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THE ECONOMIC IMPACT OF COVID 19 WITH SPECIAL REFERENCE TO INDIA

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The Economic Impact of COVID 19 with special reference to India

Introduction

The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. However, the Novel Corona virus Covid-19 which originated in China in November-December 2019 and over the next few months rapidly spread to almost all countries of the world has turned out to be one of the biggest health crisis in our history.

India recorded the first case of the disease on January 30, 2020. Since then the cases have increased steadily to around 33610 total confirmed cases and around 1075 deaths (as on 30 April 2020). India has recorded lower number of cases compared to other countries, especially those in the developed world, which have been badly affected.

The global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lockdown of an entire country. In order to curb the spread of the virus, the government of India announced a three week long nationwide lockdown starting 25 March 2020 and further extended to 3 May.

The outbreak of COVID-19, first in China and now having being confirmed in more than 190 countries, has emerged as a key risk to human health as well as global growth outlook through numerous channels like trade, production and supply chain disruptions; decline in demand; lower tourism and business travel; loss of investor confidence; and productivity losses from the health impact on morbidity and mortality of work force. The outbreak has presented challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements which has the potential to derail India’s growth story. According to the study by the Federation of Indian Chambers of Commerce and Industry (FICCI) the economy will impact the economy entirely.

Demand Side Impact - Tourism, Hospitality and Aviation are among the worst affected sectors that are facing the maximum brunt of the present crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting consumption of both essential and discretionary items. Consumption is also getting impacted due to job losses and decline in income levels of people particularly the daily wage earners due to slowing activity in several sectors including retail, construction, entertainment, etc. With widespread fear and panic now increasing among people, overall confidence level of consumers has dropped significantly, leading to postponement of their purchasing decisions. Travel restrictions have severely impacted the transport sector. Hotels are seeing large scale cancellations not only from leisure travellers but even business travellers as conferences, seminars and workshops are getting cancelled on a large scale.

Impact on Financial Market - Greater uncertainty about the future course and repercussion of Covid-19 has also made the financial market extremely volatile, leading to huge crashes and wealth erosion, which in turn is impacting consumption levels. One of the major slides in the domestic equity markets was seen on March 12, when following the trend of the global equity markets, both the BSE Sensex and NSE Nifty crashed by more than 8% in a single day. The BSE Sensex dropped over 2,919 points – its biggest one-day fall in absolute terms while the NSE Nifty dropped by 868 points. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to this single day fall. The fall has continued till date as investors resorted to relentless selling amid rising cases of corona virus. On March 19, Indian equity markets again plunged to new low. Sensex closed 581 points lower at 28,288 and Nifty fell 205 points to end at 8,263. With equity markets likely to remain volatile in future as well, further wealth erosion of investors is expected. However, on 30 April Sensex gained 997 points and closed at encouraging 33717 points.

Supply Side Impact - On the supply side, shutdown of factories and the resulting delay in supply of goods from China has affected many Indian manufacturing sectors which source their intermediate and final product requirements from China. Some sectors like automobiles, pharmaceuticals, electronics, chemical products etc. are facing an imminent raw material and component shortage. This is hampering business sentiment and affecting investment and production schedules of companies. Besides having a negative impact on imports of important raw materials, the slowdown in manufacturing activity in China and other markets of Asia, Europe and the US is impacting India’s exports to these countries as well.

Impact on International Trade - China has been a major market for many Indian products like sea food, petrochemicals, gems and jewellery etc. The outbreak of coronavirus has adversely impacted exports of these items to China. For instance, the fisheries sector is anticipated to incur a loss of more than Rs 1,300 crore due to fall in exports. Similarly, India exports 36% of its diamonds to China. The cancellation of four major trade events between February and April is likely to cause an estimated loss of Rs 8,000-10,000 crore in terms of business opportunity for Jaipur alone. India also exports 34% of its petrochemicals to China. Due to exports restrictions to China, petrochemical products are expected to see a price reduction.

