the world's largest and most powerful financial organization and the United States' central bank²¹.

Upcoming Danger: Something undesired or unpleasant is going to happen, and you are aware of it is known as upcoming danger²².

How about we have a look at the current challenges.

1. The Gross Domestic Production of worth two year is lost: The graphic picture below depicts how India's budget has been impacted in detail. Take a close look at the green barred lines above anything else. Just on left side of the scale, they represent the maximum volume of "India's Gross Domestic Product", which is measured in "trillions of rupees." "***India's Gross Domestic Product (GDP) during 2019-20 was Rs 146 trillion***"²³. As such, India had delivered labour plus products amounting to "Rs 146 trillion that year". ***Then, since the prior fiscal year, FY2020-2021, it dropped to "Rs 135 trillion," a fall of 7.3 percent***"²⁴.

¹⁷Inflation Definition, INVESTOPEDIA, <https://www.investopedia.com/terms/i/inflation.asp> (last visited May 5, 2022).

¹⁸Investopedia, *Bank Credit Definition*, (2019), <https://www.investopedia.com/terms/b/bank-credit.asp> (last visited May 5, 2022).

¹⁹What does credit offtake mean? - Quora, <https://www.quora.com/What-does-credit-offtake-mean> (last visited May 5, 2022).

²⁰Adam Hayes, *Recovery Rate Definition*, (2019), <https://www.investopedia.com/terms/r/recovery-rate.asp> (last visited May 7, 2022).

²¹Federal Reserve System (FRS) Definition, <https://www.investopedia.com/terms/f/federalreservebank.asp> (last visited May 7, 2022).

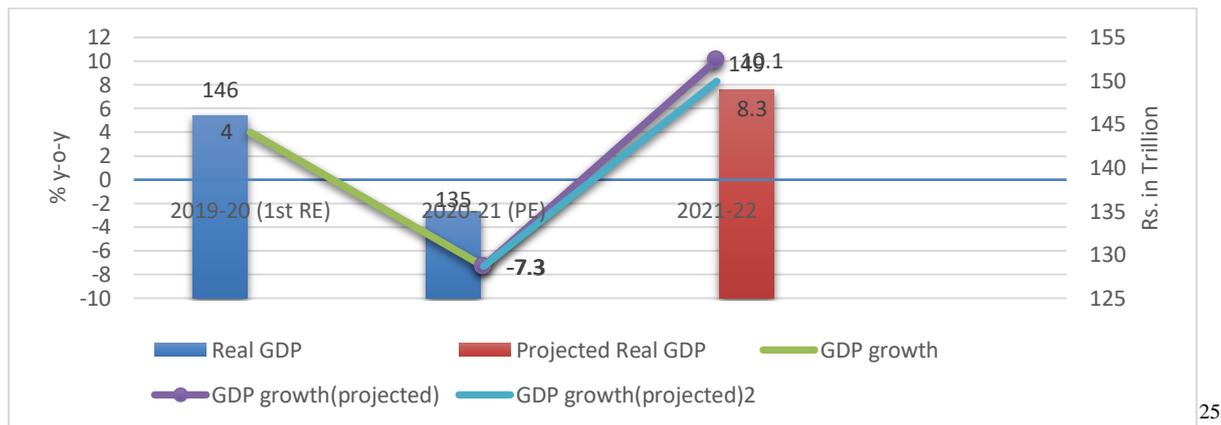
²²Oxford Dictionary, *entertainment noun - Definition, pictures, pronunciation and usage notes | Oxford Advanced American Dictionary at OxfordLearnersDictionaries.com*, OXFORD DICTIONARY (2022).

²³GDP growth (annual %) - India | Data, <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=IN> (last visited May 2, 2022).

