

## **The Economic Crisis Faced by the Country Due to Lockdown: An analysis**

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### **Abstract**

*In this paper, we will analyse the impact of the country wide lock down imposed by the government due to Covid-19 on the Indian economy. Due to the lock down, the income of the state governments has reduced drastically, due to this, they have increased taxes on petrol and diesel to generate revenue, which will increase the inflation in the market and it will affect those who have lost their jobs in the lock down. People are so scared of increasing the lock down again and again that they are showing a different type of customer behaviour in which they are storing important goods and do not like to buy other items at all, this is causing market imbalance. The stock market of the country has been badly affected due to Covid-19 resulted the Sensex fallen from 41952 to 25981, however, the same is now rising but very slowly and it will take a long time to come back to its old level. Due to the lock down, the growth rate of the country's GDP in the coming years is either very low or negatively estimated by some international economic institutions, the reason is that most of the industries contributing to the country's GDP either are closed or working with less efficiency. In order to curb the spread of Covid - 19, transportation of the country has been completely banned, due to which the workers who have lost their employment in the urban areas have left on foot to go to their villages. These pictures will remain in our mind forever.*

*Key words – Lockdown, Inflation, Stock market, Customer behaviour.*

A Chinese doctor named Li-wenliang who first told about the dreadfulness of coronavirus on 30 December 2019 was neither believed by his fellow doctors nor by others. Even, Chinese police tortured him alleging to spread rumors. Everyone was considering this as a simple disease, but by the time someone would take the disease seriously, it had spread from China to other parts of the world. As soon as this virus began to spread the other countries, it has started to take the economy of the whole world in its grip. The Hyundai company's factory in Ulsan, South Korea, the world's largest car manufacturer unit, was shut down due to fears of the Corona virus because it imports car parts and other components from China but due to Covid-19 all import and exports activities were closed hence cars cannot be produced in the unit without them. Due to the shut down, earnings of 25000 workers has been affected. This was just the beginning of Corona's crisis.

The Epidemic, Covid-19 has created a huge economic crisis in the country, many state governments are facing problem of payment. The condition of a prosperous state like Delhi is so bad that the revenue in the last month has not been recovered so that the state will face the problem to disburse the salary to its employees in May 2020. The Chief Minister of Delhi himself said in a live TV program of a private news channel that “Rs. 300 crore was a total collection of the revenue instead of Rs. 3500 crore in the last month (April-20).”<sup>1</sup> Other states are also going through the same situation. In order to stop the community expansion of Covid-19, the central government has declared the total lock down across the country and the same has been extended time to time with some relaxations as the expected outcome has not been achieved, resulted that the all markets are closed in the entire country and people are buying only essential items (like - flour, oil, sugar, spices, vegetables, fruits, medicines etc). All the production units located inside the country are closed and the service sector is badly affected. In this lock down, not only bus and rail services are banned but also wedding ceremonies are banned, many people get their employment from it, now the question of survival exists in front of these people.

The condition of the state governments has become so bad at the moment that while crude oil prices have gone decreased from \$ 60 per barrel to \$ 22 per barrel in the international market, the state governments have increased Tax on petrol and diesel to compassionate the loss of their revenue. Petrol is ₹ 10 and