Impact of COVID 19 on Indian Economy

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. Though, the supply of essential commodities including medicine has been ensured uninterrupted by the government. The disruption of demand and supply forces are likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially demand for non-essential goods and services. There is likelihood that the three major components of aggregate demand - consumption, investment, and exports are likely to stay subdued for a prolonged period of time.

In addition to the unprecedented collapse in demand, there will also be widespread supply chain disruptions due to the unavailability of raw materials, exodus of millions of migrant workers from urban areas, slowing global trade, and shipment and travel related restrictions imposed by nearly all affected countries. The supply chains are unlikely to normalise for some time to come. The longer the crisis lasts, the more difficult it will be for firms to stay afloat. This will negatively affect production in almost all domestic industries. This may further affect the investment, employment, income and consumption, pulling down the aggregate growth rate of the economy.

There will also be large scale cascading effects for the aviation, hospitality and tourism industries. Over and above the domestic problems, the Indian economy will also get affected by the global recession that is looming large on the horizon. This is bound to have spill over effects through financial and trade linkages of India with the rest of the world. Already foreign investors have been pulling money out of the Indian financial markets and are fleeing to safe assets as stock markets have crashed.

At this early stage it is difficult to fully comprehend the extent of the damage that the Indian economy may incur once the epidemic wanes. Some early estimation highlights the severity and duration of the economic slowdown may experience in future.

However, according to UBS, the Indian economy would be severely hit by the Covid-19 and could even enter into a contraction, depending upon the severity of the pandemic, but the recession would be the shortest on record.

The economic impact of COVID19 can be seen on following major sectors of Indian economy:

GDP Growth

The International Monetary Fund (IMF) slashed India's growth estimate for FY21 to 1.9% from 5.8% estimated in January, warning that the "worst recession since the Great Depression" will dwarf the economic damage caused by the global financial crisis a decade back. It also said that India and China would be the only two major economies likely to register growth, with all others contracting. The Covid-19 pandemic will shrink world output by 3% in 2020, IMF said in the April update of its World Economic Outlook (WEO), the first after the magnitude of the outbreak became clear. Similarly, Domestic rating agency CRISIL cut its projections for India's economic growth rate to 1.8 per cent, from 3.5 per cent it had earlier predicted for 2020-21. Moody's Investors Service, also, slashed India growth forecast for calendar year 2020 to 0.2 per cent, from 2.5 per cent projected in March. For 2021, the rating agency expects India's growth to rebound to 6.2 per cent.

Agriculture and Rural Activities

The agriculture sector is critical as large number of workers and the entire country's population is dependent on this sector. With the outbreak of Covid-19 the situation in rural India is likely to worsen significantly.

The lockdown and associated disruptions will affect agricultural activities and the necessary supply chains through several channels: input distribution, harvesting, procurement, transport hurdles, marketing and processing. Restrictions of movement and labour scarcity may impede farming and food processing (FAO, 2020). March-April is the peak season for the sale of the *rabi* produce but harvesting will get hampered due to the departure of thousands of migrant workers. Shortages of fertilizers, veterinary medicines and other inputs could also affect agricultural production. Closures of restaurants, transport bottlenecks can diminish demand for fresh produce, poultry and fisheries products, affecting producers and suppliers.

A study by Sudha Narayanan (2020) of Indira Gandhi Institute of Development Research indicates that farmers are stuck with harvest as APMC (agricultural product market committee) *mandis* are closed in several states thereby disrupting food supply disruption from the production to the consumption centres. The above study indicates that the government should focus on post-harvest activities, wholesale and retail marketing and initiate procurement operations. Some state governments have already taken initiatives.

Informal sector

India has a very high share of informal employment in total employment. The share, which includes agricultural workers, has declined marginally from 94% in 2004-05 to 91% in 2017-18. Out of a total of 465 million workers, 422 million were informal workers in 2017-18. Even in non-farm sector (manufacturing and services), the share of informal workers was around 84% in the same year.

