

## COMPARATIVE STUDY OF INDIA AND WORLD ECONOMY DURING COVID 19

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### **ABSTRACT**

*In this paper research has been made to study the impact of Covid 19 on world economy and India. GDP growth rate of countries has largely affected. Global economic prospects 2020, emphasis on the immediate and near-term outlook for the impact of the Covid 19 and growth of the economies worldwide. According to the report that there will be the decline of 5.2% in global GDP in 2020. The world economy is going to face the deepest global recession which will directly affect the Indian Economy. We all know that Indian economy is interlinking with world for foreign trade. Therefore slow down will also affect various sector of Indian economy. Being a developing country, not only external, but also internal challenges are growing and creating hurdle in the growth of the nation.*

*Therefore this paper highlights the challenges and impact of Covid 19 in India as well as world economy.*

**KEYWORDS:** CORONA, GDP Growth Rate, Unemployment Rate, Regression Analysis, Correlation, World Economy

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### **1. INTRODUCTION**

Due to this Pandemic the world economy has changed. It started from China and had spread to nearly 200 countries Worldwide. Since there is no vaccine available to counter the spread of virus, many countries are working over it to invent the vaccine to save this world, in till then the only solution available to hold its spread is following precautions like social distancing, wearing mask and use of sanitizers etc. The social distancing has resulted into complete global lockdown and thus complete shutdown of economic activities except indispensable requirements. This pandemic has not only affected human life but also various issues like social, political, environmental, religious etc perspectives.

After implication of globalization, our economy is dependent on international trade and our foreign policy. With this current situation we can distinguish the global economy between pre-Covid and post-Covid period. And the detestation against china may result in serious trade issues and can turn into global financial crises.

#### **Some Negative Impacts of Lockdown on Economy**

Estimate envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the decline with fiscal and monetary policy support. Many other issues like:

- Complete disturbance of global supply chains.
- Lower demand from consumption side.
- Unemployment—nearly 26 million people lost jobs in
- Global growth in 2020 to fall to -3% (World economic outlook April report). IMF projected India's growth to fall to 1.2% in 2020.
- Cumulative loss to global GDP over 2020 & 2021 will be around 9 trillion dollars.
- MSME sector is facing problem which provides employment in India.
- It unclear the repayment of loans.
- The expenditure on healthcare may result in changes of budget estimates.
- Secondary and tertiary economic activities are relatively more impacted.
- Aviation sector is also badly affected.

## OBJECTIVE OF THE STUDY

Following attempts have been made to:

- To understand the pre Covid and post Covid situations.
- To analyze the impact of corona on GDP of the world and also employments.
- To measure the correlation between Covid cases and GDP and unemployment rate of the countries.

**Hypotheses:** null hypotheses: there is high positive correlation between corona cases and GDP.

## RESEARCH METHODOLOGY

To study this paper secondary method has been used. Different sites like [www.economicstimes.com](http://www.economicstimes.com), [www.indiatoday.com](http://www.indiatoday.com), [www.moneycontrol.com](http://www.moneycontrol.com), [www.IMF.com](http://www.IMF.com) and reports of IMF, WHO, GOI etc., newspaper report and many more. To test the hypotheses regression model is used through SPSS software. Diagrams, charts and tables are formed using Excel spread sheets.

## 2. WORLD ECONOMY: PRE AND POST PANDEMIC

In this segment, the highlights are given in relation to the GDP growth rate before this pandemic and expected growth rate after this pandemic.

