"CHALLENGES AND IMPACT OF COVID-19 ON INDIA'S ECONOMY AND FINANCIAL MARKET AND STEPS OF OVERCOMING PENDIMIC"

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Abstract

The impact of covid-19 pandemic on various economies of the world has been very disturbing in terms of economic activities as well as in terms of loss of human lives. Covid-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy and financial market of India and the different countries of the world. Beside of effect on life of humans and our society covid-19 had also affected the industries and there performance in financial year 2020-2021 as maximum industries where forced to lock there operation and country focused on essentials only. And its impact was the on economy and stock market as well. By keeping different aspects in mind about volatility in stock market and economy is been explained.

Key words: Volatility, Economy, stock market, Investments, risk and return, scarcity etc.

1. Introduction

The global economy is expected to shrink by over 3% IN 2020-21 the sleepiest slowdown since the great depression of the 1930's -- IMF Report

It was explained or answered many questions with the help of this paper that how Covid-19 changed the world economy and fundamental changes or basic changes that took place aor affected areas of economy and general public business peoples, industrialist of the world and Indian was also not let untouched. As there was some relaxation and availability of vaccine and betterment of medical facilities life is coming to tack.

The most effected sectors of the economy was Aviation, Hospitality and tourism as there was complete bam or restrictions in traveling and due to which small business where also got affected. Due to lockdown situations and stoppage of working of many industry and business stock market also got affected.

As we talk about Stock market as an indicator of growth in economy of the country, post covid that is since October 2020 had shown some good signs as it had touched above 50000 points mark on 22 jan 2021. And shown some positive sign for investors, but as Sensex is doing very well and achieved 'V' shaped in this pandemic shown some good news for investors. But importantly explaining this post pandemic situation with respect to Sensex and Nifty had raised because of Foreign investors had shown some interest in Indian stock market which have more then 50% of capitalisation.is with foreign investors that's why economic performance in terms of financial market is not consider healthy signs as domestic investor are not investing in the financial market as they focusing on savings. Because of that we are facing challenges and showing as to public other picture.

As I can explain on that basis economy had become uncertain and its being difficult to say what to do and how. Our economy is not performing and economic fundamentals was not doing good as because of Demonetisation on 08th November 2016 and GST came into force by 1st July 2017 and pandemic become a natural digester for the country and for the whole of the world as well and affected the many economies of the world.

In India pandemic and affected the economy and this was due to Difficulties faced Informal and formal sectors of the business world due to poor resource holdings of business which made loss in jobs and increased the unemployment level of the country.

Government taken steps like rise in taxes on fuel which made fuel prices higher never before. And ultimately made other related articles or goods raised price. Common people who where investing regularly had stopped investing as loss of jobs loss of necessities stop in movement of publics place to place. Which made us all suffer a lot and most importantly from the point of investment that too in stock market was out of necessities now. They as investor is not thinking about future they all are seeing present situation. They are focusing on necessities and only necessities. And being market highly sensitive and volatile in nature had really made restricted investors many times.

Investment is basically employment of funds. That too on assets with the aim of earning profit or income or dividend. Capital appreciation is the motive behind investment. Investment have many alternatives which is been divided into 2 parts according to risk which are:-

a. Risky Investment
b. Risk free Investment

As told Risk is any uncertain event or activity which either affect investment or return on investment. In case of risky investment the money is employed in those assets where there is regular fluctuation in price of assets in market, and in case of risk-free investment employment of funds is done in those assets where money invested is safe and regular guaranteed return is received by investor.

Investment is inclusive of many helpful operations which are speculators, Arbitragers, hedgers ,optons, swaps which helps investors in investment. These functions can be performed by individuals also by studying market indicators or index study.

The main study of market before investment is to see volatility in the market that to in particular assets or stock. The volatility is basically decides the price, risk & return strategies of investment. Volatility is basically up and down or fluctuation in price of the stock in market. These are many factors responsible for this fluctuation which rises the risk & return on investment are;

- Economic
- Political
- Social systems

These factors influence on the performance of companies and there by on there stock prices in varying degree. Economic recession or financial crisis will have negative infulance on corporate profitability and there on its stock prices. Price variability also causes the variability in returns same impact is provided by political decisions on value of stock in stock market.

Some how this economic, political and social changes bring variability or fluctuation in stock prices or value which is known as systematic risk in stock market.

Where as certain factors like raw material scarcity , labour strike, and management inefficiency ect. Are firm specific. When variability of returns or price occurs because of such factors unique to companies it is known as unsystematic risk and this brings volatility in the stock prices.

Impact of virus is in huge area in the country and although the world has seen a huge crashes before as well but the impact that covid-19 has provided was not same as before as it use spread very extensively around the country and created uncertainty in Indian market. This was because of as discussed that entire worlds market went to lock down due to pandemic. All the indices of stock market also got affected as NSE, BSE and other world Indices like Dow Jones and FTSE had suffered huge loss due to sudden and huge down fall. The different stock market thorough out the world have some history of crash and recoveries and most importantly Indian stock is not different for them BSE and NSE and suffered looses many time and recovered a lost for example Harshad Mehta scam in 1992 in which stock market crashed by 53%. And in 2008 Real Estate- Lehman crises in America suffered huge loss of 61 % crash. And in current situation Sensex had fall down by 30% in Indian stock market.

