

## A STUDY ON ROLE OF GOVERNMENT DURING COVID'19 PANDEMIC

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### Abstract

COVID 19 has come to this world as an uninvited guest. No one was prepared how to react or go ahead with this uninvited guest. As it was evident that it had started in China in November 2019, but if the data is being checked by the mid of August 2020, approximately 25lacs of Indian citizens have been infected. Projecting the same, in India, lockdown has been announced to just postpone the peak of this pandemic. This has given a time of approximately two months for the Central and State government to plan for their strategies in terms of lowering down the infection rates, death rate with a plan for serving the society as a whole. In a country like India, high in density, lower in education with more population residing under BPL, the role of Government plays a major role starting from educating people about the Virus infection, giving them source of income, on the same time providing sufficient infrastructure to safeguard the human lives. Keeping the role of Government as a key objective, this paper elaborates on strategies followed by Central government in few specific sectors, not just for the Economic sustainability even for safeguarding different sectors which have been affected drastically during pandemic tenure. Secondly, this paper will also summarize how government has helped the newly emerged industries to encourage the Make in India concept.

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**Keywords:** Strategies of Government, Economic Sustainability, Make in India concept.

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### INTRODUCTION :

The current corona virus crisis has strained the economies, markets, communities, business houses and individuals. The psychological, financial and economic impact of the virus across the globe is quite disruptive. Due to this unprecedented situation, the entire world is grappling and the economy shrinking. The pandemic has already been devastating in countries like USA, Russia, India, Europe to name a few. To contain the spread and impact of this novel virus, various countries, including India has taken measures such as lockdown, limiting movement of people, social distancing and work from home initiatives. Coronaviruses are a large family of viruses that cause illnesses and disorders ranging from common colds to Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The pandemic currently being faced in 2020 is termed as Coronavirus Disease 2019, or COVID-19 for short.

On the same ground, this paper has focused on some steps taken by the government, to safeguard the human life and the businesses so as to make the Indian economy a sustainable one. Also, the presence of digital payment, has made the smooth run of economy during the national lockdown. The emergence of the *Atamanirbhar Bharat* has also been discussed as the concept has been originated because of the pandemic situation only.

#### Pre-pandemic slowdown

India had also been witnessing a pre-pandemic slowdown. Even before the pandemic, since FY 2018-19, India's growth was falling, 8% in Q4 FY18 to 4.5% in Q2 FY20. In January 2020 itself, well before India's lockdown or reactions to the pandemic, the International Monetary Fund reduced India's GDP estimates for 2019 and also reduced the 2020 GDP forecast. The 2016 Indian banknote demonetization and goods and services tax enactment in 2017 led to severe back to back disruptions in the economy. On top of this there had been numerous banking crises such as the Infrastructure Leasing & Financial Services crisis and government

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scheme failures such as that of 'Make in India'. There was also a significant "income crunch" for both rural and urban sectors in the year prior to the lockdown.

### Effect of Pandemic

Given the seriousness due to the outbreak of COVID-19 pandemic, the Government of India imposed, on 24 March, a three-week national lockdown (extendable) by invoking provisions of National Disaster Management Act, 2005 (DM Act). The Act was enacted by invoking entry 23, namely, "Social Security and Social Insurance; Employment and Unemployment" in Concurrent List of the Constitution of India. Hence, it empowers union and state governments to frame rules and issue executive orders.

The **economic impact of the 2020 coronavirus pandemic in India** has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

The World Bank and rating agencies had initially revised India's growth for FY2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However after the announcement of the economic package in mid-May, India's GDP estimates were downgraded even more to negative figures, signaling a deep recession. (The ratings of over 30 countries have been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1 FY21. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector.

Unemployment rose from 6.7% on 15 March to 26% on 19 April and then back down to pre-lockdown levels by mid-June. During the lockdown, an estimated 14 crore (140 million) people lost employment while salaries were cut for many others. More than 45% of households across the nation have reported an income drop as compared to the previous year. The Indian economy was expected to lose over ₹32,000 crore (US\$4.5 billion) every day during the first 21-days of complete lockdown, which was declared following the coronavirus outbreak. Under complete lockdown, less than a quarter of India's \$2.8 trillion economic movement was functional. Up to 53% of businesses in the country were projected to be significantly affected. Supply chains have been put under stress with the lockdown restrictions in place; initially, there was a lack of clarity in streamlining what an "essential" is and what is not. Those in the informal sectors and daily wage groups have been at the most risk. A large number of farmers around the country who grow perishables also faced uncertainty.

