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**FINANCIAL INSTABILITY DUE TO RISING UNEMPLOYMENT IN INDIA DURING
COVID-19 PERIOD**

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Abstract

In the world the economy of India is the fastest growing economy. In 1991 Indian economy brought new economic policies and reforms. Under financial sector reforms, the Reserve Bank of India (RBI) has announced several financial reforms for sound banking and abolished financial exclusion. Financial stability is a major objective of the new monetary policy. RBI has framed many initiatives for attending financial stability in the country. However, the sudden rise of Covid - 19 pandemic has disturbed the entire motion of the economy leading to the declining GDP. People have lost their jobs during the transaction period. The continuous imposition of lockdown at various places and months together with it have resulted in the permanent and temporary unemployment in the service sector. Other sectors such as primary and manufacturing are none the less affected. They are facing the same grudges. The paper attempts to focus on the leading issues due to Covid-19 pandemic on the employment of the people in the nation and resultant impact on the Financial Instability in the Indian economy.

Key words : *Financial Instability, Covid-19, Unemployment, Sectoral statistics*

1. Introduction

Financial stability is a very important aspect to improve the inclusive development of the country. Inclusive development leads to increase in macroeconomic stability within the country. Nowadays the Reserve Bank of India is concentrating on how to establish financial stability in the monetary area. There are several sides of financial stability. It should be considered that maintaining the gap between rich and poor financial stability is very important.

Since the unemployment rate was high in January 2021 the unemployment rate was improved to 6% which is significant from the previous years. The lockdown match damaged the Indian economy which caused a rise in unemployment which was around 24 in the month of April 2020. The rise in unemployment was due to huge reduction of demands for goods in the market and disruption of the workforce which was faced by various companies. Also the Gross Value Added (GVA) was also reduced in that month.

2. Meaning of financial stability

In simplified words we can see that financial stability means the ability of the economy to absorb shocks and maintain confidence in the financial system. There are several meanings and definitions of financial stability, but at the same time there is no single definition which can be identified under universal economics. Due to the multidimensional aspects of financial stability, there is no such Definition. Financial stability is a very large concept. It covers not only economic or financial aspects but also the social aspects. It is related to the human wellbeing and welfare of the society.

There is a close relation between financial inclusion and financial stability; both are two sides of the same coin. Without financial inclusion we cannot explain financial stability. Financial inclusion leads to the increase in financial confidence and builds a strong nation.

Sufficient supply of finance is leading to an increase in the standard of living of the people as well as maintaining a good education and quality of life. Education is leading to an increase in awareness about how to save and preserve the natural resources of society. There is a nice inter relationship between equitable supply of finance and optimum utilisation of natural resources in the process of economic growth and development.

3. Financial Instability due to fall in employment during COVID-19 pandemic

Due to fall of employment the household has experience upon the income level in the month of February 2020 and April 2020 by around 46%. It was expected that inflation rates would rise further this year. The prices of food products and fuel are expected to increase. The lockdown and social distancing is what's the cause behind the loss of various jobs, especially the lower economic section of the country. The most affected was the organized sector. Meaning homework people who visit the houses of different people and work at their house for cooking, cleaning, etc. lost their jobs in lockdown.

As per data available from the Centre for monitoring Indian economy, the unemployment rate of India was 8% in march 2020 which suddenly rose to 24% in the month of April 2020 this surely had an immediate impact on employment due to long down. Further as soon as the process of unlocking again slowly started, people started to return back to their work in some or other way and the unemployment rates started to shrink which fell down to 6.5% in the month of November 2020. But further in the month of September and December again some around 90 lakh people have lost their job, which raises the unemployment level to 9%. As per survey result of Azim Premji University, around 20% of people who lost their jobs in the first lockdown that is the period of February to May, are still jobless in December. This effect was high in the urban areas compared to rural areas. And the effect was higher for women compared to men.

4. Unemployment prevailing in the nation

As the infection of coronavirus continued to rise and people were forced to stay at home by sudden announcement of lockdown, the most affected was the lower class society, mainly migrant workers who were left stranded and lost their jobs overnight. Not only did they lose their job but their hometown was far away and due to no means of earnings they had to return back to their hometown, but again the problem was no transportation. Even though the Indian government has announced the relief package of 1.7 trillion rupees, but still the large portion of population was affected badly in their livelihoods.

The lockdown resulted in the GDP falling huge. But the main economist expected that Indian economy will bounce back quickly because of the composition of industry in India, where large no of unorganized markets are there. The most affected industries are the service sector and the manufacturing sector. Especially in the service sector the hotel, travel and tourism industry was most affected followed by financial service mining and construction. But from the month of October and November 2020 the Indian economy has seen the recovery phase because of festive seasons in these months.

