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WORLD FINANCIAL CRISIS DURING COVID-19 PANDEMIC AND HOW IT'S DEVELOPED USING TECHNOLOGY

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ABSTRACT:

The Covid-19 outbreak ended in China at the end of 2019, and the country's economy was the first to be impacted. As the virus spread, the global economy ground to a halt. The global pandemic of Covid-19 wreaked havoc on economies around the world, with Europe and the United States leading the way. In 2020, the International Monetary Fund (IMF) expects a global recession of 3%. But the economy affects the finance in worldwide vigorously. So the economy of the country goes very low. Web based business is become a substitute source and thought about top in this condition.Covid-19 sway on entire internet business and how to change the entire conventional business during Coronavirus - 19 pandemic. Then, we need to grasp their adequacy the progressions of economy in country. This paper is outcome of a review of various research studies carried out on how Covid – 19 pandemic changes the finance and how is developed using technology.

Key words: Covid-19, Economy, Net profit, Technology, Gross Domestic Product.

INTRODUCTION:

The COVID-19 outbreak has triggered a world economic disruption of significant magnitude with an escalating pace, resulting in steep recessions in many countries. The COVID-19 pandemic has caused an unprecedented global economic impact at an astonishing rate, leading to rapid economic downturns in many countries. Despite exceptional policy support, the baseline forecast envisages a 5.2 per cent decline in global

Gross domestic product (GDP) in 2020, the deepest global recession in eight decades. With the widespread social-distancing initiatives, sharp contractions of financial conditions, a slip down in foreign demand depress activity is observed. Advanced economies are expected to shrink by 7 per cent.

In 2020, Emerging Markets and Developing Economies (EDME) GDP was predicted to contract by 2.5 per cent. News findings present a dismal picture of the number of affected supply chains. With more than 90% of EMDEs indicated to encounter per capita income contractions this year, several thousands of people are likely to slip back into poverty. The global economy is undoubtedly lead to a halt with the outbreak of coronavirus.

In the last year, unemployment has risen from 6.7 % to 26%. So the economy was goes down the country. Coronavirus drastically changes the global trends. A rapid change has occurred in every business. It has changed the behaviour of human, nature of trading, business and even the way of life. It spread the scares among people they avoid to interact with others.

GDP OUTPUT "GAP"

Another measure of the economic impact of the COVID-19 pandemic on the global economy is represented by the difference between actual economic performance, measured by gross domestic product (GDP), and potential output, or the maximum amount an economy can produce at full employment, referred to as the output gap. The International Monetary Fund (IMF) estimated that the loss in economic output represented by the GDP output gap among major advanced economies, which as a group account for about 60% of global GDP, would be -3.6% in 2020, or that the economies operated at a rate that was 3.6% below their combined potential, as indicated in below Table.

According to the IMF's assessment, not only would the major advanced economies as a group operate below their full potential through 2025, but none of the individual economies was projected to operate above potential during the 2020-2025 forecasting period. The Euro is as a whole, and France and Italy in particular, were projected to experience the largest output gap through 2022. At 3.2% the U.S. output gap was among the smallest of the major advanced economies.

IMF Forecast of Major Advanced Economy GDP Output Gap

(In percentage term)

			Projected						
	2017	2018	2019	2020	2021	2022	2023	2024	**2025**
Major Advanced Economies	–0.5%	0.2%	0.4%	-3.6%	-2.2%	-1.0%	-0.4%	-0.2%	**-0.1%**
United States	–1.0	0.4	1.0	-3.2	-1.5	-0.5	-0.2	-0.1	**-0.1**
Euro Area	–0.4	0.2	0.1	-5.1	-3.2	-1.6	-0.6	-0.2	**0.0**
Germany	1.0	1.2	0.4	-3.5	-1.8	-0.7	-0.2	-0.1	**0.0**
France	–1.3	–0.5	0.0	-5.6	-4.0	-2.5	-1.4	-0.6	**0.0**
Italy	–1.2	–0.7	–0.7	-5.4	-5.4	-2.6	-0.9	-0.6	**-0.5**
Japan	–0.3	–0.8	–0.7	-3.0	-2.1	-1.0	-0.4	0.0	**0.0**
United Kingdom	0.3	0.0	0.0	-3.9	-3.5	-1.7	-1.0	-0.5	**0.0**
Canada	**0.4**	**0.6**	**0.4**	**-3.8**	**-1.4**	**-0.3**	**-0.1**	**0.0**	**0.0**

Source: International Monetary Fund.