The informal workers were already facing problems with low wages and incomes in the pre-Covid-19 period. Daily wage labourers and other informal workers are the worst hit during the lockdown period and will continue to be adversely affected even when the lockdown is relaxed. With almost no economic activity particularly in urban areas, the lockdown has led to large scale losses of jobs and incomes for these workers. There are about 40 to 50 million seasonal migrant workers in India. They help in the construction of urban buildings, roads, factory production and participate in several service activities. There was a large scale exodus triggered by the lockdown.

In the formal sector to the extent that firms do not close down, employees will still have their jobs and receive their salaries. The informal sector works differently. It depends crucially on people's daily demand. With a large chunk of the potential customers of the informal sector staying at home right now and withdrawing from non-essential expenditures, the survival of informal sector units will become questionable with every passing day, especially as the health crisis and the associated lockdown drags on. Many firms in the informal sector will be forced to shut down.

Micro, small and medium enterprises (MSMEs)

The micro, small and medium enterprises as a whole form a major chunk of manufacturing in India and play an important role in providing large scale employment and also in the country's exports. Recent annual reports on MSMEs indicate that the sector contributes around 30% of India's GDP, and based on conservative estimates, employs around 50% of industrial workers. Over 97% of MSMEs can be classified as micro firms (with an investment in plant and machinery less than Rs 25 lakh), and 94% are unregistered with the government. Many of the micro enterprises are small, household-run businesses.

Although all businesses have been affected by the pandemic, the MSME sector would be badly hit by reduced cash flows caused by the nationwide lockdown. Their supply chain would be disrupted, and they would be affected by the exodus of migrant workers, restrictions in the availability of raw materials, by the disruption to exports and imports and also by the widespread travel bans, closure of malls, hotels, theatres and educational institutions etc. This, in turn, would massively hamper the MSME businesses. As a consequence, hundreds of thousands of people who work for these small businesses may end up with job and salary losses.

Employment

The data from the Consumer Pyramid household level survey of the Centre for the Monitoring of Indian Economy (CMIE) shows that the unemployment rate in urban areas increased sharply to 30% in the week ending March 29, about 3.5 times the rate of 8.7% for the week ending March 22. For rural areas, the corresponding figures were 21% and 8.3%. The overall unemployment rate increased from 8.4% to 23.8%. The data for the week ending April 5 estimates the rate at 30.9% for urban areas, 20.2% for rural areas and 23.4% at the all-India level.

Financial markets and institutions

With the country-wide lockdown extended, the risk aversion of the banking system gets significantly aggravated. As more and more firms struggle to stay afloat and are unable to repay their dues amidst the massive demand and supply disruptions, corporate delinquencies will go up and the level of NPAs in the already fragile banking system will increase precipitously. Moody's

Investors Service has already changed the outlook for the Indian banking system to negative from stable, as it expects deterioration in banks' asset quality due to disruption in economic activity.

Possibility is there that defaults will not only rise in the banking system but also in the NBFCs who lend to the MSME (Micro, Small and Medium Enterprises) sector as the latter's earnings will fall sharply. Particularly worrisome might be the depth of financial stress faced by the large micro-finance sector (NBFC-MFIs) that provides support to innumerable small and micro enterprises throughout the country. Micro finance institutions (MFIs) serve many low income poor people with their saving and credit services. The economics of micro finance requires high repayment rates. Any slip in repayment rate makes these institutions insolvent.

Repayment rates may fall drastically now as borrowers struggle to make ends meet in the face of the precipitous income shock. Most of MFI customers operate in the micro or even smaller enterprises and borrow for the short term. As a result of the lockdown, their revenues will completely collapse. Moreover, most of the MFI loans are in cash and in the middle of a lockdown, even if borrowers are able to repay, collection of the payments is a serious problem.

As the NPAs on existing loans keep accumulating, the already risk-averse banking system is likely to become even more reluctant to extend fresh credit, especially if the banks are not adequately capitalised. In other words there are multiple channels through which an already fragile financial system may get choked as the crisis worsens, thereby aggravating the slowdown.