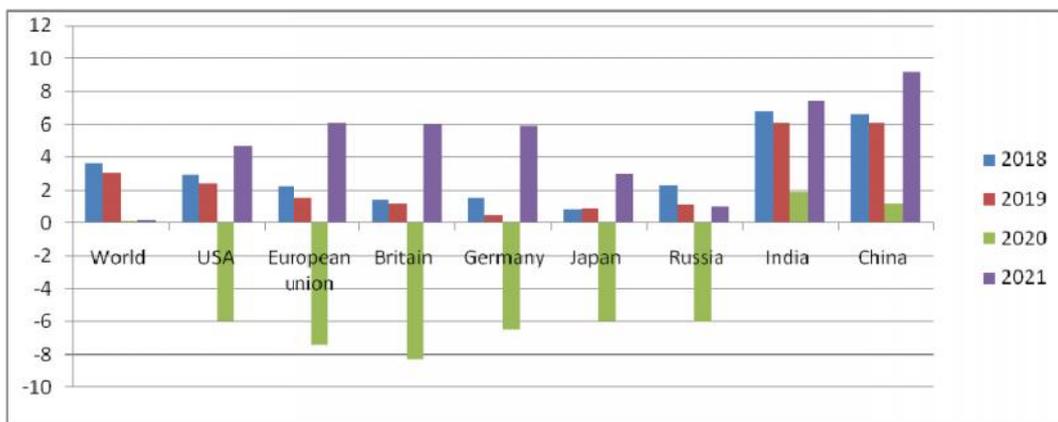
Here the comparison has been made using data of different countries in the world. Here, you can see that world GDP growth rate stood at 3.6 % in 2018 and 3.0 % in 2019 while the expected rate of growth in GDP in 2020 is only 0.1% and by 2021 it will be only 0.2%. this indicates how post covid-19 going to affect world economy if we are going to compare the largest economy of the world like USA, European Union, Britain, the situation can be seen here that these all countries were having good GDP growth rate in 2018 and 19 their growth has been declined and if we talk about 2020, they are showing the negative growth rate in terms of GDP while there they all are expected to grow at about 4 to 6 % by 2021. If we talked about India in comparison of other country we are at a better place because our GDP growth rate in

2018 was 6.8% and in 2019 at 6.1 and we are not still having any negative impact of it we are having 1.9 expected GDP growth rate in 2020 and by 2021, we are assuming that we will be at 7.4 % of GDP. Comparing China we will be better but rest China will grow at faster rate. So this is how we can compare here the world economy and the largest economy of the world with Indian economy and their targeted GDP growth by 2021 and we can find here that India is a better position compared to highly developed countries.

**Table 1. GDP Growth Rate of Different Countries Pre and Post COVID 19 (in %)**

World and Countries	Pre COVID 19		Post COVID 19	
	2018	2019	2020	2021
World	3.6	3.01	0.1	0.2
USA	2.9	2.4	-5.9	4.7
European Union	2.2	1.5	-7.4	6.1
Britain	1.4	1.2	-8.3	6
Germany	1.5	0.5	-6.5	5.9
Japan	0.8	0.9	-5.9	3.0
Russia	2.3	1.1	-6.0	1.0
India	6.8	6.1	1.9	7.4
China	6.6	6.1	1.2	9.2

Source: IMF and economic outlook April 2020 Estimate.



**Figure 1: GDP Growth Rate of Different Countries Pre and Post COVID 19 (Till April 2020).**

Note: This data has been analyzed using the projection in month of April, 2020.

**Regression Analysis**

Following result of correlation and dependency between Corona cases and GDP growth has been drawn using data of May and June 2020. For this regression and correlation tools are used using SPSS software. Equation is formed:

$$Y_i = b_0 + b_1x_i$$

b0 is intercept and b1 is regression coefficient.

**Table 2: Regression Analysis: Result**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-9.833	1.305		-7.537	.000
	corona	1.852E-007	.000	.168	.481	.643

a. Dependent Variable: GDP

b. Predictors: (Constant), corona

$$GDP = -9.833 + 1.85E - 007 \tag{1}$$

Here constant value is used to form equation. It implies that if corona cases increases by 1 unit, GDP decreases by 1.85 units. It shows that corona spread is giving negative impact on economies of the world. This can also be analyzed with T value of this result. The chosen regression model for period have a good fit. Thus the significance of the models are tested by using T value in table. It is measured at 5% significant level for this T value is compared with the value of 5% confidence level if it is greater than 2.086 than relation is significant and if it is less than 2.086 than it is insignificant. Here coefficient values of dependent and independent variables are indicated by beta values in table. And we find that t value is .481 which means, dependent and independent variable are insignificantly related because T value is less than 2.086 and constant T value is found negative. Which means increase in corona cases may show negative effect on GDP of countries.

