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INCREASING FISCAL AND ECONOMIC RESILIENCE POST PANDEMIC: EVIDENCE FROM SOUTH ASIAN COUNTRIES

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Abstract

The South Asia region faced extremely difficult economic challenges from the Coronavirus (COVID-19) pandemic. Almost two billion people living in South Asia were affected by the pandemic. The unprecedented shock in South Asia disturbed the pace and pattern of development and increased the vulnerabilities of the region. The region faced the problems of inequality, high inflation, rising fiscal deficit, disrupted growth, and environmental challenges further increasing the region's vulnerabilities. Traditional macroeconomic policies are not enough to cope with this problem. In the face of these shocks, South Asian countries need to build robust fiscal and monetary policies and efficient use of remaining resources to build a more resilient economy for the protection of the population. Economic resilience might be effective to overcome such external shocks and support the recovery of all countries especially South Asian countries. Post-pandemic action in South Asian countries thus has become more important, especially with restrained scope of fiscal and monetary stimulus. This examines the impact of COVID-19 on South Asian countries. The paper addresses the economic challenges faced by South Asian Countries in the pre- and post-pandemic period. It also briefly discusses the fiscal stimulus packages released by the South Asian countries to build stronger economies.

Keywords*: COVID-19, south asian countries, fiscal stimulus, economic resilience*

I. INTRODUCTION

Nearly all countries were in the grip of coronavirus in 2019. The unprecedented shock of COVID-19 threatened human lives, disturbed livelihoods, created environmental problems, and affected the pace and pattern of development across the globe. The world economy started showing signs of a severe recession and unprecedented economic crisis. As national economies are globalised and interdependent, connected by the global supply chain which was disrupted by the COVID-19 pandemic. While it's undeniable that COVID-19 presented challenges globally, South Asian nations, in particular, confronted a tougher scenario due to their sizable populations, fragile socio-economic circumstances, elevated poverty rates, and limited healthcare infrastructure.[1] The unprecedented shock in South Asia still disturbs the pace and pattern of development and exposes the region's vulnerabilities. The South Asia region faces extremely difficult economic challenges from the COVID-19 pandemic. Almost two billion people live in South Asia, and nearly 21 percent of the world's population (SAARC disaster management centre) live in extreme poverty and hunger, exacerbated by the COVID-19 pandemic.[2] Most South Asian workers are employed in the informal sector, and were unreasonably affected when restrictions on movement were imposed during COVID-19.

The deadly coronavirus disease originated in the Wuhan City of China in early December 2019 and spread across the globe.[3] The World Health Organisation (WHO) declared the outbreak a health emergency of international concern on 30 January 2020. Nepal became the first South Asian country to report a confirmed case on 23 January 2020. The remaining South Asian countries, namely Bangladesh, Bhutan, Maldives, Pakistan, and Sri Lanka, each recorded their initial COVID-19 cases on varying dates: 8 March 2020; 6 March 2020; 7 March 2020; 26 February 2020; and 27 January 2020, respectively.[4] To reduce transmission and stem the rise of the number of cases, different parts of the South Asian region started imposing lockdowns on the following dates: India on 25 March 2020; Pakistan on 1 April 2020; Bangladesh on 26 March 2020; and Nepal on 24 March 2020.[5]

This paper examines the impact of COVID-19 on South Asian countries. The paper addresses the economic challenges faced by South Asian Countries in the pre- and post-pandemic period. It also briefly discusses the fiscal stimulus packages released by South Asian countries to build stronger economies. The study includes South Asian countries like India, Pakistan, Bhutan, Maldives, Afghanistan, Nepal, and Bangladesh. Data were taken from

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1 Rasul G, Nepal AK, Hussain A, Maharjan A, Joshi S, Lama A, Gurung P, Ahmad F, Mishra A and Sharma E, "Socio Economic Implications of COVID-19 Pandemic in South Asia: Emerging Risks and Growing Challenges," *Frontier in Sociology* (2021). https://www.frontiersin.org/articles/10.3389/fsoc.2021.629693/full.

2 Khan, Muhammad Azhar, Hasnain Abbas Naqvi, Muhammad Mohsin Hakeem, Ghulam MoeenUd Din, and Nadeem Iqbal, "Economic and Financial Impact of the COVID-19 Pandemic in South Asia," *Environmental Science and Pollution Research International* 29, no. 11 (2021): 15703–11572. https://doi.org/10.1007/s11356-021-16894-9.