Tourism, Hospitality & Medical Value Travel

With large scale cancellation of travel plans by both foreign and domestic tourists, there has been a drop in both inbound and outbound tourism of about 67% and 52% respectively since January to February as compared to the same period last year. Of all the segments of the hospitality sector, the Meetings, Incentives, Conferences and Exhibitions — popularly known as MICE segment — has been hit the most. Some of the major international business events have also been cancelled including tech events such Mobile World Congress (MWC), Google I/O, and Facebook's F8 event, which has led to huge economic losses. The tourism industry expects the situation to further deteriorate in the forthcoming summer season i.e. April-June. Usually, the number of Indian travellers to both domestic and international destinations peak during the months of March and April. However, this time around nearly 90% bookings of hotel and flights for the peak time have been cancelled. According to the Indian Association of Tour Operators

(IATO), the hotel, aviation and travel sector together may incur loss of about Rs 8,500 crore due to travel restrictions imposed on foreign tourists by India for a month. This is also expected to have a negative impact on jobs in the industry.

Government's Measures

The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare, to sector related incentives and tax deadline extensions. The immediate objective of the policy responses to the economic impact of Covid-19 is to ameliorate the effect of the shock on economic agents in both the formal and the informal sectors and to help them tide over the crisis. The central government and RBI have announced an initial round of fiscal and monetary policies respectively. In addition, several state governments have also announced fiscal stimulus measures.

COVID-19 Economic Response Task Force

The formation of the COVID-19 Economic Response Task Force was announced by Prime Minister Narendra Modi on 19 March 2020 during his live address to the nation. The task force is led by the finance minister, Nirmala Sitharaman.

- On **21 March** the Uttar Pradesh government decided to give a direct money transfer of ₹1,000 to all daily wage laborers in the state and the following day Punjab announced ₹3,000 each for all registered construction workers in state.
- On **23 March** it was announced that Haryana labourers, street vendors and rickshaw pullers will be provided an assistance of ₹1,000 per week directly deposited into their bank accounts. Below Poverty Line families will be provided rations (including rice, wheat, mustard oil, sugar) free of cost for the month of April.
- On **24 March**, in his address to the nation, the Prime Minister announced a ₹15,000 crore fund for the healthcare sector.
- On **24 March** , the Finance Minister made a number of announcements related to the economy such as extending last dates for filing GST returns and income tax returns. The due dates for the Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019, customs clearances and for compliance matters under the Customs Act and associated laws has been extended to June 2020.
- On **25 March** the Modi government announced the world's largest food security scheme for 80 crore (800,000,000 people) across the country. Cabinet Minister Prakash Javadekar made the announcement in a press conference that the ration would be 7 kg every month (which includes wheat at a cost of ₹2 per kg and rice at ₹3 per kg.)
- On **25 March** the Uttar Pradesh government banned the manufacture and sale of pan masala, stating in the order that "Spitting pan masala can help in spreading Covid-19". Following

this, other states such as Andhra Pradesh, Rajasthan and Gujarat also banned spitting in public places.

- On **26 March** the Finance Minister announced a number of economic relief measures for the poor. Rupees 170,000 crore will fund the Pradhan Mantri Garib Kalyan Yojana (PMGKY) which will provide both cash transfer and food security; with the aim that no one goes hungry amidst the lockdown.

The PMGKY contains the following components:

- Free additional 5 kg wheat or rice per person for 3 months;
- 1 kg free pulses per household for 3 months;
- Free LPG for *Ujjwala* beneficiaries for 3 months;
- Rs.2000 to 87 million farmers under *PM Kisan Yojana* in 10 days;
- Increase in MGNREGA wages to Rs.202 from Rs.182;
- Rs.500 per month to 200 million female Jan Dhan account holders for next 3 months;
- Ex-gratia of Rs.1000 to poor senior citizens, widows and disabled;
- Rs.20 lakh collateral-free loans to women self-help groups;
- Govt. to contribute EPF to companies with less than 100 workers;
- Non-refundable advances of 75% or 3 months wages from PF account;
- States to use Rs.31 crore from construction workers welfare fund;
- States to use district mineral fund for medical activities.