Major companies in India such as Larsen & Toubro, Bharat Forge, Ultra-Tech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have temporarily suspended or significantly reduced operations. Young startups have been impacted as funding has fallen. Fast-moving consumer goods companies in the country have significantly reduced operations and are focusing on essentials. Stock markets in India posted their worst losses in history on 23 March 2020. However, on 25 March, one day after a complete 21-day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

Changes occurred in other sectors like energy, In Delhi, night light radiance fell 37.2% compared to 1-31 March 2019. This was the biggest fall for any metro in India. Bangalore fell 32% while Mumbai dropped by 29%. India's fuel demand in April 2020 as compared to the previous year fell nearly 46%. Consumption of fuel was the lowest since 2007. Cooking gas (LPG) sales rose ~12%. An International Energy Agency report in April estimated India's annual fuel consumption will decline 5.6% in 2020. Diesel demand dropped by approximately 6%. By the first half of June 2020, India's fuel demand was 80-85% of what it was before the lockdown.

The Centre for Sustainable Agriculture found that "10% of farmers could not harvest their crop in the past month and 60% of those who did harvest reported a yield loss". In March 2020, tea exports from India fell 33% in March as compared to March 2019. During the lockdown, food wastage increased due to affected supply chains, affecting small farmers.

**MSM** sector contributes 30% to 35% of the GDP, showing a bifurcation of micro (99%), small (0.52%) and medium (0.01%) enterprise. In case of the sectorial distribution of MSMEs, it shows 49% from rural and 51% from the semi-urban and urban areas.

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**Major movements by government:**

India's overall economic package was announced as ₹20 lakh crore (US\$280 billion), 10% of India's GDP. The package, though announced on 12 May by the Prime Minister, included previous government actions, including the RBI announcements. The previous RBI announcements included around ₹8 lakh crore (US\$110 billion) liquidity. The economic package also included the Finance Minister announcement of a package totaling ₹170,000 crore (US\$24 billion) on 26 March. The strategy of combining fiscal and monetary, liquidity measures was defended by the government. Sitharaman explained that other countries had also done the same. Estimates of the size of India's fiscal stimulus as a percentage of GDP varied between 0.75% to 1.3%. The Finance Minister, for five days, between 13 and 17 May, held press conferences in which the details of the economic package was explained. (Refer Exhibit 1)

Going forward for the sectorial support by government, here in the current study, the following sectors have been taken into consideration –

- a) *Food related* decisions taken by government is to help the below poverty line and daily wages workers group, in terms of providing food grains under Food Scheme under the Pradhan Mantri Garib Kalyan Anna Yojana, which covers almost 2/3 of the population. MNRGA workers Wage increase from INR 182/- to INR 202/-. Such increase will benefit 50 million families. For senior citizens, widows or physically disabled citizens of the country, one-time ex-gratia amount of INR 1,000 in two instalments over the next 3 months. 200 million woman Jan Dhan account holders to be given ex-gratia amount of INR 500 per month for the next 3 months, to run the affairs of their household. Women in 83 million families below poverty line covered under Ujwala scheme will get free LPG cylinders for 3 months

Farmers got a direct bank transfer support under PM-KISAN scheme with an amount of Rs. 6000 per year. About 86.9 million farmers are expected to benefit from this immediately.

It is evident from the above major measures taken by the Government, that a required measure has been taken by government to make sure the people who are dependent on the daily wages, whose projects, jobs are on stake with sudden announcement of the lockdown in the country, should be safeguard in terms of getting food as well as they can follow the imposed rules of lockdown. The major responsibility still lies with the government that how the distribution of such a major benefit reaches to the related population on time.

- b) In terms of providing support to the front fighters during pandemic and encourage them to play a major role in the coming future, as the pandemic continues for a longer time as well as post pandemic, the support from this sector will make the economy sustainable, The Finance Minister has announced medical insurance cover of Rs 5 million per *healthcare worker*. About 2 million health services and ancillary workers will benefit from such insurance scheme. As well as Prohibition on exports of following:
  - Surgical masks/disposable masks (2/3 ply), Textile material for masks and coveralls, All ventilators including any artificial respiratory apparatus or oxygen therapy apparatus or any breathing appliance/device, Sanitizers
  - Hydroxychloroquine (allowed on certain cases on a government to government basis only)
- c) In case of *Social security* – the government has initiated major concerns related with EPF procedures, employees who contribute to EPF can withdraw up-to 75 percent of the account balance or 3 months' basic salary and dearness allowance, whichever is lower and Employer and employee contribution reduced to 10% percent each from 12% percent each currently for 3 months. Also the Pension Fund Regulatory and Development Authority (PFRDA) allowed partial withdrawals from the NPS to fulfill financial needs towards treatment of the COVID-19 illness of a member, his/her spouse, children (including adopted child), or dependent parents.