3 Mohan, Bs, and N. P. Vinod, "COVID-19: An Insight Into SARS-CoV2 Pandemic Originated at Wuhan City in Hubei Province of China," *Journal of Infectious Diseases and Epidemiology* 6, no. 4 (2020). https://doi.org/10.23937/2474-3658/1510146.

4 Abdul Abiad, et al., "The Economic Impact of the COVID-19 Outbreak on Developing Asia," ADB Briefs, (March 2020), https://www.adb.org/publications/economic-impact-covid19-developing-asia.

5 Ibrahim Afzal, Raheema Abdul Raheem, NazlaRafeeq, and Sheena Moosa, "Contact Tracing for Containment of Novel Coronavirus Disease (COVID-19) in the Early Phase of the Epidemic in the Maldives," *Asia Pacific Journal of Public Health* 33, no. 1 (2021): 131-133.

the World Economic Outlook 2021, Asian development bank, and other world development indicators.

A detailed discussion on the expenditure chronology is discussed in the different segments of each country, and the data in tabular form is provided in the appendix. This table highlights the significant fiscal actions declared and/or taken by selected nations in response to the COVID-19 pandemic. The database classifies several types of fiscal support (such as above-the-line and below-the-line measures and contingent liabilities) that have had distinct effects on public finances over the short- and long-terms. It emphasises discretionary government interventions that have enhanced existing automatic stabilisers. Existing stabilisers vary in their breadth and scope among nations. As countries are taking further steps or finalizing the details of individual actions, these estimates are tentative. A measure "above the line" represents an increase in government spending and a decrease in tax revenue, which directly affects economic activity through fiscal multipliers. "Below the line" measures (like loans and equity stakes) and guarantees (to firms and banks) affect the economy depending on how much the people who are supposed to benefit from such measures take advantage of them and spend. Meanwhile, contingent liabilities measure the potential liabilities that may occur in the future.

II. LITERATURE REVIEW

This paper attempt to build on studies addressing the challenges faced by South Asian countries due to the unprecedented shocks and fiscal and monetary policies as stimulus packages to overcome economic losses. Monetary and fiscal policies play an important role in mitigating the shock impact and accelerating the recovery in the aftermath of a crisis. Fiscal policy is more effective than monetary policy during a financial crisis. Countries with large fiscal stimulus packages during the 2008 economic crisis enjoyed a stronger recovery, both in terms of income and employment.[6] Likewise, the 2008 financial and economic crisis and the COVID19 pandemic had a massive impact on the health sector (including mental health), income, employment, and overall well-being.

The global coronavirus outbreak immediately resulted in an unprecedented effect on the lives of people, and the South Asian region was no exception. Various studies have also confirmed that the pandemic has led to a decrease

[6] UNDESA, COVID-19: Addressing the Social Crisis through Fiscal Stimulus Plans (2020): https://www.un.org/development/desa/socialperspectiveondevelopment/2020/04/06/covid-19-addressing-the-social-crisis-through-fiscal-stimulus-plans/.

in the socioeconomic status of affected countries.[7] In their study Yadav and Iqbal suggest that appropriate fiscal and monetary policy can help maintain stable growth during and after the pandemic.[8] They examined the enduring and immediate connection between human development, unemployment, and the economic advancement of the area prior to the pandemic, employing the Pooled Mean Group (PMG) Autoregressive Distributed Lag (ARDL) model.[9]

The evaluation of economic rebound during the post-COVID-19 era indicates that fostering economic resilience proves to be an efficient strategy for managing and alleviating such external disruptions, offering valuable assistance for the economic recuperation of all nations. Additionally, they emphasised that implementing robust macroeconomic policies plays a crucial role in bolstering economic resilience.

Following the 2008 financial crisis, governments allocated approximately 25 percent of fiscal stimulus package funds, on average, toward discretionary social protection programs and additional initiatives aimed at supporting labour markets and income levels.[10] Overall, nations with more substantial stimulus packages experienced a more robust recovery, witnessing improvements in both income levels and employment rates.[11] Looking at a large group of developing countries shows that the multiplier for government spending was between 0.4 and 0.5. The role of fiscal financing is a bit weak in developing countries in comparison to developed countries. The politico-economic environment, the unregulated informal sector, are weaker in developing countries, especially when there is not much strong regulatory institutions. In this scenario, the economic growth of a country is inhibited by any unforeseen events.[12]

III. IMPACT OF COVID-19 ON SOUTH ASIAN COUNTRIES

III.A. Economic Impact

COVID-19 has imposed a huge social and economic cost on South Asian countries. The Pandemic has pulled millions of households into poverty

7 Douglas Almond, "Is The 1918 Influenza Pandemic Over? Long-Term Effects of in Utero Influenza Exposure in the Post-1940 U.S. Population," *Journal of Political Economy* 114, no. 4 (2006): 672–712. https://doi.org/10.1086/507154.