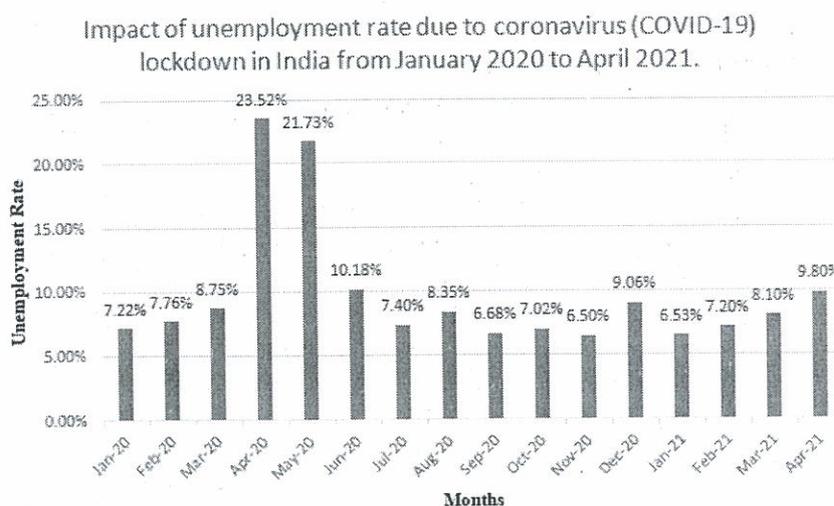


Fig 1: Impact of Lockdown on Unemployment in India

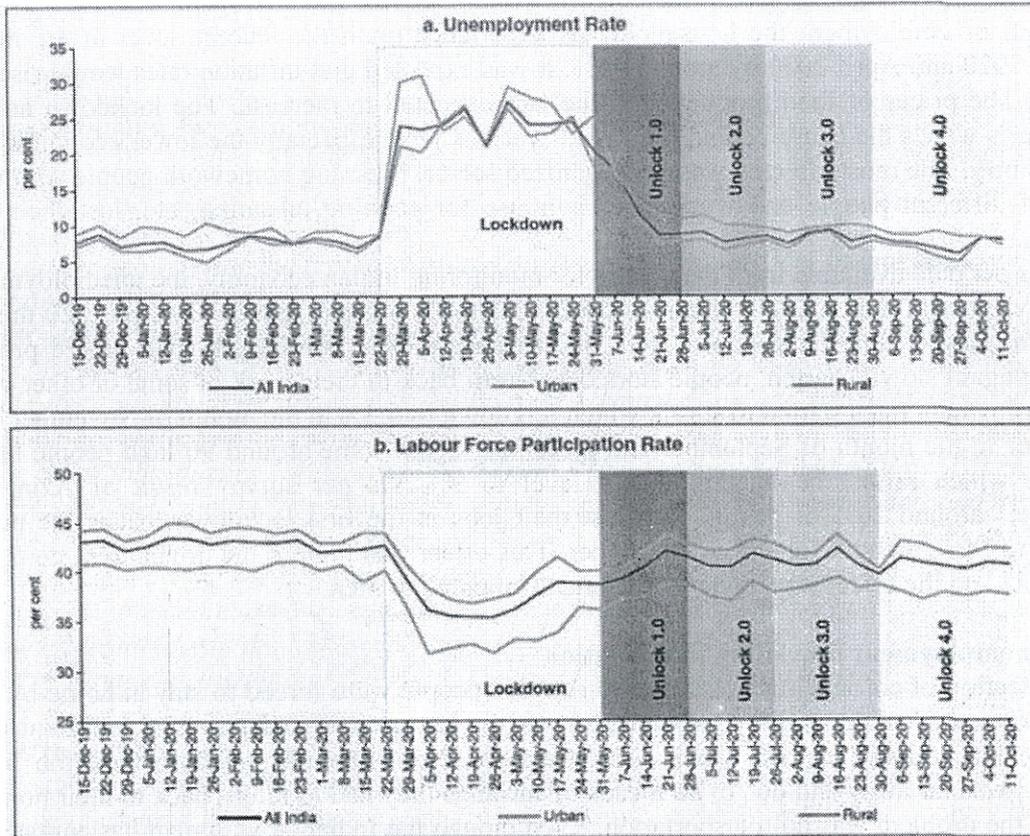


Fig 2: Impact of COVID - 19 on Unemployment and Labour Force Participation

5. Financial Instability and Unemployment during Lockdown

Financial instability in the economy means lack of demand for money and total supply of money. Which means there is a gap between these two macroeconomic variables and as this gap arises day by day, the equilibrium position becomes more difficult to attend. The equilibrium position of microeconomics is a significant aspect for or the level of employment and per capita income because they both are dependent on that. If per capita income is decreasing then it will surely affect the standard of life. For example, many people who are below the poverty line and don't have employment in villages don't have LPG gas cylinders because they cannot afford it, so they cut the wood from the trees for cooking food and also earn income from these cutting trees.