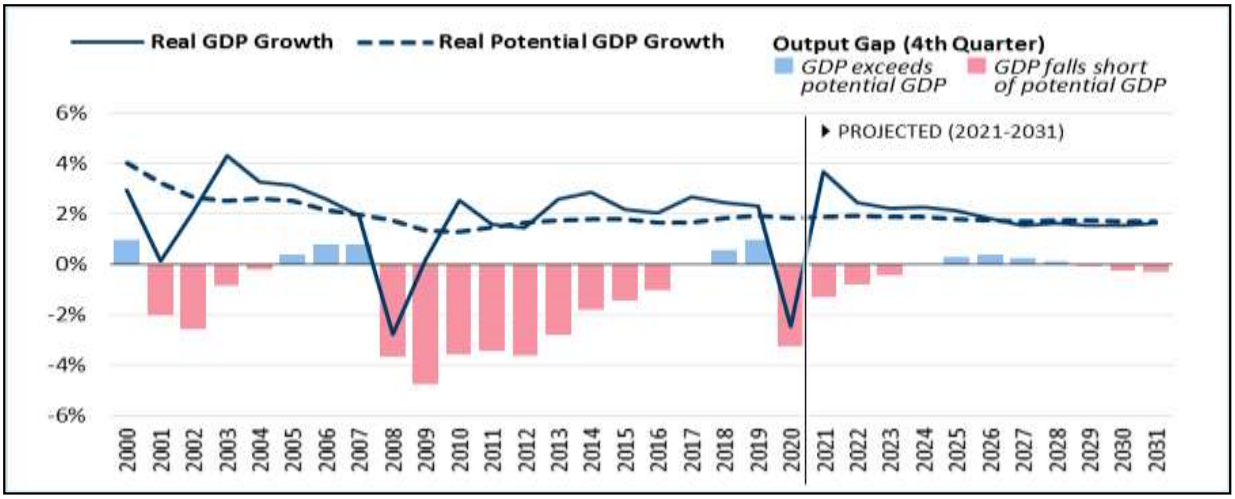
Notes: The output gap is the difference between GDP and potential GDP, expressed as a percentage of potential GDP. A positive value indicates that GDP exceeds potential GDP; a negative value indicates that GDP falls short of potential GDP.

On February 1, 2021, the Congressional Budget Office (CBO) issued an estimate of the impact of the COVID-19 pandemic on the U.S. GDP output gap and on other major indicators. In the forecast, the U.S. output gap in 2020 was estimated at 3.3%, the largest difference between the actual and potential output in the U.S economy since the period following the 2008-2009 financial crisis, as indicated in below chart. The CBO also estimated that the output gap following the financial crisis persisted from 2009-2016, reflecting the lengthy period of the recovery. In the current context, the CBO estimates that a rise in vaccinations will lead to reductions in social distancing and an economic recovery;

Real GDP will expand in 2021 and reach its pre-pandemic peak in mid-2021

The labour force participation rate will recover, but lag behind the pre-pandemic rate through the estimation period.

Real and Potential U.S. GDP and the Output Gap



Source: Congressional Budget Office, February 2021.

Notes: The output gap is the difference between GDP and potential GDP, expressed as a percentage of potential GDP. A positive value indicates that GDP exceeds potential GDP; a negative value indicates that GDP falls short of potential GDP. Values for the output gap are for the fourth quarter of each year.

CBO also estimated that U.S. GDP would grow at an annual rate of 4.6% in 2021, but then generally trend downward to pre-pandemic rates in the 2024-2031 periods, as indicated in below table. The unemployment rates was also projected to peak in 2020 at 8.1%, but trend downward and reach the pre-pandemic rate in the 2024 to 2025 period.

Similarly, the growth rates of exports and imports were projected fall by 13% and 10%, respectively, in 2020, before growing at positive rates through the forecast period. The CBO indicated, however, that its forecast was subject to a "high degree of uncertainty," due to the uncertain course of the pandemic, the effectiveness of monetary and fiscal policies, and the response of global financial markets to increases in public deficits and debt.