More than 33crore poor people have been directly given financial assistance of Rs 31,235 crore (as on 22nd April,2020) under the **Pradhan Mantri Garib Kalyan Package (PMGKP)**.

- On **26 March** India participated in the virtual 'Extraordinary G20 Leaders' Summit'. The G20 nations decided to inject over $5 trillion into the global economy to counteract the pandemic's impacts. They agreed to work together, to strengthen the World Health Organisation, develop a vaccine and make it available. They decided to share timely and transparent information, materials for research and development and data. Besides expanding manufacturing capacity for medical supplies, they agreed to ensure smooth flows of critical supplies.
- On **27 March** the Reserve Bank of India (RBI) Governor Shaktikanta Das made a number of announcements including EMIs being put on hold for three months and reducing repo rates. Other measures introduced will make available a total ₹374,000 crore to the country's financial system. Delhi government announced that from the 28th they will be providing free food to 400,000 every day. Over 500 hunger relief centres have been set by the Delhi government.
- On **27 March** the Rajasthan government has decided to deduct the salaries of its officers and employees from one to five days.

- On **28 March** the Prime Minister launched a new fund called PM CARES fund for combating such situations.
- On **30 March** it was announced that the UP government would transfer ₹611 crore (US$86 million) to 27.15 lakh workers under MNREGA scheme.
- On **1 April** the RBI announced more measures to deal with the economic fallout of COVID-19. WMA and short-term liquidity has been increased to provide relief to state governments; exporters have also been granted some relief in the form of relaxed repatriation limits.
- On **2 April** the World Bank approved $1 bn emergency financing for India to tackle coronavirus labelled 'India COVID-19 Emergency Response and Health Systems Preparedness Project'.
- On **3 April** the central government released ₹17,287 crore to different states to help combat coronavirus. The Ministry of Home Affairs approved₹11,092 crore for states as relief under the State Disaster Risk Management Fund.
- On **6 April** a 30% salary cut for one year was announced for the President, Vice President, Prime Minister, Governors, Members of Parliament and Ministers. It was also decided to suspend the MPLADS for two years and transfer the money, about ₹7,900 crore , into the consolidated fund of India.
- On **8 April** the Department of Expenditure, Finance Ministry, has allowed states net market borrowings of ₹320,481 crore between April to December. ₹3,000 crore of funds under the PM Garib Kalyan Yojana have been given to over 20 million workers engaged in construction work by the various states and UTs. To provide relief to tax payers amid the covid-19 crisis, the government will release ₹18,000 crore .
- On **10 April** the Asian Development Bank assured India of ₹15,800 crore assistance in the covid-19 outbreak fight.
- On **15 April** as part of the new lockdown 2.0 guidelines, the Ministry of Home Affairs announced, among other things, that all agricultural and horticultural activities will remain fully functional. Information technology companies can function with 50% staff. The partial lift of restrictions will take place from 20 April.
- On **17 April**, RBI announced more measures to counter the economic impact of the pandemic including ₹50,000 crore special finance to NABARD, SIDBI, and NHB. Providing more relief to state governments, WMA limits have been increased by 60 per cent.
- On **18 April**, India changed its FDI policy to protect Indian companies from "opportunistic acquisitions" during the covid pandemic.
- On **20 April** limited economic activity is expected to resume outside of the covid-19 containment zones. During this selective relaxation of restrictions, numerous activities will remain prohibited such as educational institutions, passenger movement by trains, cinema halls, malls, shopping complexes and gymnasiums.
- **On 28 April** The Government of India and the Asian Development Bank (ADB) signed a $1.5 billion loan that will support the government’s response to the novel corona virus disease (COVID-19) pandemic, focusing on immediate priorities such as disease containment and prevention, as well as social protection for the poor and economically vulnerable sections of the society, especially women and disadvantaged groups.