Post covid we as Indian came up with lost of things like coping with all that covid had taught us and applied it to business environment focusing like everything online and marketing is been done digitally. Liberalization in banking and other financial sectors as there no change in interest rates of different loans taken. We all had also witnessed a volatility in inflation and foreign exchange rate as an agreement was proposed that India will be making payments of all exports in Indian currency. Which can improve the currency rate of the country.

India had attracted many foreign investors in India with the help of Allowing almost 100% relaxation in Foreign direct investment and also allowing foreign institutional investors directly in Indian market as previously it was like that foreign parties have establish tie-up with different companies of host country. But Now its not necessary to tie-up with host company. And this stem is been taken to boost the economy and improve employment rate in Country.

Prediction of stock market volatility has many important applications in risk management, asset pricing, market timing decisions and portfolio selection. Therefore, modelling and forecasting stock market volatility is and important task and a popular research topic in financial market.

The main features of financial assets or stock is its return and return have a quality that it is uncertain in stock market. Which is known is volatility variable in market. Basically, frequently up and down and which is uncertain is known as volatility.

The spread of outcome of the variables up and down plays an important role in, any financial application. The primary aspect of estimating the value of the risk that market have. Volatility is the key element of pricing the security price evaluation is maid easy by studing volatility.

To boost economy government had took many measures like providing Rs. 2 laks crore of concessional credt to 2.5 crore farmers by means of Kisan Credit card schemes through special drives under PM-kisan benefits for the upliftment of kisan. On November 2020 Ms. Nirmala Sitharaman Introduced and stimulating package worth Rs. 2.65 lakh crores for the rise in purchasing power of the industries, to improve bank credit and stock market slow down and most importantly to help the Indian economy to bounce back. There are some ket points of the packages which are;

- Ms Nirmala Sitharaman being the first finance minister to announce new Atmanirbhar Bharat Rozgar Yojana for adding to employment generation with Wages not Less then Rs. 15000.
- Secoundly Emergency Credit line Guarantee Scheme (ECLGS) which is been extended till March 2021.
- To boost Manufacturing sectors and to increase production capacity Rs. 1.46 lakh package was provided with special allocation to electronic components of pharma sectors, medicines manufacturing and mobile manufacturing. Apart from this main focus was given to employment generation.
- Under PM Awaas Yojana with Rs. 18000 crore packages for benefiting with 12 lakhs houses for public.
- To support for construction and infrastructure some relaxation of earnest money deposit (EMD) and performance security on government tenders.
- Demand boosters for residential real estate sectors with relief in income tax to develop the real estate sectors and increase the home buyers.
- Rs. 1.10 lakh crores base provided for debt financing with an amount of Rs. 6000crores equity introduced in NIIF debt area.
- Additional support for agriculture sectors in the form of subsides in fertilizers of worth Rs. 65,000 crores were provided to farmers.

These where some of the measures that government had taken to boost the economy by focusing on improvement in health sectors that is pharma sector and farmers potentials. In one word it is required to be explained the packages being provided during covid or post covid was regarding bosting economy on fulfilling the basis requirements that is ROTI, KAPADA and MAKAN and better medicine facilities. As this is the only reason that we have 2 kinds of vaccines today manufactured by and in India.

By the words of "Le Roy And Porter 1981, Shiller 1981 and Zhongetal 2003 explained there is relation between volatility and risk. This is very extensive which is not a bad thing or scary towards investment. Volatility basically creates price of or due to volatility in market. Study depends on purchase or sales in market price and variance or in price equilibrium. These variance or equilibrium in price is obtained by studying the mean variance theory and divisions. These volatility or fluctuations in market use to brings fear of lose of money which is hard earned by doing lots of efforts. But beside this many people focused on and still tried to invest but not directly but by means of Mutual Fund or by creating portfolio and diversifying their risk. People like to portfolio investment now a days. People like portfolio manager, arbitragers and banks or other financial institutions have large impact on market. And they use to have keen watch on this volatility or variance in market.

2. Conclusion

A part for all the measures taken by the government and patience shown by the public we had a highest rate of recovery in this pandemic. It was very nicely explained with the help of wonderful motivating song lines which had given us positive vibes that we can recover sung by well known singer B Praak Teri mitti Tribute. And special touching line was.

"Majboor hui ab dil ki duaa ,Toh humne dawaa se kaam liya,Wo nabz nahin phir thamne di, Jis nabz ko humne thaam liya, Beemar hai jo kis dharm ka hai, Humse na kabhi ye bhed hua, Sarhad pe jo wardi khakee thi ,Ab uska rang safed hua"

This not only motivated us all as human beings but also taught us that we can recover and come out of this pandemic not individually but together.

Which had given a positive signs to Indian economy in future and one day will come that we as Indian will be example for others. Related to stock market we already shown positive sings by achieving the mark of 50000 points and by providing or by becoming the medicine provider for the world. India had never shown there back whether it was natural calamities in different parts of the world or financial crises in neighbouring countries even Pakistan or China we had made ourselves as an example to many developed country and still in 2021 when pandemic had attacked us ageing we are still fighting with brave hearts. And we are receiving helps in return from different countries and as President of USA Mr. Joe Biden said the world that " Now it our turn to help India and peoples of India" as we did when other parts require help.

With these positive thoughts and positivity in mind together one day will be nearing to us when with prosperity and success in all fronts whether its Economically or financially or with good health. We should have patience and most Important "Be safe and be at home"

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