Congressional Budget Office Projection of Major U.S. Economic Indicators, 2020 to 2031

(Annual percentage changes)

Average annual									
	2017	2018	2019	2020	2021	2022	2023	2024-2025	2026-2031
Projected Gross Domestic Product (GDP)	2.3%	3.0%	2.2%	-3.4%	4.6%	2.9%	2.2%	2.1%	**1.6%**
Potential GDP	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.8	**1.7**

								Average	annual
	2017	2018	2019	2020	2021	2022	2023	2024-2025	2026-2031
Projected									
Output Gap	0.0	0.6	1.0	-3.3	-1.3	-0.8	-0.4	0.4	**-0.1**
Civilian Unemp. Rate	4.4	3.9	3.7	8.1	5.7	5.0	4.7	4.0	**4.1**
Labour Force Participation Rate	62.9	62.9	63.1	61.7	61.9	62.1	62.0	61.7	**61.1**
Exports	3.9	3.0	-0.1	-13.1	11.3	5.4	2.5	2.0	**1.6**
Imports	**4.7**	**4.1**	**1.1**	**-10.0**	**13.9**	**1.6**	**0.5**	**2.9**	**2.1**

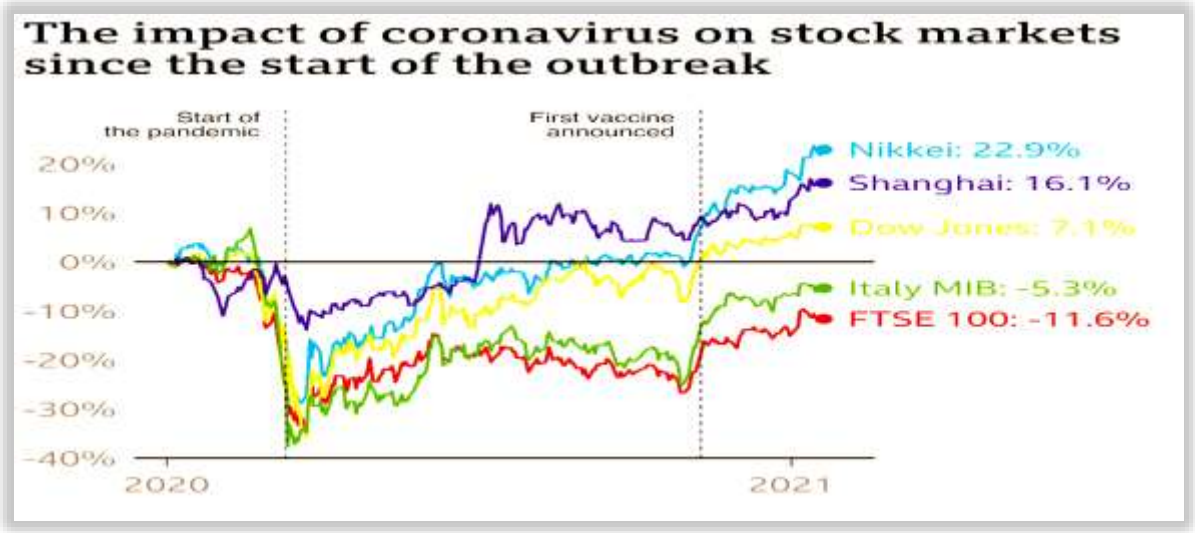
Source: An Overview of the Economic Outlook: 2021 to 2031, Congressional Budget

Global shares in flux

Big shifts in stock markets, where shares in companies are bought and sold, can affect the value of pensions or individual savings accounts (ISAS).

The Financial Times Stock Exchange (FTSE), Dow Jones Industrial Average and the Nikkei all saw huge falls as the number of Covid-19 cases grew in the first months of the crisis.

The major Asian and U.S stock markets have recovered following the announcement of the first vaccine in November, but the FTSE is still in negative territory. **The FTSE dropped 14.3% in 2020**, its worst performance since 2008.



In response, central banks in many countries, including the UK, have slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy.