²⁴*Id.*

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GRAPH 1

In the ongoing monetary year i.e., in 2021 and 2022, the Gross Domestic Production is supposed to recover to “Rs 146 trillion”²⁶ in the wake of enrolling a development of 8.3%. This would imply that, as far as by and large monetary creation, India would have lost twice entire long stretches of development. For an instance, assuming that there did not exist the COVID disturbance and India developed for both the years by even 6%, the complete Gross Domestic Production would have arrived close by to “Rs 164 trillion” i.e., “Rs 18 trillion”²⁷ a larger number of than where India is probably going to wind up at this point.

Quite possibly India might develop by approx., “10.1% this year, rather than 8.3%”²⁸, & all things considered, India's Gross Domestic Production would rise up to “Rs 149 trillion”²⁹ however all things considered, India would be distant from where it might have been in the absence of COVID. The red line, which clearly shows the development pace of Gross Domestic Production (GDP) in percentage terms, gives an imprint of a "V-shaped" recapture. Be that as it may, as far as genuine creation, the economy will just figure out how to recuperate the ground which it had lost a year ago.

2. Appraisal of both retail and wholesale inflation: At the point after monetary growth has been hit and recapture is still not seen, because of the second Covid wave, India is additionally confronting always an increase costs. GRAPH 2 and 3 give a separation of how the inflation of retail and wholesale has acted for the past recent years. Giving a clear picture of inflation of retail, the red lines in GRAPH 2 depicts the rate at which prices increase for retail purchasers such as ourselves.

²⁵ ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, <https://indianexpress.com/article/explained/explainspeaking-current-challenges-and-the-future-threats-facing-the-indian-economy-7378895/> (last visited May 4, 2022).

²⁶ Latest News, India News, Breaking News, Today's News Headlines Online, English News Top Stories, Coronavirus News, IPL 2022 Updates | The Indian Express, *supra* note 3.

²⁷ *Id.*

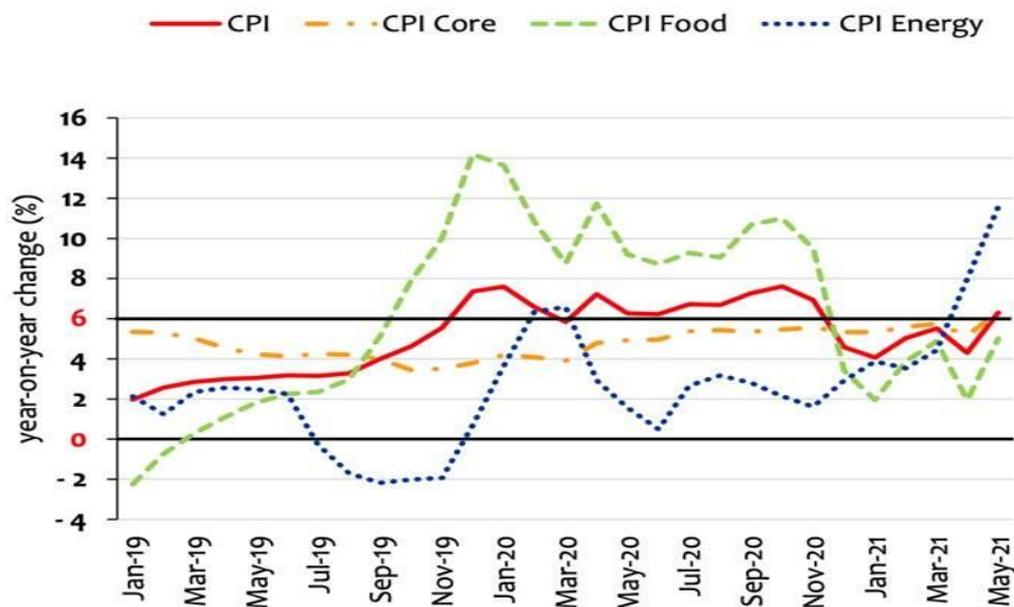
²⁸ ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

²⁹ *Id.*

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Inflation maintained at this high level “between November 2019 and November 2020, the RBI’s normal range of familiarity (2%) to 6%” Despite this, it “passed the 6% -mark in May this year following a brief period of military progress”³⁰.