The steps India has taken so far to contain economic fallout of Covid-19

Government of India and RBI are trying to cushion an economy that was slowing even before the corona virus outbreak. The measures announced so far:

For Banks:

CHEAPER CASH:

A series of steps announced this year aim to encourage banks to lend.

— Banks don't need to set aside cash reserves for loans given to small businesses between Jan. 31 to July 31, or for credit to help consumers buy a car or home (announced Feb. 6)

— Policy lending rate -- the repurchase rate -- cut by 75 basis points in a single move this year. However, the effective deposit rate has been slashed by 115 basis points to discourage lenders from playing safe and parking the cash with the RBI (March 27 and April 17)

— Cash Reserve Ratio reduced to 3% from 4% (March 27)

— Liquidity Coverage Ratio lowered to 80% from 100% (will be restored to 90% by Oct. 1 and 100% by April 1, 2021)

LOAN FREEZE:

RBI Governor took steps on stopping of loan repayments amid an unprecedented lockdown

— All lenders can freeze repayments for three months on term loans outstanding March 1

— Lenders allowed to suspend interest payments on working capital facilities for three months; accumulated interest can be paid later and the loans won't be in default

— The steps add to previous measures which allow a one-off restructuring of loans to small businesses that were in default as of Jan. 1

— Loans to commercial property projects that are delayed for reasons beyond the control of the developer are allowed to be treated as standard for another year

REGULATORY DEFERRALS:

Implementation of stricter regulations have been delayed

— Rules requiring banks to fund their activities through stable sources has been deferred to Oct. 1 from April 1

— Completion of Capital Conservation Buffer pushed to Sept. 30 from March 31

— Lenders allowed an additional 90 days to reach a resolution plan on large accounts in default (April 17)

SPECIAL WINDOWS:

These include support for corporate borrowers as well as rural industry

— TLTRO (Targeted longer-term refinancing operations)1.0 -- Rs 1 lakh crore of targeted long term funds from the central bank to banks for investing only in corporate bonds, aimed at easing cash crunch at firms (on April 15, RBI announced new rule capping the exposure of any bank to a single entity at 10% of TLTRO funds invested)

— TLTRO 2.0 -- initial Rs 50,000 crore , with at least half going to lower rated firms (April 17)

— Special refinance to umbrella organizations -- Rs 50,000 crore to go to pan-India financiers like Sidbi, Nabard, NHB that affordably fund the rural sector and agriculture.

HIGHER PROVISIONS: Banks ordered to maintain higher provision of 10% on all frozen loans spread over the January-March and April-June quarters, which can be adjusted later against actual slippages (April 17)

DIVIDENDS HALTED: Banks can't pay dividends for the year ended March 31 to conserve capital. Decision will be reviews on the basis of their financial position on Sept. 30

Sovereign Bonds and Rupee:
MORE MONEY:

The RBI has been injecting additional liquidity in the banking system to keep down bond yields — At its February policy review, the RBI said it will provide 1 trillion rupees of one- and three-year cash at the policy rate via long-term repo operations to help monetary transmission (Feb. 6)

— The RBI ramped up these measures in March and April

— Two variable rate repo operations of 500 billion rupees to fine-tune liquidity at the financial year end

— Enhanced a temporary liquidity tap for primary bond underwriters to Rs 10,000 crore from Rs 2,800 crore

— Rs 1 lakh crore of LTROs

— Open market purchase of govt bonds worth 100 billion rupees March 20; another total Rs 30,000 crore of OMO purchases March 24 and March 26

— 1 trillion rupees via 16-day variable rate repos

INVITING FOREIGNERS: India opened up a wide swath of its sovereign bond market to overseas investors, taking its biggest step yet to secure access to global indexes as the government embarks on a record borrowing plan

LIMIT BORROWING: India announced a fiscal first-half borrowing number that's lower than what traders expected, as it seeks to check any rise in yields amid a global risk aversion that's sparked outflows from emerging markets

MORE DOLLARS: RBI pledged to inject dollars through dollar-rupee swaps — Two $2 billion swap lines each for March 16 and March 23 provided $2.7 billion

SHORTER TRADING HOURS: Trading in sovereign debt and the rupee will be held from 10 a.m. to 2 p.m. Mumbai time starting April 7 through April 30. These markets normally worked from 9 a.m. to 5 p.m.