The above initiative by the government made the remaining working population to handle the turbulence faced during the pandemic. So, the government has taken care of the people BPL, the daily wagers, MANREGA workers, as well as the professionally employed population and the employers in terms of supporting them for PF contributions.

- d) *Relief for MSMEs* – To encourage the Middle and Small sector enterprise, who have been hit by the pandemic drastically, government supported by providing extra funds, lower interested loans, extensions

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in terms of filling returns (Rs. 3 Lakh crore (USD 39 bn) collateral free loan with 100% credit guarantee and INR20k crore (USD 2.6 bn) subordinate debt for stressed MSMEs)

Not only this, the concept of Make in India has also supported the MSE sector

- e) *The support to Loan repayments:* One of the major move the finance ministry has taken up is the moratorium for 3 months for the repayment of loans. Lending institutions permitted to allow deferment of 3 months on payment of interest w.r.t all such working capital facilities o/s as of March 1, 2020. Further deferring implementation of last tranche of 0.625 % of capital conservation buffer to Sept. 30, 2020
- f) *Real estate sector and EPC/Contractors:* Because of lockdown and unavailability of workers, the government has provided extension of up to 6 months to be provided by all Central Agencies (like Railways, Ministry of Road, Transport & Highways, Central Public Works Dept, etc.). Registration and completion timelines extended by up-to six months for all registered real estate projects
- g) The next major support given by government to the companies who are facing huge losses, Threshold of default under section 4 of the IBC has been increased from Rs 100,000 to Rs 10 million with the intention to prevent triggering of insolvency proceedings against MSMEs. And also fresh admission of Insolvency cases for default arising after 25 march 2020 under IBC, 2016 suspended for six month (extendable by another six month) in an effort to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.

### **The concept of Atmanirbhar Bharat**

Atmanirbhar Bharat (English: *Self-reliant India*) is the vision of the Prime Minister of India Narendra Modi of making India a self-reliant nation. The first mention of this came in the form of the 'Atmanirbhar Bharata Abhiyan' or 'Self-Reliant India Mission' during the announcement of the coronavirus pandemic related economic package of Rs.20 lakh crores on 12 May 2020. This self-reliant policy does not aim to be protectionist in nature and as the Finance Minister clarified, "self-reliant India does not mean cutting off from rest of the world". The law and IT minister, Ravi Shankar Prasad, said that self-reliance does "not mean isolating away from the world. Foreign direct investment is welcome, technology is welcome [...] self-reliant India... translates to being a bigger and more important part of the global economy. The Five pillars of Atmanirbhar Bharat focus on Economy, Infrastructure, System, Vibrant Demography and Demand

### **Examples of initiatives helping Atmanirbhar Bharat**

- The growth of India's personal protective equipment (PPE) sector from zero before March, to 1,50,000 pieces a day by the beginning of May, is considered as a fine example of a self-reliant India. The PPE industry in India has become a ₹7,000 crore (US\$980 million) in two months, the second largest after China.
- The largest fund in the country worth ₹21,000 crore (US\$2.9 billion) was setup by the IIT Alumni Council with the aim of supporting the mission towards self-reliance.
- India's own 'Made in India' 5G network was also announced in July 2020 by Reliance Jio. Mukesh Ambani announced in mid-July "Jio has created a complete 5G solution from scratch, that will enable us to launch a world-class 5G service in India, using 100 per cent homegrown technologies and solutions".
- In August 2020, the Defence Minister Rajnath Singh announced that the Defence Ministry is "now ready for a big push to Atmanirbhar Bharat initiative" by imposing an "import embargo on 101 items" in a staged manner over a period of 5 years.

### **Digitalization – The Changing Phase**

While the lockdown period has seen a surge in online transactions for certain products and services like online grocery, online medical consultations and pharmacy, EdTech, utility payments, recharges; it has also resulted in a downturn in customer spending on travel, tourism, auto, retail, entertainment, eateries to name a few. Therefore, the use of digital payments which was assumed to be convenient has now become a forced necessity in order to avoid human contact and provide low-cost financial services. The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of professed role

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of Digital India. (Source: Ministry of Economics and Information Technology)

Since the last decade, the World Bank is taking initiatives to promote digital finance in order to ensure better, convenient and economic access of financial services to all the sections of the society and also for promoting GDP and economic growth. Even prior to Covid-19, the financial services industry had started gearing up post demonetisation encouraging cashless transactions.