Sources: Ministry of Statistics & Programme Implementation and Office of Economic Advisor. 31

GRAPH 2

The "orange spotted line" is another important characteristic to look out for. It depicts fundamental rising prices, which is calculated by subtracting rise in gasoline and groceries prices. *Perhaps this "inflation rate has stayed consistently around the RBI's maximum limit"³², shows that the problem isn't simply about the price of fuels or gasoline, or even the rising cost of vegetables and organic items. Regardless of how you look at it, the average Indian is witnessing a tremendous rise in pricing.*

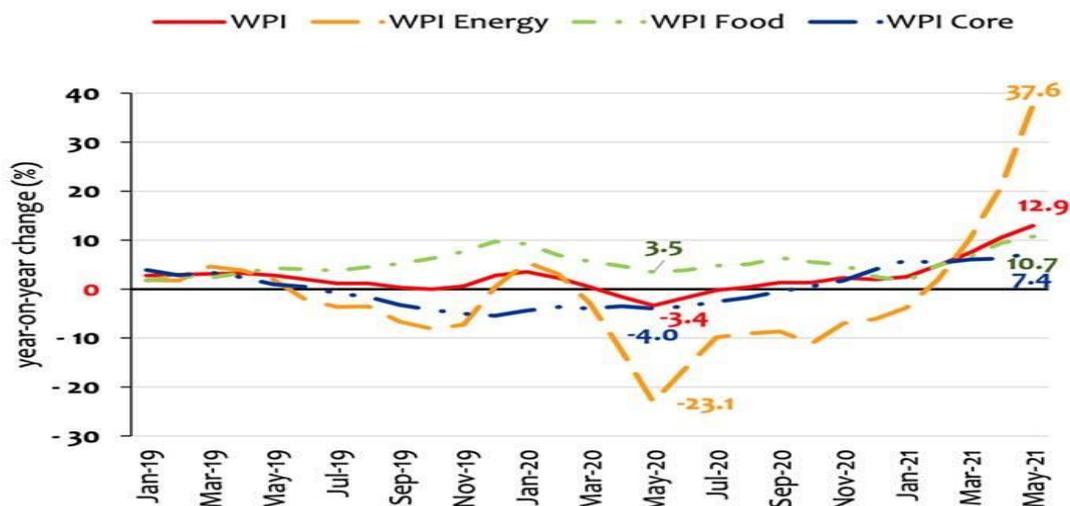
Graph 3 gives the response about the wholesale costs. For a long period, the wholesale costs have not been increasing quickly. But from January, that outline, has declined rapidly. In May, “WPI inflation was almost 13%”. At the end of the day, wholesale prices were increasing at the pace of 13%.

³⁰Workplace age gap News and Updates from The Economic Times - Page 1, <https://economictimes.indiatimes.com/topic/threats-to-indian-economy/news> (last visited May 2, 2022).

³¹ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

³²RBI, *supra* note 4.

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Sources: Ministry of Statistics & Programme Implementation and Office of Economic Advisor. 33

GRAPH 3

3. Lack of “credit offtake” in the business region: The greatest motor of Gross Domestic Production in the Indian budget is the consumption that all of us consume within our individual ability. *This desire for products and other services counts for "more than 55 percent of overall GDP in a year," whether it's for a new vehicle, new and different hairstyles, a new computer, or anything else*³⁴. Already before COVID, the Indian budget already reached a point in which the typical Indians were cutting back on spending. Initially “The COVID Wave” showed a drastic change on the on-going trend and showed people, a drastic change which includes people losing their jobs or their reduction in salaries. The second Covid wave made the scene even worse because now people are more worried about their high health expenses.