Some markets recovered ground in January this year, but this is a normal tendency known as the "January effect".

Analysts are worried that the possibility of further lockdowns and delays in vaccination programmes might trigger more market volatility this year.

USING TECHNOLOGY DURING PANDEMIC

The COVID-19 pandemic forced people to adopt internet and internet-based services to communicate, interact, and perform their official duties from home. We started participating in virtual meetings, work from home became a new culture and we gradually became familiar with terms like “You are on mute” on Zoom, MS Teams and Skype meetings. It also brought a noticeable surge in the time people spent in watching content on various OTT platforms like Netflix, Amazon Prime and Hotstar VIP etc.

Like other sectors, the education sector too experienced a sea change and digital learning became a new trend. More teachers started taking online classes and several Ed-tech start-ups Top 21 education apps in India for online learning 2020 Updated like BYJU’s, Mertination, ByCBSC guide, Vedantu, etc.. Learning Apps only for competitive exams including Govt. Exams like CAclubindia, indigolearn, etc... Education apps for Language Learning/Other Skills like Duolingo flourished. Students as their parents were encouraged to adopt the online mode of education and they soon became familiar with Zoom video calls for receiving normal lectures and attending their exams online. Even before COVID-19, there was already high growth and adoption in education technology, with global education technology investments reaching US$18.66 billion in 2019 and the overall market for online education projected to reach $350 Billion by 2025. Whether it is language apps, virtual tutoring, video conferencing tools, or online learning software, there has been a significant surge in usage since COVID-19.

Several video games specially designed for children became hugely popular during these times. Another segment that witnessed a major boom is the online retail market, for example, online grocery stores like Big Basket, Grofers, Biz Bazaar, Flipkart, Amazon, etc grew by leaps and bounds during the pandemic. The Amazon CEO and founder, Jeff Bezos, added more than $70bn to his net worth during the coronavirus pandemic in 2020, which is now nearly $185bn. From April 2020 to March 31st 2021, Amazon collected $26.9 billion in profit, while it made $24.7 billion in profit in between 2017 to 2019. According to the release, net sales have increased 44 per cent to $108.5 billion in the first quarter of 2021 (compared to $75.5 billion this time last year). This is the 78th consecutive quarter of double-digit year over year growth, and marks the highest growth rate since 2011.

Looking at the health sector, online yoga and fitness sessions became very popular due to apps like Cure, Fit and Fittr which brought in live workout sessions which helped fitness freaks to pursue their passion even during the lockdown. A lot of people purchased fitness equipment to exercise at home with the help of technology.

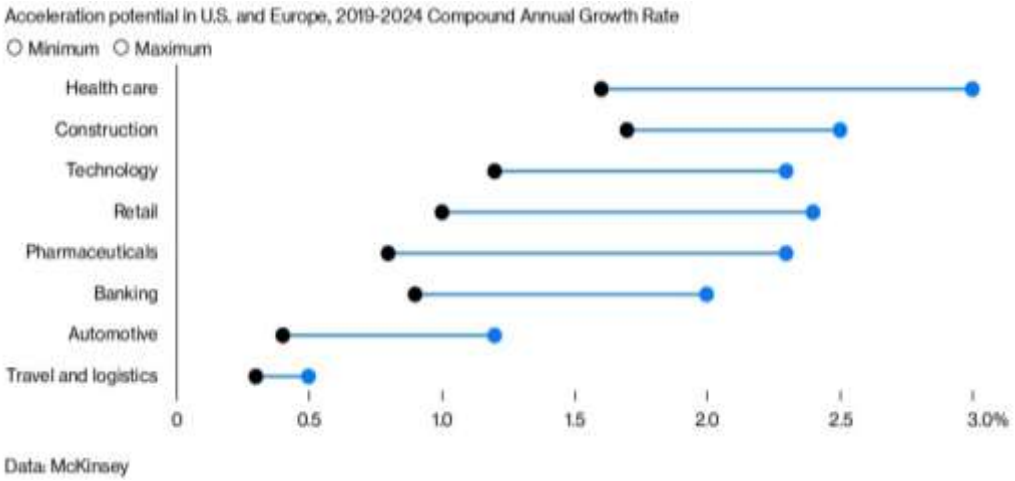
PRODUCTIVITY IS FINALLY LOOKING UP, AND THE GAINS COULD LIFT GROWTH

The pandemic normalized WFH and accelerated adoption of new technologies such as automation, all of which could translate into a meaningful boost for GDP. The Covid-19 crisis is accelerating a technology boom that has the potential to boost productivity across much of the world, spurring growth even in mature economies such as those of Europe and the U.S.