8 Arti Yadav and Badar Alam Iqbal. "Socio-economic Scenario of South Asia: An Overview of Impacts of COVID-19," *South Asian Survey* 28, no. 1 (February 23, 2021): 20–37. https://doi.org/10.1177/0971523121994441.

9 Dayang Jiang, Xinyu Wang, and Rui Zhao, "Analysis on the Economic Recovery in the Post-COVID-19 Era: Evidence from China," *Frontiers in Public Health* 9 (2022): 787190.

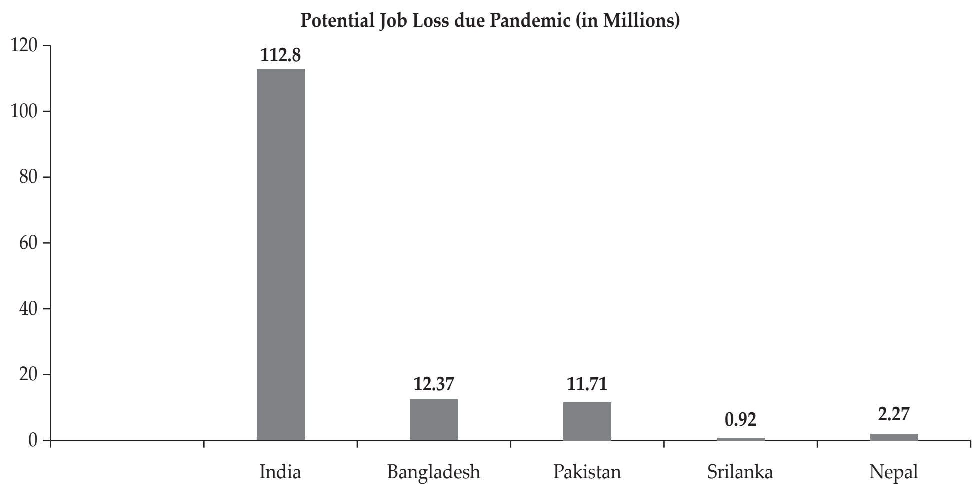
10 Yanchun Zhang, Nina Thelen, and Aparna Rao, *Social Protection in Fiscal Stimulus Packages: Some Evidence*. (UNDP, 2010), https://socialprotection.org/discover/publications/social-protection-fiscal-stimulus-packages-some-evidence.

11 *Ibid.;* Aart Kraay, "Government Spending Multipliers in Developing Countries: Evidence from Lending by Official Creditors," *American Economic Journal: Macroeconomics* 6, no. 4 (2014): 170-208.

and increased income inequality across the globe, especially in South Asian countries.[12] It created many challenges like GDP growth, Inflation, food prices, rising fiscal deficits, and disruption of current account balances. In addition, Russia's invasion of Ukraine has dealt a double blow to the fight against poverty and inequality. Inflation and deficits in trade balances have interrupted the supply chain, increasing demand and pushing up commodity prices on the international market.[13] An increase in the prices of food and energy on the international market and restriction on trade due to the Ukraine war has increased domestic inflation which has created food insecurity in the region.

Amid slow GDP growth, South Asian nations have observed a rise in impoverished households and a reduction in per capita income. According to the World Bank, the count of individuals residing on less than $1.90 per day in South Asia surged by 58 million in 2020, constituting over half of the global upsurge in poverty.[14]

Figure 1. Job Loss due to Pandemic in South Asian Countries[15]



[12] Golam Rasul, et al., "Socio-economic Implications of COVID-19 Pandemic in South Asia: Emerging Risks and Growing Challenges," *Frontiers in Sociology* 6 (2021): 629693, https://doi.org/10.3389/fsoc.2021.629693.

[13] World Bank Report, "Reshaping Norms: A New Way Forward, South Asia Economic Focus", (2022): https://www.worldbank.org/en/region/sar/publication/south-asia-economic-focus.

[14] Daniel Gerszon Mahler, Nishant Yonzan, and Christoph Lakner, "The Impact of COVID-19 on Global Inequality and Poverty," Policy Research Working Papers - World Bank, Washington, DC. (2022), https://openknowledge.worldbank.org/entities/publication/54fae299-8800-585f-9f18-a42514f8d83b; Klaus-Peter Hellwig, "Introduction: From Post pandemic Recovery to Inclusive Growth and Sustainable Development in South Asia," in *South Asia's Path to Resilient Growth*, eds. Ranil Salgado and Rahul Anand (Washington, DC: International Monetary Fund, 2023), https://doi.org/10.5089/9781513587219.071.