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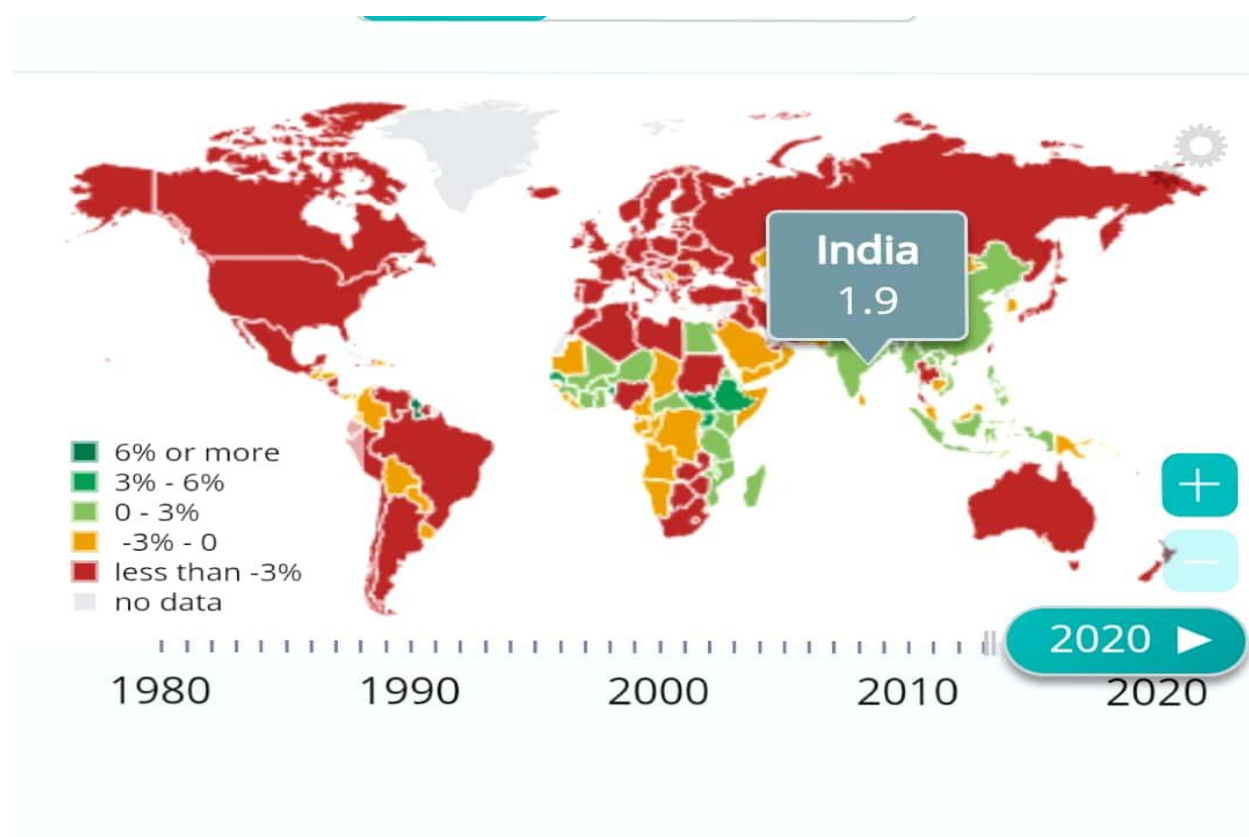
<sup>1</sup> Delhi CM, Mr. Arvind Kejariwal given the information in a live program on Zee TV on 2 May, 2020.

diesel ₹ 13 has become more expensive in this situation, due to which the transportation charge will increase and the price of the necessary items, which include the transportation charges will hike. At such a difficult time, when the income of the people working in the unorganized sectors has completely collapsed, if the items needed for their life are available at high prices, then they will soon get into a big problem. But the governments also have their compulsions as their sources of income are limited and the state government is exploiting them where it is possible. At present, governments do not have time to think about the poor, although, in this regard, a little efforts have been made by the Central Government and some of the State Governments. The Central Government has disbursed about Rs. 10000 crores directly to the Jan- Dhan accounts of about 20 crores women at the rate of 500 rupees per account. These women will get second instalment soon. The Government of Madhya Pradesh has also started disbursing 65 crore rupees to the accounts of the workers stranded outside the state, at ₹ 1000 per worker the help is very less but this assistance will give some relief to this poor section.

The nation's economy has suffered a major setback due to the lock down caused by Covid-19. In the era of globalization, when the economies of all countries are connected and dependent to each other, then its effect will also be global. Corona virus may have given the first knock in China, but as soon as this pandemic reached other countries of the world, the stock market around the world started declining. It was the effect that before spreading the disease in India, the stock market collapsed. On 14 January 2020, the Sensex was at its maximum level of 41952, which went down to 25981 on 23 March 2020. Soon after the World Health Organization declared the disease an epidemic, there was an earthquake in the stock market all over the world. Within a week, India's stock market broke more than 5600 points and as a result of the investors lost Rs. 23 lakh crore.

Corona has had an impact not only on India's GDP but on the GDP of entire world. World Bank has estimated the GDP growth rate of the world to be 2.5% for the current year. The International Monetary Fund has projected GDP growth rates of developed countries like the USA and UK to be -5.9% and -6.5% respectively, while India's GDP growth rate is estimated to be 1.9% (as it is reflecting in the picture below) in the current financial year. Other agencies like Goldman Sachs and Barclay's have projected our GDP growth rate to be worse claiming it to be 1.6 % and 0% respectively. Covid - 19 has decreased the growth of all sectors of

economy, which overall impact was seen on GDP growth. In the \$ 2.93 trillion dollar of Indian economy, agriculture sector contributes about 15%, industry and service sector contribute about 23% and 62 % respectively, while the dependent population is 43% on agriculture, 25% on industry sector and 32% of the population is financially dependent on Service sector. These estimates change slightly with the passive of time. The industry and service sector have been affected during the Corona era, which can clearly be seen in the country's GDP Growth Rate. Renowned economists like Montek Singh Ahluwalia estimated the GDP growth rate to be below 4-5% due to Covid-19 recently. However, agriculture sector has performed well this year. But only its performance will not have a very good impact on the GDP of our country because its contribution is very less in our GDP. If we talk about its positive effects, then at the time of this crisis, self-sufficient standing in the matter of food grains is seen.