A Deloitte report published in 2016 describes digital finance as ‘the next generation finance ecosystem that utilizes disruptive technology, innovation, data and people to elevate and differentiate the capabilities of the finance function. These services provide the users with comfort, convenience, protection and improved security of keeping money at home. (Villesenor et al’2015). The digital financial services are availed by using various digital channels like ATMs, credit/debit cards, Point of Sale terminals, Cash deposit machines, payments via mobile (Phone Pay, Google Pay, Paytm). Huma Haider’2018 stated that the access to digital technologies via internet and mobile phones allows the users to avail a variety of financial services like digital credit, online banking, mobile banking at a low affordable cost.

A report on ‘The future is now – Digital Financial Services in Indonesia’ by Deloitte pointed out that the use of digital financial services alone could accelerate the GDP growth rate in India by 7%, leading to a creation of 6.8 million new jobs. The aim of providing digital financial services is not only to contribute towards poverty reduction but also promote financial inclusion. (United Nations’2016).

The impact of the current pandemic is not only confined to the financial sector, but to all the overall economy. Maintaining a robust and strong financial infrastructure is a pre-requisite to stimulate the economy and mitigate the overall downturn caused. In the current scenario where virus transmission is happening due to community spread, digital transactions are trusted the most when it comes to basic grocery buying or online pharmacy or financial transactions to ensure ‘social distancing.’ The new normal, where social distancing is the only way to combat corona virus, would automatically promote digitization i.e. ‘cashless’ transactions which is the next generation future.

The below data gives an overview of the surge in the use of digital payments from April’2020 to July’2020. Having a look at the data, it is clear that the Government’s initiatives towards promoting digital payments were even more evident during Covid times. During the coronavirus crisis, digital payments have been keeping economies running and helping people reduce contact with virus. Digitalization of finance opened up new markets and livelihood opportunities for people.

Particulars	April 2020	May 2020	June 2020	July 2020
UPI (Value in billions)	1511.41	2183.92	2618.35	2905.38
RuPay Card Usage at PoS (Value in billions)	28.50	59.07	81.29	80.39
RuPay Card usage at Ecom (Value in billions)	42.01	55.31	60.50	71.35
IMPS (Value in billions)	1211.41	1694.02	2069.51	2257.75
Credit card transactions at POS (in lakhs)	2085817	3227086	4281813	Data not available
Debit card transactions at POS (in lakhs)	2299816	3762155	4725525	Data not available

(Source: National Payments Corporation of India and Reserve Bank of India)

### Conclusion - India - The Current Scenario:

As per the initiatives by the government of a developing and democratic country like India, it has served many people to safeguard them from the uninvited turbulence. Government followed the concept as “*Jaan hai to Jahaan hai*” and focused mainly on the life of an individual. So only the results are quite evident from the less number of deaths casualties, increased percentage of people recovering from the diseases. The lockdown was initially criticized by all the political and business parties. But, it had really saved many Indian citizens, who really cannot afford the illness.

Looking forward for the future, India’s GDP is expected to reach US\$ 5 trillion by FY25 and achieve upper-middle income status on the back of digitization, globalization, favorable demographics, and reforms.

India is also focusing on renewable sources to generate energy. It is planning to achieve 40 per cent of its energy from non-fossil sources by 2030, which is currently 30 per cent, and have plans to increase its

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renewable energy capacity from to 175 gigawatts (GW) by 2022.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report. It is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by 2040 as per a report by PricewaterhouseCoopers.

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## ANNEXURES

### Exhibit 1:

- On 21 March 2020, the Union cabinet approved incentives worth Rs. 40,995 crore (US\$5.7 billion) for electronic manufacturing
- Various state governments announced financial assistance for the poor in the unorganised sector. On 21 March the Uttar Pradesh government decided to give a direct money transfer of ₹1,000 (US\$14) to all daily wage laborers in the state and the following day Punjab announced ₹3,000 (US\$42) each for all registered construction workers in the 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
- On 24 March in his address to the nation, the Prime Minister announced a Rs. 15,000 crore (US\$2.1 billion) 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
- On 25 March the Modi government announced the world's largest food security scheme for 800 million 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 would include wheat at a cost of ₹2 (2.8¢ US) per kg and rice at ₹3 (4.2¢ US) per kg.)
- On 26 March the Finance Minister announced a number of economic relief measures for the poor. ₹170,000 crore (US\$24 billion) will fund the Pradhan Mantri Garib Kalyan Yojana which will provide both cash transfer and food security; with the aim that no one goes hungry amidst the lockdown. Pradhan Mantri Ujjwala Yojana beneficiaries will get free cylinders for at least three months. This will benefit over 80 million Below Poverty Line families. The government would expedite payment of the first installment (₹2,000) due in 2020-21 in April itself under the Pradhan Mantri Kisan Samman Nidhi (PM-KISAN). For the organised sector worker, the government will pay the Employees' Provident Fund (EPF) contributions of both sides for 8 million employees of small