[15] UNESCAP-SANEM South Asia CGE Model Simulation, 2021 available at http://unescap.org/.

Figure 2. Economic Outlook of South Asian Countries before and after COVID-19[16]

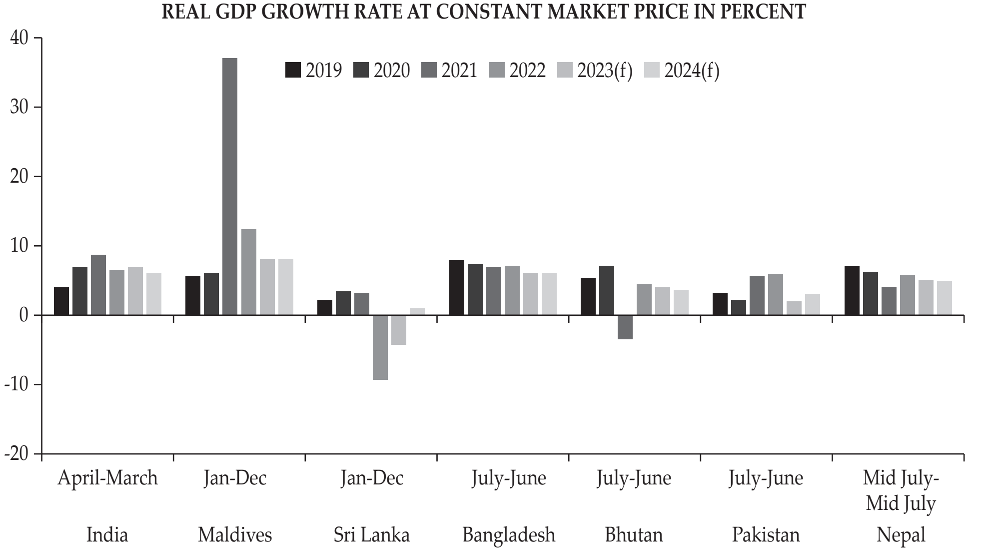


Table 1.
South Asia COVID-19 in 2022[17]

Country	Date	Total Cases	Total Deaths	Total Recovered	Active Cases	Total Test	Per Million Population		
							Cases	Deaths	Tests
India	22 Jan 2022	39,237,264	489,422	36,560,650	2,187,192	713,499,892	24,009	319	509,234
Bangladesh	15 Jul 2022	1,994,433	29 ,225	1,921,123	44,085	14,484,461	5431	121	86,205
Pakistan	15 Jul 2022	1,544,910	30,428	1,504,817	9,665	29,241,450	9274	164	127,355
Nepal	26 Jul 2022	984,475	11,959	968,802	3,714	5,804,358	23,510	568	206,592
Afghanistan	22 Jan 2022	159,548	7,390	146,188	5,970	842,743	151,514	415	20,916
Maldives	15 Jul 2022	183,491	307	163,687	19,497	2,213,831	26,418	371	3,954,068
Sri Lanka	22 Jan 2022	601,048	15,284	575,932	9,832	6,007,118	3869	180	278,713

[16] World Bank Macro Poverty Outlook and staff calculations. Note: (e)=estimate, (f)=forecast. GDP measured in 2015 prices and market exchange rates. To estimate regional aggregates in the calendar year, fiscal year data is converted to calendar year data by taking the average of two consecutive fiscal years for Bangladesh, Bhutan, Nepal, and Pakistan at 2015 constant US$, for which quarterly GDP data are not available. Pakistan is reported at factor cost. Afghanistan is not producing national accounts statistics since August 2021, so they are excluded from the table.