Source: International Monetary Fund.

As we know, the industries in the country are closed due to lock-down. If Lockdown is relaxed for the operation of economic activities only, before the discovery of complete cure for the disease, but since the workers engaged in the industries have gone back to their village then how the units will function with shortage of skilled workers. A speculation says that approximately 1.4 crore people, working in the industries of the country, belong to other states, which are called migrant workers. These migrant workers have lost their job and now they are returning in abundance. The transportation has been banned so they started to return their villages by their own feet, these are the worst pictures of this situation and these will remain in our mind forever. Now the situation is so worse that they will fear to return back to their job place. If, they think to go back to job place, they will be afraid of getting trapped again because the cases of corona are increasing day by day. As a result without these workers the production will not get started with its full potential and thus the cost of production in the industries will be high and the goods so produced will not meet the purchasing power of the consumers. It will push the Indian economy towards the recession.

In our country the Farmer also do animal husbandry work along with farming, it includes milk business and poultry. Due to the lock-down, the milk business has also been affected badly. The country produces around 500 million liters of milk every day and it can not be preserved for more time as the infrastructure for the same is not available in the villages. Due to lock down, it is unable to reach its destination, as a result of, the farmers are incurring a loss of about 200 crores per day and it will last till the situation is normal. The same situation is also for the poultry industry. Before spreading the Covid-19 disease the people started to maintain abstaining with eggs and meat, hence, the price of poultry products has fallen by more than one third, as a result, the poultry industry of Rs. 1.25 lakh crore has been in crisis and the farmers associated with it have incurred a loss of about 8000 crores which will increase with the lock down. It would be pertinent to mention here that despite the prices of these products have been lowered, these products are being given to the needy people at an expensive price because the reason for this is that the middle man is making a lot of profit in this devastating time of corona crisis.

The unemployment rate has also increased due to lock down. When the lockdown was not imposed at the beginning of the epidemic, the unemployment

rate in the country was 7% which reached 24% in the month of April after the lockdown and now by May 2020, it has reached to 27.11% which is 29.22% for urban area whereas 26.16% in rural area. The rate of unemployment was neither during the recession of 2008 nor was during the time of demonetization (Notbandi).

This unemployment has left the worst impact on the daily earners and the labourers working in the unorganized sector. If we talk about the total workers of the country, according to the figures of 2019-20, approximately 404 million people are employed in all sectors of our economy and it is estimated, out of that 122 million of these people lost their employment only in the month of April 2020. This does not include those who do small business, including barber, potter, hawker, hand carter, rickshaw puller, etc., whose income is not as much as they can survive even for two months without any earning. This lock down has taken their livelihood away and pushed them into extreme poverty.

### **Conclusion:-**

We know this fact that not only India but also the entire world is facing this serious situation. All sectors of economy are closed everywhere. A large number of people have lost their jobs. At this time the whole world is going through a period of economic recession. The overall focus of the Government is on fighting Corona but ignoring the economy can lead to another problem in future like Starvation, Unemployment, Crime rate increasing etc.

If we talk about our country, the administrative officers working at the ground level have shortened their field of duty to only stop the corona cases from increasing and for the same, they have completely closed all economic activities in their jurisdiction like production units, markets, trading etc., but this is not a wise decision because we don't know that when will we find the complete cure of this disease. The official statement in this regard has been issued by Love Agarwal, Joint Secretary, Ministry of Health (Government of India) in a press conference that now we have to learn to live with the coronavirus.

Exempting economic activity can be gauged by how important it is to our country's economy, when the Covid – 19 has just started to spread in our country, on that time, the Rabi Crop was ready to ripe in the fields. In the Lock down-1, it seemed as if the farmer would have to sacrifice his entire crop due to the medical curfew because the administrative officers would not let anyone out of the house, whether it was a farmer or a labourer, but then the matter came before the state



governments. They have tackled it in very wise manner and issued orders to the all districts' administration that the people engaged in work should be exempted from the lock down measures. As a result of this, the yield of agriculture has been higher for this year than the previous year (As the monsoon has been better in the previous year than the earlier years). If the government does not show vigilance in this matter, it may be possible that the food crisis would arise in the country next year, due to lack of expected agricultural production. Besides it, the Government is taking other measures to save the economy and our prime minister has already given a signal to take a step towards to save the economy in his *man ki bat* that “jaan bhi jahan bhi” and the signal turned into a reality when the Government of India has announced a relief package of Rupees 20 lakh crores, it will bring the boost in concerned sectors of Indian economy.

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