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companies who earn up to ₹15,000 a month

- 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 Rs. 374,000 crore (US\$52 billion) to the country's financial system
- On 28 March the Prime Minister launched a new fund called PM CARES fund for combating coronavirus-like situations
- On 3 April the central government released ₹17,287 crore (US\$2.4 billion) to different states to help combat coronavirus. The Ministry of Home Affairs approved Rs. 11,092 crore (US\$1.6 billion) for states as relief under the State Disaster Risk Management Fund.
- On 2 April the World Bank approved US\$1 billion emergency financing for India to tackle coronavirus labelled 'India COVID-19 Emergency Response and Health Systems Preparedness Project'
- 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,
- On 8 April the Department of Expenditure, Finance Ministry, allowed states net market borrowings of ₹320,481 crore (US\$45 billion) between April to December. Rs. 3000 crore (US\$420 million) of funds under the PM Garib Kalyan Yojana were given to over 20 million workers engaged in construction work by the various states and UTs
- On 10 April the Asian Development Bank (ADB) assured India of Rs. 15800 crore (US\$2.2 billion) assistance in the COVID-19 pandemic fight
- On 17 April, RBI announced more measures to counter the economic impact of the pandemic including ₹50,000 crore (US\$7.0 billion) special finance to NABARD, SIDBI, and NHB. Providing more relief to state governments, WMA limits have been increased by 60 per cent.
- By the end of April, ₹17,986 crore (US\$2.5 billion) had been transferred to farmers under the PM-KISAN scheme
- On 5 May Maharashtra put a hold on capital works till March next year and imposed a 67% cut in development spend for 2020–21.
- On 12 May the Prime Minister announced an overall economic package worth ₹20 lakh crore (US\$280 billion), adding that the fourth phase of the lock down will be different with new rules. This Rs 20 lakh crore includes the previous government packages (Rs 1.7 lakh crore) as well as the RBI decisions (Rs 5-6 lakh crore). They make up about 40% of the package.
- On 13 May the Finance Minister, Nirmala Sitharaman, and the Minister of State for Finance and Corporate Affairs, Anurag Thakur, elaborated on the financial package that was announced by the Prime Minister the day before. The definition of MSMEs was revised, which allows more companies to avail the benefits of MSME schemes. The announcements on the first day also included collateral free loans and bank guarantees that would allow resumption of work for many MSMEs. For non-bank lenders a liquidity scheme and partial credit guarantee scheme. Tax deadlines were extended.
- A fund for farm-gate infrastructure was announced, amendments to the Essential Commodities Act, as well as the opening up of the defence sector, power sector and space sector for privatization. While not all the measures in the package provided immediate relief, the Finance Minister said that the immediate needs of the country had also been addressed
- On 20 May the Cabinet of India cleared some proposals of the economic package, including a free food grain package and collateral free credit for MSMEs.
- On 22 May the RBI Governor held an unannounced press conference in which he extended the moratorium on loans<sup>[110]</sup> and cut repo and reverse repo rates among other things
- On 2 June mobile manufacturing incentives were offered by the government to mobile manufacturers. This included a ₹50,000 crore (US\$7.0 billion) production-linked incentive on goods made locally in India
- On 20 June the Garib Kalyan Rojgar Abhiyaan was launched to tackle the impact of COVID-19 on

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migrant workers in India. It is a rural public works scheme with an initial funding of ₹50,000 crore (US\$7.0 billion) covering 116 districts in 6 states

Exhibit

2:

**Atmanirbhar Bharat**  
**The Road Ahead**

**5 Pillars of Self-Reliant India**

- Economy**  
Quantum jumps, not incremental changes
- Infra-structure**  
One that represents modern India
- System**  
Technology driven
- Demography**  
Vibrant demography of the largest democracy
- Demand**  
Full utilisation of power of demand and supply

**Atmanirbhar Bharat Abhiyan**

Package of ₹ 20 lakh crores (about 10% of GDP\*)

Focus on Land, Labour, Liquidity and Laws

To cater to labourers, middle class, cottage industry, MSMEs and industries among others

*\*including recent economic measures and RBI announcements*

**Bold Reforms– Need of the Hour**

- Supply Chain Reforms for Agriculture
- Rational Tax System
- Simple and Clear Laws
- Capable Human Resource
- Strong Financial System

Source: <https://www.drishitias.com/daily-updates/daily-news-analysis/atmanirbhar-bharat-and-economic-stimulus>