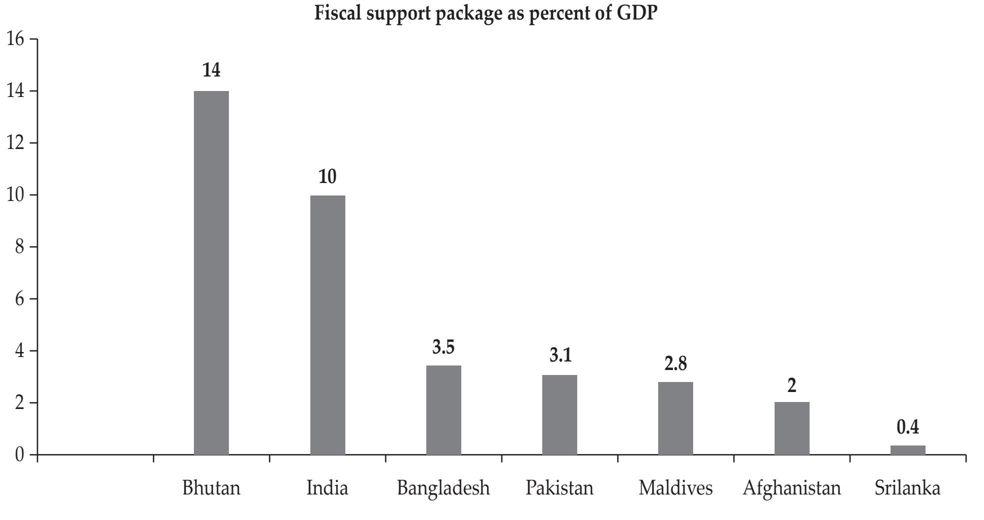
[17] The data were processed by author from https://ourworldindata.org/.

In January 2023, reported COVID-19 cases exceeded 668 million, with 6.7 million confirmed deaths. Table 1 above illustrates the COVID-19 cases in South Asian countries in September 2021. Total deaths were very high in India whereas the lowest deaths recorded were in the Maldives. In Bhutan and Maldives, the number of cases dropped to almost sero. Most of the cases were reported from India, the USA, Brazil, and Russia. India is among the most affected countries in the South Asian region.

III.B. Fiscal Stimulus Packages for the Post-Pandemic

Responding to shocks has become more challenging in South Asian countries because the pandemic has weakened South Asian economies. There is an urgent need to rebuild these economies through fiscal stimulus packages in the South Asian region. There is, however, limited fiscal resources, monetary policies, and various alternative financial strategies for reaching growth target in the region. In response to the COVID-19 crisis, South Asian countries announced stimulus packages for economic relief, social protection, and income support for the affected population. [18]

Figure 3. COVID-19 related fiscal measures as percent of GDP, South Asian Countries.[18]



Following the 2008 financial and economic crisis, governments allocated, on average, approximately 25 percent of fiscal stimulus package funds to

[18] UNESCAP COVID-19 Stimulus Tracker, (https://www.unescap.org/covid19/policy-responses0); *IMF Policy Tracker* (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19).

discretionary social protection schemes and other initiatives supporting labour markets and income levels.[19] Generally, nations with more substantial stimulus packages experienced a more robust recovery, evidenced by improvements in both income and employment.[20] Fiscal measures encompassed income transfers, healthcare spending, and loan guarantees for affected populations.[21] Although the present crisis differs from the 2008 one in its causes and transmission channels, its anticipated profound effects on employment, income, health (including mental health), and overall well-being underscore the need for even greater social expenditures.

In a pandemic, fiscal stimulus helps to build healthcare infrastructure like ICUs, and hospitals, increasing the number of hospital beds. Based on the IMF COVID-19 policy tracker, we present a summary of fiscal stimulus packages distributed by selected South Asian countries. South Asian countries have encountered complications getting ahead because of a lack of financing. Bangladesh's increased consumption is costing its government more. Generally, it is hard to make consumers pay high prices for goods and services, so the government has to subsidise a greater portion of living expenses, imposing an additional fiscal burden. Pakistan's economy has been slow to grow, and its budget has often changed in recent years. Though South Asia's economy is doing well as a whole, tax revenues are lower than expected. This makes budgeting less flexible. Most South Asian countries use the same tax systems as other developing countries, but their tax bases are small, often due to tax avoidance, and common outright tax evasion and fraud. There are significant budget deficits because the government spends more than it receives in taxes. Prudent fiscal policy ensures macroeconomic stability which is needed for sustainable growth. Also, fiscal policy should try to smooth out swings in business cycles by making it easier for taxes to change automatically and keeping an eye on how much the government spends.[22] In other words, when the economy is doing well, the government should spend less, and when it is doing poorly, it should spend more. There should be enough cash to get by when things are not going well.

This is especially true for South Asia, where the size of fiscal deficits is often affected by factors outside the country. More importantly, the budget deficits worsen when there is political conflict in South Asian countries. A large

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[19] Zhang, Thelen, and Rao, *Social Protection in Fiscal Stimulus*.

[20] UNDESA, COVID-19: Addressing the Social Crisis.

[21] Nechio Fernando and Serra Bruno, "Brazil: COVID-19 and the Road of Recovery", *BIS paper* no. 122, https://www.bis.org/publ/bppdf/bispap122_c.pdf.