The correlation shows here using Beta value, which is found .168. It indicates that there is low positive correlation between corona cases and growth of GDP. Thus here a null hypothesis has been rejected and alternative hypothesis is accepted. It indicates that with increase in corona cases counties GDP growth affected negatively but less because different countries have different growth and rate of corona cases.

**Corona Cases in Different Countries and Unemployment Rate**

**Table 3: Result of Regression Analyses**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	7.402	1.480		5.000	.002
	corona	1.815E-006	.000	.434	1.274	.243

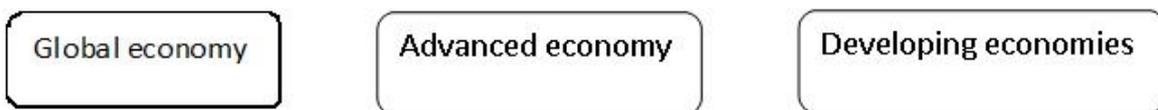
a. Dependent Variable: unemployment

$$Uemp = 7.402 + 1.815E - 006. \tag{2}$$

It shows that corona spread is giving positive impact on economies of the world in terms of unemployment. This can also be analyzed with T value of this result. Here coefficient values of dependent and independent variables are indicated by beta values in table. And we find that t value is .434 which means, dependent and independent variable are insignificantly related because T value is less than 2.086. Which means increase in corona cases may cause increase in unemployment rates.

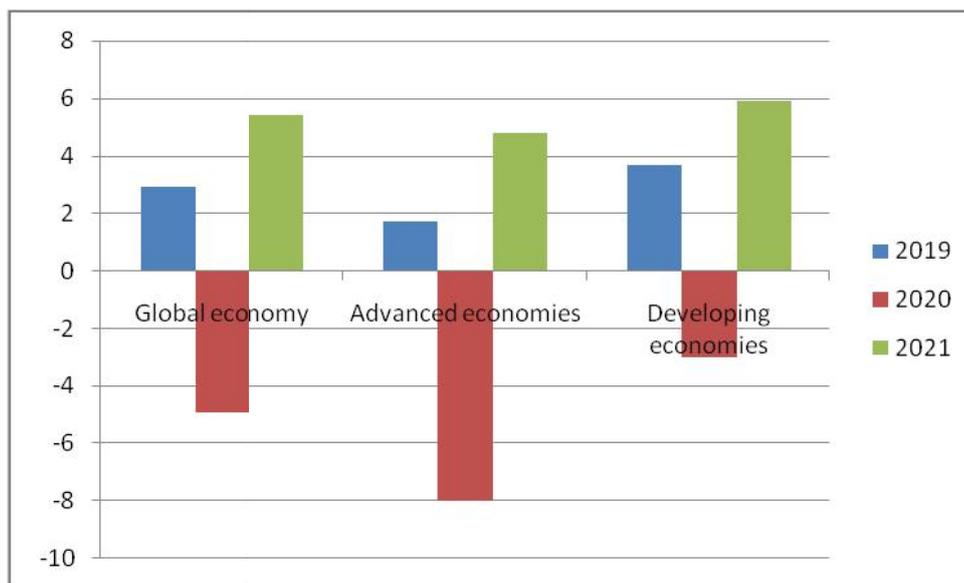
Correlation found here is moderate positive, indicates that economies are facing unemployment due to this pandemic.

