

Impact of Covid-19 on Indian Financial System

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Abstract:

It has been more than a year and a half since the COVID-19 pandemic penetrated the deepest core of human civilization and made us realize the power of Mother Nature. In India, after the first wave, we thought that we had gained control of the situation but the second wave found us wanting for basic necessities such as oxygen and medical supplies. It might appear that the second wave is on its way out with daily cases coming down to under 60,000 from the peaks of nearly 4 lakh cases, but we have lost over 3.8 lakh precious lives to COVID-19 already. With the hope that the situation will significantly improve on the medical side, it is time to assess the impact of the second wave on macroeconomics

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1. Introduction

The impact of corona virus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. An attempt is made to analyze the impact and possible solutions for some key sectors.

The government's approach in dealing with the two waves has been different. The response to the second wave has been localised and driven by the states while in the first wave we went for a national lockdown. I attribute this to the economic compulsions of the hard-hit central government and progressive spread of the virus. The second wave started in the west with Maharashtra, went up North and now is peaking in the south of the country. This spread journey makes a national lockdown economically suboptimal.

To understand the economic impact of the second wave, let's remind ourselves of the first wave and its impact on the economy. In the first wave, we went through a prolonged national lockdown and a significantly lower number of peak cases. Manufacturing and the urban economy had come to a grinding halt while the rural economy continued to move because of less strict lockdowns.

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