[22] MBJ Clements, MS Gupta and MG Inchauste, "Helping Countries Develop: The Role of Fiscal Policy," International Monetary Fund (2004), https://www.imf.org/external/pubs/nft/2004/hcd/index.htm.

body of research shows that developing countries' fiscal policy is procyclical.[23] The fact that fiscal policy tends to be cyclical is probably because emerging countries have to deal with two big problems. These problems are insufficient money from outside the country and institutions that cannot control spending when the economy is growing fast. Even though there is little evidence of how big fiscal multipliers are in developing countries, this suggests that they are essential but smaller than in developed economies.

III.C. Bangladesh during COVID-19

On 8 March 2020, Bangladesh reported its first COVID-19 cases. Public holidays, limited movement, closures, and mask mandates were implemented to stop the spread. Bangladesh's epidemic began in force in August 2020. Since the end of November 2020, daily new cases had been declining. However, the second wave began in March 2021 and peaked in the first week of April 2021. A nationwide lockdown began on 14 April 2021. Although transportation and border controls have been curtailed, governmental and private offices and specific industries remained open during this shutdown. Bangladesh is in the third wave. Twenty-five percent is the highest optimism percentage since April 2021 (23 percent) and August 2022 (24 percent). Districts bordering India had a higher infection rate and little testing. The government ordered a seven-day lockdown from 1 - 7 July for all semi-government, autonomous, and commercial offices, except those providing emergency services. Only emergency services were authorised to operate. Industries had to maintain health protocols to operate. 5.9 million People received their first immunisation dosage and 4.3 million their second by 30 June. Since 7 May, registrations have been suspended. The third wave may slow export growth. The central bank's incentives to repatriate funds through official channels helped boost remittances during FY21 after they initially dropped during the pandemic.

In late March 2020, the Ministry of Finance unveiled a revised FY20 budget, which allocated Tk. 2.5 billion to the Ministry of Health's COVID-19 Preparedness and Response Plan, aiming to bolster programs aiding impoverished individuals. Additionally, the open market sale program was expanded to procure rice at one-third of the market price. On 31 March, the Ministry of Finance introduced a Tk. Fifty billion (US$ 588 million) export

[23] Kaminsky, Graciela L., Carmen M. Reinhart, and Carlos A. Végh. "When it rains, it pours: procyclical capital flows and macroeconomic policies." *NBER macroeconomics annual* 19 (2004): 11-53; Ilzetzki, Ethan, Enrique G Mendoza and Carlos A Végh "How big (small?) are fiscal multipliers." *Journal of Monetary Economics*, 60(2) (2012):239-254. Available https://www.imf.org/external/pubs/nft/2004/hcd/index.htm; Frankel, Jeffrey A, Carlos A Végh and Guillermo Vuletin, "On graduation from fiscal procyclicality." *Journal of Development Economics*, 100(1) (2013):32-47, https://wcfia.harvard.edu/files/wcfia/files/jfrankel_graduation_fiscal_procyclicality.pdf.

stimulus package, to be managed by Bangladesh Bank (BB) and distributed through commercial banks with a 2% service charge. Within four months, mobile financial services and bank accounts facilitated the distribution of wage support cash to over four million workers. Furthermore, the Ministry of Finance subsidises scheduled banks' working capital loans of up to Tk 600 billion (US$ 7.1 billion) to enterprises.

On 15 April 2020, the Prime Minister declared the allocation of Tk. 21.3 billion (US$ 250.9 million) for a housing scheme aimed at assisting the homeless. Additionally, Tk. 15 billion (US$ 176.7 million) was earmarked to aid the poor who lost jobs due to the pandemic, while Tk. 7.5 billion (US$ 88.3 million) was allocated to provide health insurance for government employees most vulnerable to the virus. Furthermore, Tk. 1 billion (US$ 11.8 million) was dedicated to bonus payments for public health workers treating COVID-19 patients. The Prime Minister also announced a reimbursement plan, with Tk. Twenty billion (US$ 235.6 million) allocated to cover interest payments for 13.8 million loan beneficiaries impacted by the national shutdown.[24]