Economic development and human development are both important and interrelated as they are known as two sides of the same coin. For instance if there is growth in the economy it means there is growth and development of humans in the society. But at present there is a gap between both economic development and human development.

In order to fill this gap between economic development and human development the banking sector was formed. The banking sector in India with the help of aggregate demand and aggregate supply for money tries to fill this gap. In India especially in rural areas there are many micro small medium enterprises where new ideas and skills are being developed. This sector can become a boon for the country, they can generate both income as well as employment but many times the government as well as banking neglect it this could be called financial exclusion. Along with this the agriculture sector is also facing financial bottlenecks by the system where the farmers are in danger zones. Lack of support and getting low price of their crops and suffering use losses force the farmers to commit suicide, the only hope they have is from the government.

In order to curb the spread of the pandemic coronavirus the government has imposed a lockdown but it severely impacted economic activities that resulted in loss of various jobs and later on the exodus of migrant workers who rocked the entire nation.

As per data from Centre for Monitoring Indian Economy (CMIE) the unemployment rate in the month of February 2021 was 6.9 % which was far better than 10 February 2020 which was 7.8 % and in March 2020 it was 8.8 %, the month when the lockdown was started.

The data also revealed that in the month of April 2020 the unemployment rate was at its highest peak of 23.5% and with little change in the month of April 2020 it was 21.7 %. And when in the month of June 2020 the process of unlocking started the unemployment came down to 10.2% and in July 7.4%. But again in the month of August 2020 the unemployment rate increased slowly to 8.3% and again improved in the month of September 2020 to 6.7%. Further in October 2020 the unemployment rate again rose to 7% but managed down to 6.5 % in the month of November 2020. In the month of December 2020 it was 9.1 % and which improved in the month of January 2021 to 6.5%.

Many experts say that the data given by CMIE indicated the improvement of unemployment rates from July 2020 onwards, but it doesn't show the consistency. As per expert the consistency will come if there is increase in manufacturing and service sectors areas. As per experts the agriculture sector is performing well by engaging more than 55% of the country's population but the manufacturing sector and service sector need to improve more so they can create employment opportunities for the remaining population. Many experts have given suggestions to the government to take a step for increasing employment in the country by government intervention on the policies and schemes which were previously used. But this intimation and monitoring should be at ground level so that there is improvement in the employment of the country. .

As per data of Aatmanirbhar Bharat Rozgar Yojana (ABRY) that came in 1st October 2020 have benefited more than 16,50,000 people till 9th March 2021, by hiring during this pandemic of Covid-19. This scheme was implemented through the Employment Provident Fund Organisation (EPFO) that reduces the financial burden on the employees of the manufacturing and service sector to hire more workers. The government of India is credited for both employee and employer share in PF contribution (which is 12% of total basic wages). Out of 16,50,000 benefited people 13,64,000 were new joinees with PF UAN (Universal Account Number) and around 2,86,000 were joinees of those who were became jobless in the month of March 2020 due to lockdown and every join in the month of September 2020 and October 2020 onwards.

As per experts the government is trying to create more 50 to 60 lacs jobs through this ABRY scheme in the coming 2 years. But for this close monitoring and well planned implementation is required. Under Pradhan Mantri Garib Kalyan Yojana (PMGKY) the government of India contributed the employer and employee share of provident fund each 12% of total wages taking total of 24% for the month of March 2020 to August 2020 for those organizations which have 200 employees were 90% employees are earning below 15000.

6. Conclusion

The pandemic came in India and in the whole world with uncertainties and affected all the economy's overall the world. India was among the most affected countries. India was able to implement work from home measures, mainly for service sector jobs, but the manufacturing sector was affected with loss of jobs. The months of lockdown resulted in the rise in the level of unemployment in the country by slowing down the economy and increasing the gap of aggregate demand and aggregate supply. Further the government has taken various measure to reduce the gap and able to bring down unemployment level from June 2020 to January 2021

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