For Capital Markets:
— Allows companies additional 45 days for declaring their quarterly and annual results; extends the date for submission of corporate governance report by a month; company boards exempted from provision of maximum time gap between two meetings (March 19)

— Trading margin in stocks increased, market-wide position reduced to ease volatility in stocks (March 20)

— Compliance requirements relaxed for ReITs, InVITS, extends deadline for risk management rules for liquid mutual funds; timeline for filing debenture and preference share issues extended (March 23)

— Raised the threshold of defaults needed to trigger insolvency proceedings to 10 million rupees from 100,000 rupees (March 24)

— Capital, debt market services exempt from lockdown (March 25)

— Allows top 100 listed companies another month to comply with the requirements of holding annual general meeting (March 26)

— Shareholders allowed 45 more days to disclose their consolidated shareholding in companies for the financial year ending March 31 (March 27)

— Relaxed the recognition of default by local credit rating companies if a delay in payment of interest or principal is due; allows foreign portfolio investors relaxation in document processing (March 30).

— Eased rules to fast-track rights issues, and also extended the validity of its observations on public issues by six months from the date of expiry to help companies raise funds amid the coronavirus pandemic (April 17) For States and Wider Economy
EXPORTS:
The time period for realization and repatriation of export proceeds for shipments before July 31 extended to 15 months to provide greater flexibility to exporters in negotiating future export contracts with buyers abroad

STATES' BORROWING:
State administrations have been permitted to borrow as much as half their annual target for the year starting April 1 whenever they choose. In a typical year, strict rules would govern the timetable, which would include cash transfers from the federal government that are now under threat as the lockdown erodes revenue.

— RBI decided to increase the Ways and Means limit -- short term funding cap -- by 60% for all states to enable them to "tide over the situation." Revised limits came into effect in April, and will be valid for six months

— Eases states' overdraft rules through Sept. 30 to handle cashflow mismatches CROPS: State agencies will buy more oilseeds and pulses from farmers at government-set minimum purchase prices

LOCKDOWN EASED:
India allowed farmers and certain industries outside virus hotspots to resume operations from April 21 For Consumers:

FREE FOOD AND FUEL:
800 million poor people will get 5 kilograms wheat or rice and 1 kg pulses every month during April to June; 80 million families to get free cooking gas

CASH TRANSFERS:
200 million women with basic bank accounts will get Rs 500 a month until June; 30 million senior citizens, widows and disabled to get Rs 1,000; 87 million farmers will be immediately paid Rs 2,000 under an existing program

INSURANCE:
2.2 million health workers fighting COVID-19 will get an insurance cover of Rs 50 lakh JOBS AND WAGES: For people earning less than Rs 15,000 a month, government will pay

24% of their monthly wages that feed into pension and provident fund accounts; Wages under job guarantee program increased to provide annual benefit of Rs 2,000 to a worker.

Conclusion

Covid-19 has posed an unprecedented challenge for India. Given the large size of the population, the precarious situation of the economy, especially of the financial sector in the pre-Covid-19 period, and the economy's dependence on informal labour, lockdowns and other social distancing measures would be hugely disruptive. The central and state governments have recognized the challenge and have responded but this response should be just the beginning. Policy makers need to be prepared to scale up the response as the events unfold so as to minimise the impact of the shock on both the formal and informal sectors and pave the way for a V-shaped recovery. At the same time they must ensure that the responses remain enshrined in a rules-based framework and limit the exercise of discretion in order to avoid long-term damage to the economy.

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