In January 2021, the COVID-19 Emergency Response and Pandemic Preparedness Project saw an increase of Tk 56.6 billion (US$ 666.7 million), primarily designated for vaccine acquisition, storage, and distribution.[25] Additionally, two more stimulus packages were introduced, including Tk. Fifteen billion for the micro-credit and marginalized people's lifestyle enhancement program, and Tk. 12 billion for extending elderly and widow allowances. The government unveiled its second-round monetary support scheme for workers affected by lockdowns in May 2021. By the end of April 2021, Tk. 390.7 billion (US$ 4.6 billion) of fiscal stimulus had been announced, with Tk. 186 billion (US$ 2.2 billion) disbursed. Furthermore, the National Board of Revenue waived duties and taxes on medical supplies like protective gear and test kits. Although targeting proved complex, the FY22 Budget increased allocations for health, agriculture, and social safety net programs. As a precautionary measure, the government set aside 25% of development project budgets, affecting projects of lower priority.[26]

Bangladesh Bank bought federal bonds and bills from banks in March 2020 to ensure financial system liquidity. Three cuts from March to July lowered the repo rate from six percent to 4.75 percent. Banks' daily and bi-weekly cash reserve ratio (CRR) was cut from 5 to 3.5 percent (from 5.5 to 4 percent).

[24] Demographic and finance (2021), https://www.unicef-irc.org/files/documents/d-4163-social-spending-monitor-data-july21.xlsx

[25] IMF: Policy Response to Covid-19, July, 2021. https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[26] BRITACOM, Policy Responses to Covid-19 "Bangladesh" (2022), https://www.britacom.org/covid19/bprtc/202008/t20200803_1107573.html

Offshore banking activities had their CRR slashed on July 1 and NBFIs on June 1. The advance-deposit and investment-deposit ratios were boosted by 2% to increase private sector lending and liquidity. The Export Development Fund was enlarged from 3.5 billion to 5 billion, with the interest rate lowered to 1.75 percent. Bank Bangladesh launched numerous refinancing schemes, to help implement the government's stimulus measures, totalling Tk 415 billion (US$ 4.9 billion), a 360-day tenor unique repo facility, and a loan guarantee plan for exporters, farmers, and SMEs. Bank Bangladesh also delayed non-performing loan classification, relaxed loan rescheduling policies, waived credit card fees and interests, suspended loan interest payments, relaxed bank credit risk rating rules, extended trade instrument tenures, lowered farm loan interest rates, and ensured financial services access to all SMEs.

Bank Bangladesh relaxed foreign exchange regulations to facilitate the provision of foreign currency to Bangladeshi citizens returning home due to travel disruptions. Additionally, it permitted foreign-owned or controlled companies operating within Bangladesh to access short-term working capital loans from their parent companies or shareholders abroad to fulfil actual wage and salary requirements. The country's exports received a boost from international manufacturing units. In response to the COVID-19 pandemic, Bank Bangladesh intervened in the foreign exchange market to uphold stability.[27]

IV. PAKISTAN AND COVID-19

COVID-19 was initially detected in Pakistan on 26 February 2020. Starting from 23 March, federal and provincial authorities implemented containment and mitigation measures including targeted quarantines, border closures, restrictions on international and domestic travel, closure of educational institutions, bans on public gatherings, social distancing protocols, and various levels of lockdown. Despite these efforts, the daily count of new cases surged sharply, peaking at 6,000 in mid-June 2020, before decreasing in July 2020 and stabilizing below 1,000 during the summer (reaching a low of 300 cases in early September).[28] A third wave of infections emerged in mid-March 2021, characterized by a significant increase in cases and positivity rate (exceeding 5,000 daily cases and 10 percent positivity rate in the second half of April

[27] Noreen, Nadia, Saima Dil, Saeed Ullah Khan Niazi, Irum Naveed, Naveed Ullah Khan, Farida Khudaidad Khan, Shehla Tabbasum, and Deepak Kumar. "Coronavirus disease (COVID-19) pandemic and Pakistan; limitations and gaps." Global Biosecurity 1, no. 3 (2020): 1-11.

[28] Rehman, Zaira, Massab Umair, Aamer Ikram, Ammad Fahim, and Muhammad Salman. "Footprints of SARS-CoV-2 genome diversity in Pakistan, 2020–2021." Virologica Sinica 37, no. 1 (2022): 153.