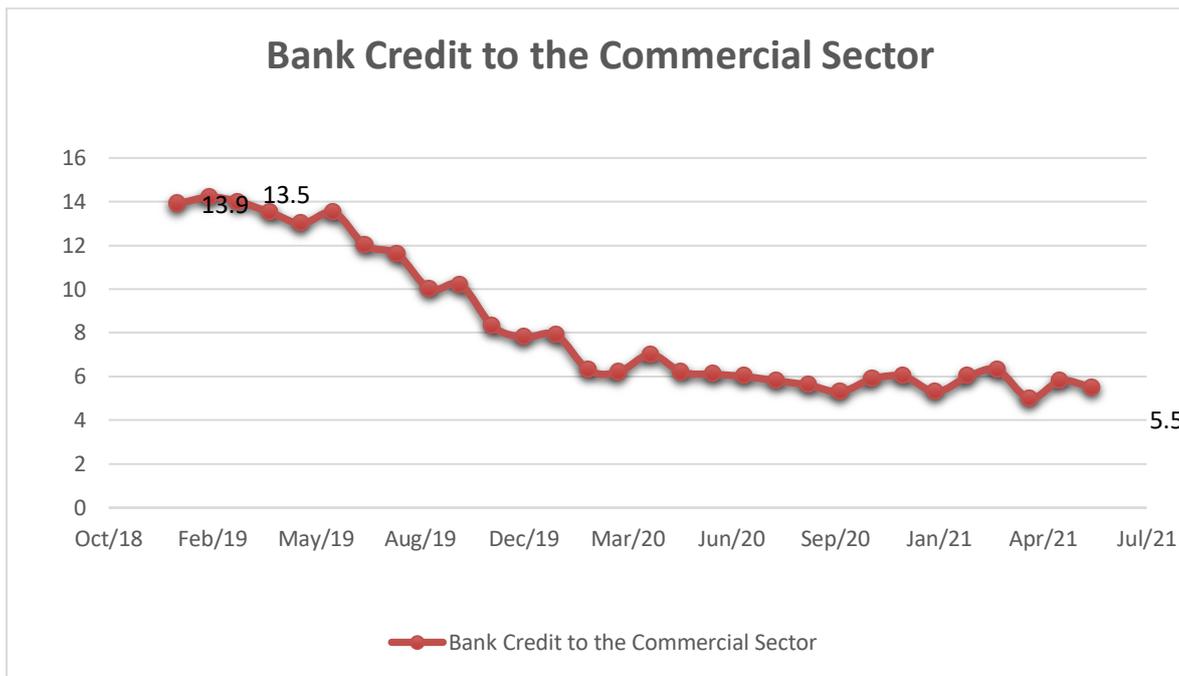
Now, the consumers are spending less due to which businessmen both small and large scale businessmen are not willing to seek for loans and even holding back their new investments.

GRAPH 4 demonstrates in what way "bank credit" to the corporate area has decreased during the past two years.

³³ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

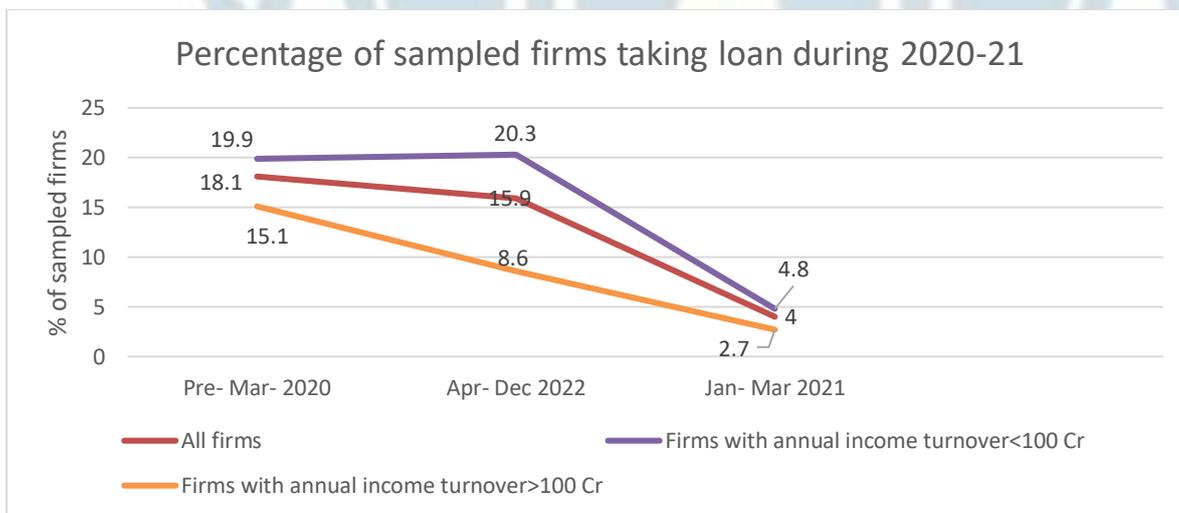
³⁴RBI, *supra* note 4.