Whether in restaurant kitchens, on the factory floor, or at e-commerce fulfilment centres, the pandemic has sped the adoption of robots, artificial intelligence, and other technologies that, in theory, free workers from manual or repetitive tasks to focus on higher-value output. At the same time, cloud computing and videoconferencing software have enabled the shift to work-from-home at countless companies around the globe. That's liberated employees from the wasteful time-suck that is the office commute and is said to be yielding dividends for businesses.

Research published by the McKinsey Global Institute at the end of March found that the combination of these trends could raise productivity growth in the U.S. and Western Europe by about 1 percentage point annually in the years to 2024, more than doubling the pre-pandemic rate of growth. This could translate into increases in gross domestic product per capita, ranging from about $1,500 in Spain to about $3,500 in the U.S., according to the report's authors. "This acceleration in technology is something that feels real and lasting," says Jan Mischke, a partner at the McKinsey Global Institute. (Except where noted, the term "productivity" is used here as shorthand for what's often called labour productivity, which is a measure of output per unit of labour input.)

Pandemic-Related Productivity Acceleration



Goldman Sachs Group Inc. economists are also bullish. They estimate in an April 25 report that three channels of tech disruption—the shift to e-commerce, digitization of the workplace, and the reallocation of human and investment capital as unprofitable companies shrink or close—will lift U.S. productivity by at least 2% cumulatively by 2022 relative to trend, and potentially by as much as 7%.

These are bold predictions, especially as they run counter to what's been observed historically. Recoveries from recessions and natural disasters are typically followed by years of weak productivity growth, says Gene Kindberg-Hanlon, an economist at the World Bank. Previous epidemics, such as Ebola and SARS, left lasting negative legacies on productivity growth largely because they depressed capital spending, meaning businesses weren't investing in equipment or information technology that might help workers do their jobs more efficiently.

The opposite appears to be happening during this pandemic. Three-quarters of the almost 1,400 executives surveyed by McKinsey in December expected investment in new technologies to pick up in 2020-24, compared with 55% that increased outlays in 2014-19.

A survey by Swiss engineering giant ABB Ltd. of more than 1,600 businesses globally found that 8 out of 10 workplaces will introduce or increase the use of robotics and automation in the next decade, with 85% saying Covid had been a game changer for their business.

In North America, purchases of robots jumped 64% in the fourth quarter of 2020 from a year earlier, according to the Robotic Industries Association. Even more notable: Industries including food processing, consumer-goods manufacturing, and life sciences logged a bigger increase in orders for all of 2020 than did automakers, which have traditionally been the biggest buyers of robots.

While many advanced economies are well-placed to see productivity improvements in some sectors, many emerging and developing economies may struggle to reap these benefits due to skill shortages, lack of infrastructures such as high-speed internet and other facilitators of digital connectivity, and poor access to finance

CONCLUSION

COVID-19 has caused an economic shock three times worse than the 2008 financial crisis. In the best case scenario in 2020, which is defined as two month duration of travel bans and a sharp decline in domestic demand, the monetary loss of global Gross Domestic Product (GDP) is expected to be about **76.7 billion U.S. dollars** due to the coronavirus (COVID-19) outbreak.

So, Industries that were previously reluctant to adopt technologically advanced business practices are now compelled to do so. Rising sales and capital-based benefit from such business strategies has proven to be quite beneficial at this stage. And up until this stage, they had used another strategy to draw people through technology in order to generate revenue for the business. Researchers at Oxford Economics say their 2019 forecast that robotization would add $5 trillion to global GDP by the end of the current decade may need to be revised upward. Although technology has undoubtedly become an integral part of our everyday lives as a result of the pandemic, it can also be a boon if used wisely. At the same time, we must recognize that excessive reliance on technology can have disastrous consequences for our well-being and general well-being.

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