Let’s discuss some more about world economy dividing into three categories



In the given Figure below it can be analyzed that in 2019 the global economy has 2.9% GDP growth rate and advanced countries were maintained in 1.7 % of GDP growth while developing countries are maintaining 3.7 %. GDP growth reaching to 2020 when we are facing this corona pandemic the global economic faced negative GDP growth that is 4.9 % even the advance economics face—8.0 % while developing country face—3.0 % and the projection for 2021 on the basis of present situation is taken as the increment in global economy means it will be at 5.4 %, advanced economies will

have 4.8 and developing economies will be at 5.9% GDP growth. overall we can understand that compared to advanced economies development economies are not facing that much serious problem like their GDP growth has declined lower than the advance economy GDP growth rate in 2020 and when we are talking about recovery and projection for 2021, there also developing country economy GDP is growing faster than the advanced economies in the world and overall global economy will boost up and recover soon. So we can hope that in near future by 2021 our economy will be recovered as well as the world economy will be recovered and we will get back to work places, we will get back to Our employment, we will get back to our GDP growth rate and overall we will have good scenario in the future. So let's hope for the positive and have good economy in future.



**Figure 2: Classification of Countries and GDP Growth Rate (in %).**

### Indian Scenario

Now in this segment Indian scenario will be discussed on the basis of which, the real picture of Indian economy during lockdown or due to corona will be discussed. talking about Indian scenario we can see that Indian GDP growth on the basis of quarterly record was also very different. From October to December 2019 the GDP growth rate was just one point 20% as we all know that India is now a day having various new policies implementation due to which it has affected our GDP growth with the new year from January to March 2020, we can see that GDP growth rate has increased to 5% but when the pandemic knocked our gate, when this pandemic enter into a house from April to June 2020. This states that India's GDP growth has declined and shows negative affect it means we are able to do something better but due to Covid 19 our growth rate has declined drastically which affected our major sectors of economy, manufacturing, labour sector, service sector and many more. we were targeting for 5% GDP rate but experienced negative growth which is not a good sign of our economy because we are in the category of developing economy where we have to go with various steps, various solutions and various setback also. With the present scenario, it can be said that this pandemic has made us 10 years back economy for which we need a strong support of financial monetary and fiscal policies which can boost our economy and can boost our participation in world economy as well.

**Table 4.**

GDP Growth of India	
Quarterly	GDP Growth Rate
OCT TO DEC 2019	1.20%
JAN TO MARCH 2020	5%
APR TO JUNE 2020	-9.30%

Source: GOI

### 3. CONCLUSION

On the basis of above research it can be concluded that not only India but the world is facing the serious problem of economic slowdown as well as the issue of workforce participation and unemployment in the economic factors which are going to affect in a drastic face to the overall GDP growth of world economy according to the research the we have found that with increase in coronavirus cases there has been a negative impact on GDP growth of world wide as well as in India but when we are talking about the growth in negative term it can also be realised that the negative growth will not be remain for long time because different countries has different way to heal up their situation for this reason the coronavirus Azhar found different in different countries because of waste their negative growth is not so much according to the developed or developing countries for the more when we research using regression model in corona cases and unemployment it is found that there is positive relation between the increasing corona cases and the rate of unemployment as he only that as well as corona cases will increase in any country the rate of unemployment will also increase and in the world cause we are here comparing world with the different scenario of cases the unemployment rate has different scenario but it is found moderate because the economy of different countries have different solution.

Unemployment was really high in the month of April but when we reaches to May and June when the countries are planning and engage themselves to control 20 disease if it has realise that with the increase in corona cases on employment has not been effected at that level because of which we can see that nowadays people are not as much and employed as it was in month of April.

With the projection and estimate of IMF and World economic Outlook it has been also realise that our global economy is going to recover soon especially the developing countries will recover faster than the developed countries as we all know the developing countries are always facing challenges and try to make themselves survive in all kind of situation for this made this reason we can say that developing country will grow more faster than the developed country in near future by 2021 global economy will be cover at fastest rate and will be able to provide better employment to the world work force.

Talking about Indian scenario we have found that right Indian actors has been largely affected due to coronavirus today in our country but we have also realise that we are in a state of recovery as well and we are targeting to provide more and better employment opportunity to the people and trying to grow at faster rage in the world economy and to recover the situation to provide better contribution in world economy GDP growth.

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