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GRAPH 4

GRAPH 5 shows how the percentage of advances has quite recently been imploded by the sampled firms.



GRAPH 5

4. Improper of spending by the public authority: Considering that the domestic customers are keeping down utilization and domestic business are pulling back their speculations “(the second-greatest motor of GDP development)”, it did occupy on the third-greatest motor of India's Gross Domestic Production

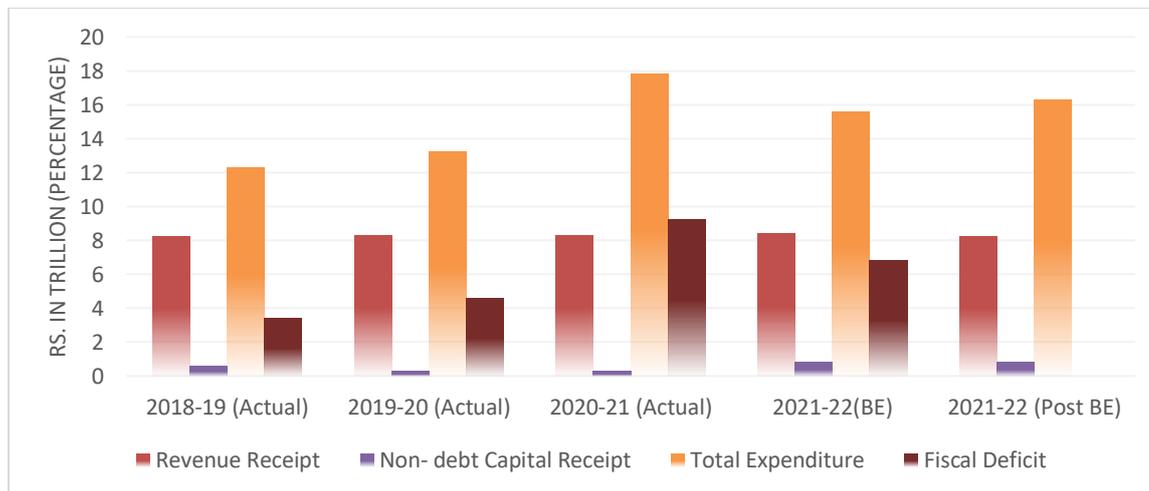
³⁵ ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

³⁶ *Id.*

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*development*³⁷, that is, the public authority, to increase its spending and save the budget out of the ongoing scenario. The green coloured blocks in GRAPH 6 show, the Indian administration has been holding back their thoughts about increasing the spending. The “green bars” show the collective consumption (as far as a percent of GDP). Subsequent to being compelled to increase the expenditure in 2020-21, the public authority has really been drawn back (as an extent of Gross Domestic Production) in 2021-22. It is thus that its shortfall will drop for the year 2022 as against 2021.



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GRAPH 6

However, this adjustment has been proving "counterproductive" to India's fiscal recovery. *“The NCAER” audit offers an accompanying remark: “Unfortunately, an inexplicably contractionary fiscal policy in 2021–22, sharply reducing the deficit, will delay recovery.”*³⁹

Alternate important issue: Shouldn't something be said about the future dangers or threats that we will be facing because of this COVID waves?

There are multiple manners by which India's financial revival could turn out to be considerably more bothersome.

