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IMPACT OF COVID-19 ON INDIAN ECONOMY – A STUDY

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Abstract

This paper attempted to study the significance of budget during the covid-19 pandemic time. In addition to this paper focus on Comparing the union budget pre and post of covid-19 pandemic first wave with selected sector. In order to accomplish the said objectives researcher collected data from the secondary source such as RBI websites, Newspaper, Financial considering the aspirations of all sections of the society for the improvement of standards of living and ease of doing business in industry across the segments. The focus of budget on six pillars, including Health and Well-Being, Physical and Financial capital and infrastructure, Inclusive Development for Aspirational India, Reinvigorating Human Capital, Innovation and Research & Development, and Minimum Government, and Maximum Governance is highly encouraging and would go a long way to build a New India.

Keywords: *COVID-19, Union Budget, Agriculture sector, Industry, Expenditure, Receipts,.*

1. INTRODUCTION

To be sure, the Indian economy was slowing down even before the pandemic struck. The gross domestic product (GDP) growth has steadily decelerated from 8.1% in the last quarter of 2016–18 to 3.1% in the last quarter of 2016–20. The aggregate investment as measured by gross capital formation (GCF) as a ratio of GDP (current prices) showed a steady decline from 39% in 2011–12 to 32.2% in 2016–19. The private corporate investment as a ratio of GDP had declined from 13.5% in 2015–16 to 11.9% in 2016–19. Lending by the banks to the commercial sectors had remained muted. The Financial Stability Report of the RBI had estimated that the gross non-performing assets (GNPA) of the scheduled commercial banks would increase from 7.5% in September 2016 to 13.5% in September 2016 under the baseline scenario and to 14.8% under the severely stressed scenario. For the public sector banks (PSBs), the GNPA estimates are alarming, deteriorating from 9.7% in September 2016 to 16.2% in September 2016 under the baseline scenario and to 17.6% under the severely stressed scenario. The elevated levels of fiscal deficit and debt despite the rule-based fiscal policy did not allow the government the luxury of providing a large fiscal stimulus to combat the crisis caused by the pandemic and much of the heavy lifting had to be done by the RBI in terms of lowering the interest rate, ensuring liquidity partly to enable the government to borrow at low cost and through regulatory forbearance such as moratorium on repayments and restructuring of loans. In this environment, there were a lot of expectations from the budget in terms of its macroeconomic stance and structural reform signals.

2. SIGNIFICANT UNION BUDGET 2016-22 IN THE TIME OF COVID-19 PANDAMIC

The novel coronavirus disease (COVID-19) pandemic-induced crisis resulted in disruptions of services and activities in every sector, be it health, nutrition, education, water and sanitation or employment, thus affecting the marginalised sections of the country's population severely. Soaring demands on public spending nudged the Union government to provide a fiscal stimulus package towards reviving public services that broke down in the midst of the COVID-19 pandemic. However, the fiscal response has been weak; the need was for a much higher fiscal support. In the current scenario, it is estimated that the nominal GDP will register a negative growth of 4.2 per cent in the year through March 31, 21 compared to the provisional estimates for the financial year (FY) 2016-20. The GDP at (current prices) for the ongoing FY is estimated to be Rs 195 lakh crore.

Indeed, the slowdown of economic activities in the current fiscal translated into additional strain on government coffers. The adverse impact of the crisis is set to persist for much longer. Hence, this Budget must set into motion appropriate strategies for stepping up efforts towards addressing the crises and gradually restoring normalcy.

It also presents an opportunity to re-evaluate the overall budgeting structure for funding of critical sectors that are heavily overburdened and revealed the lack of emergency preparedness when the pandemic struck. The Union Budget needs to look at states as partners in development and provide adequate fiscal support to the state governments, keeping in view the pace of recovery and the continuing need for additional expenditure.

It must provide for higher borrowing by states in FY 2016-22 than the limits stipulated under the Fiscal Responsibility and Budget Management (FRBM) Act, in order to help them meet the unusually heavy expenditure demands to address the challenges precipitated by the pandemic. However, this will depend to a large extent on the recommendations of the 15th Finance Commission for the five-year period 2016-22 to 2025-26.

In this backdrop, the forthcoming Union Budget is very crucial. Scheduled to be presented on February 1, 2016, it needs to recognise the scale and nature of the impact of the pandemic and announce bold measures for undertaking additional public spending on an urgent basis.

3. OBJECTIVES OF STUDY

1. To study the significance of budget during the covid-19 pandemic time.
2. To compare the union budget pre and post of covid-19 pandemic first wave with select sector.

4. RESEARCH METHODOLOGY

In order to accomplish the said objectives researcher collected data from the secondary source such as RBI websites, Newspaper, Financial Magazines and Research Articles, Union Budget 2016, Union Budget 2016. Researcher employed the analytical research technique in order to study the significance of budget during the covid-19 pandemic time. In addition to this compare the union budget pre and post of covid-19 pandemic first wave. MAIN POINTS OF DIFFERENCES BETWEEN BOTH THE BUDGETS

Total expenditure

Between the budgets of 2016-20 and 2016-22, an annual increase of 14 % was noted. The revenue expenditure was estimated to be around Rs. 29,29,000 crore which was a 12% annual increase over 2016-20 and the capital expenditure was targeted at Rs. 5,54,236 crore which was a 29% annual increase over 2016-20. Capital outlays accounted for 12% of the central government's overall spending in 2016-20. In 2016-22, this is expected to rise to 15% of overall spending.

Total receipts

An annual increase of 6% was noted over 2016-20 in the government receipts, as the amount was estimated at Rs. 19,76,424 crore. The borrowings are estimated at a 27% annual increase at Rs. 15,06,812 crore over 2016-20. The Ministry of Finance has been given Rs 35,000 crore by the central government for COVID-19 vaccination in 2016-22. This sum has been set aside to assist states in meeting their COVID-19 vaccine costs.

5. CONCLUSION

The States' Budgets 2016-22 have prioritised healthcare, education, tourism, employment, renewable energy, urban infrastructure development and agriculture as the key areas. In the wake of COVID-19, each state has earmarked certain fund for healthcare and wellness improvement, skill development, infrastructure boost and education in the respective budget for FY2016-22. The states of the Indian economy have witnessed significant developments in all spheres ranging from social welfare, increased infrastructure activities, high economic growth, women empowerment, huge impetus to education & health, skill development, MSMEs, innovation and research, agriculture, manufacturing, industrial activities, services sector. Due to the daunting impact of pandemic COVID-19, hospitality, tourism and logistics activities have suffered both at national level and states level. Despite this, Indian states have adopted a calibrated approach to overcome the daunting impact of COVID-19. The states have announced their respective budgets for FY2016 with a significant focus on healthcare, agriculture, social welfare, infrastructure development and employment generation. Majority of Indian states, in consonance with the Union Budget FY2016-22, have not proposed any new taxes to reduce the tax burden and rejuvenate demand and economic activities.

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