1. The sluggish speed of vaccinating everyone and a potential third COVID wave.

At this point clearly there is no financial revival except if India gets a greater part of its population vaccinated because there are still many left to be vaccinated. Assuming the speed by which people are being vaccinated, there is the chance of a third wave, which might carry with it many upcoming huge pandemic disturbance. It is additionally vital to comprehend that even the chance of a third wave is very hazardous for monetary revival. That is on the grounds that with the increase in this pandemic risks, the

³⁷Business News Today: Read Latest Business news, India Business News Live, Share Market & Economy News | The Economic Times, <https://economictimes.indiatimes.com/> (last visited May 3, 2022).

³⁸ExplainSpeaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

³⁹NCAER | Quality . Relevance . Impact, *supra* note 5.

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consumption pattern of people will not return back to normal and this will hit GDP at large and the businessmen whether large or small scale industrialists, will not come up with new investments.

2. *Monetary strategy hitting a boundary*

Between financial strategy and monetary policy arrangement, a large portion of the truly difficult work towards accomplishing monetary restoration has been finished by the Reserve Bank of India. As referenced before, the public authority has not been growing its policy as much as they should. To be sure, it was generally left for the Reserve Bank of India to siphon in heaps of economical cash as new credits with an attempt to kick-start the economy.

Yet, there are a few justifications for why RBI will most likely be unable to assist any more.

For one's purposes, as displayed prior, rate of Inflation is tremendously increasing. ***The RBI, which is legitimately expected to regulate inflation, should take the necessary steps to keep this inflation within limits. There is another justification; RBI could need to raise the domestic interest rates.***⁴⁰ On account of the heavy inflow in monetary expansion and growth in US, “its Central Bank, The Federal Reserve”, United States would, during the upcoming time give an increase in financing costs. Assuming that India needs to stay an appealing objective for worldwide financial investors, RBI would need to abandon the system of low-interest fees.

AUTHOR’S OBSERVATION ON THE TOPIC

The Indian economy is a developing one where people are struggling to get their necessities of life and after covid-19 the situation worsen due to loss of job in the presence of inflation with combination of stagnation. Here it would not be wrong if government transfer the cause to the prevalence of Pandemic that is still in the air. Various segment in the economy suffered a huge loss during the phase. The result of which economy is struggling now to deal with stagflation. Banking sector inclusion with production and distribution sector also undertaking various steps to strengthen the economy as a whole. If the government with monetary authority would stand together with a goal to strengthen the current situation of Indian economy as well as to minimise the future threat than they have to think about the following hindrance and how to deal with it, like

1. Low quality of human capital
2. High rate of under-employment and unemployment
3. Excessive dependency on agricultural sector
4. Low quality of education

⁴⁰Reserve Bank of India, <https://www.rbi.org.in/> (last visited May 5, 2022).

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5. Use of inferior techniques in agriculture as well as in industries
6. Less amount of investment in required area

CONCLUSION

*"Beginning from a 2020 to 2021 gauge which is "7.3 percent lower than in 2019-20"⁴¹, Gross Domestic Production needs to develop well over the new pre-pandemic pattern frequency "(5.8 percent)" for India to find its "pre-pandemic" development way. This will require profound and huge range of underlying changes in the monetary field, power and foreign exchange. Changes in collaboration with the states are additionally dire in wellbeing, schooling, work and land, which are all state subjects. **While explaining on this point during the most recent quarterly audit, Mundle (NCAER Economist) expressed, "truth be told, the fundamental weight of our tune is that the effects of this [Covid shock] are really on a long-term basis than one could ever thing or imagine of and impacts are extremely terrifying if this goes on for a long-term basis"**⁴².*

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⁴¹Home Page: Press Information Bureau, <https://pib.gov.in/indexd.aspx> (last visited April 30, 2022).

⁴²Explain Speaking: Current challenges and the future threats facing the Indian economy | Explained News, The Indian Express, *supra* note 24.

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Organization, 2020, pp. 5–32. *JSTOR*, <http://www.jstor.org/stable/resrep27994.6>. Accessed 3 May. 2022



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