2021, respectively) before subsiding by the end of May 2021, following Eid festivities.[29]

In FY 2020, economic activity decreased by 0.5%, but in FY 2021, it increased by 3.9 percent.[30] After implementing stringent lockdown measures at the onset of the pandemic, authorities began gradually reducing restrictions in the second part of April 2020, reopening educational institutions, recreational places, and retail establishments by the end of the summer. In the fall and winter of 2020, sporadic innovative lockdown measures were used to counteract the second wave of illnesses (e.g., the ban on public rallies and closure of educational institutions and wedding halls).[31] These procedures were extended as a third wave of COVID-19 infections emerged in March and April 2021. The authorities tightened restrictions for Eid week in mid-May 2021. New restrictions prohibited intercity travel and imposed lockdowns of companies, restaurants, recreational activities, religious processions, and incoming aircraft for two weeks. The end of May 2021 removed the majority of these restrictions. In July 2021, most limitations were abolished, leading to an increase in incoming flights.[32]

Pakistan aimed to vaccinate a total of 70 million individuals by the year 2021. The vaccine effort received financial backing and support from the World Bank, the Asian Development Bank, and the COVAX facility. As a result of delays in the provision of vaccinations from COVAX, the government procured vaccines from China and disseminated them under the name 'PakVac.' This vaccine is a locally produced version of the single-shot vaccine manufactured by 'CanSino,' a Chinese vaccine manufacturer. In addition, the government authorised private laboratories to import and distribute vaccines.[33]

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[29] Alam, Muhammad Tanveer, Asad Mehdi, Yumna Timsaal, Muhammad Rehan, Arjun Kumar, Imran Sarwar Shaikh, Farah Yasmin, Gul Muhammad Memon, Nisar Ahmed, and Muhammad Sohaib Asghar. "The clinical course, biochemical markers, and clinical outcomes of COVID-19 positive patients from the third wave in Pakistan: A retrospective cohort study." Annals of Medicine and Surgery 77 (2022): 103599.

[30] Adil, Fareeha, Asma Fiaz, and Nisar Ahmad. "Hot money cools on pakistan amid COVID-19: Evidence from nonlinear ARDL." (2021).

[31] Hao, Wu, Syed Mehmood Ali Shah, Ahsan Nawazb, Muhammad Qasim Barkat, and Amir Souhail. "COVID-19 epidemic spread and the impact on public health & safety policy: an analysis of the adoption of preventive measures and effective management: evidence from Pakistan." Revista Argentina de Clínica Psicológica 29, no. 4 (2020): 722-736.

[32] Shaikh, Marvi, Naseem Aslam Channa, Sadia Qamar Arain, Ali Muhammad Shahani Shahani, and Mehnaz Shaikh. "A It's All About COVID-19: A Review of Pattern of Waves in Pakistan, Drugs and Vaccination Programs." *Liaquat Medical Research Journal* 4, no. 4 (2022).

[33] Hayat, Mahnoor, Mohammad Uzair, Rafay Ali Syed, Muhammad Arshad, and Shahid Bashir. "Status of COVID-19 vaccination around South Asia." *Human Vaccines & Immunotherapeutics* 18, no. 1 (2022): 2016010.

On 24 March 2020, the federal government unveiled a relief package amounting to PKR 1.2 trillion (equivalent to 2.9 percent of GDP), with PKR 715 billion (1.7% of GDP) earmarked for the fiscal year 2020. This package included several measures: (i) the removal of import duties on emergency health equipment until December 2020, (ii) cash transfers to over 6.2 million daily wage workers amounting to PKR 75 billion, (iii) cash transfers to more than 12 million low-income families totalling PKR 150 billion, (iv) expedited tax refunds to exporters worth PKR 100 billion, and (v) support for SMEs and the agriculture sector through power bill deferment, bank lending, and subsidies amounting to PKR 100 billion. Additionally, the economic package allocated funds for accelerated wheat procurement (PKR 280 billion), financial assistance to utilities (PKR 50 billion), a reduction in regulated fuel prices (with an estimated benefit of PKR 70 billion for end consumers), health and food supplies (PKR 15 billion), relief from electricity bill payments (PKR 110 billion), an emergency contingency fund (PKR 100 billion), and a transfer to the National Disaster Management Authority (PKR 25 billion). The unimplemented relief package was deferred until the fiscal year 2021. Moreover, the FY 2021 budget featured further increases in health and social spending, reductions in tariffs and custom duties on food items, an allocation for the "COVID-19 Responsive and Other Natural Calamities Control Program" worth PKR 70 billion, a housing package to subsidise mortgages amounting to PKR 30 billion, and tax incentives extended to the construction sector (including retail and cement companies) until the end of December amidst the second wave.[34]

Provincial governments provided cash assistance to low-income households, tax relief, and boosted health spending from the onset of the shock (including a salary increase for healthcare workers). The government of Punjab enacted 18 billion PKR in tax reduction and 10 billion PKR in cash handouts.[35] Sindh provided cash handouts and meals totalling PKR 1.5 billion to low-income families.[36] The provincial budgets for the fiscal year 2021 also slashed taxes and increased spending, especially on health services.

In response to the crisis, the State Bank of Pakistan (SBP) broadened the scope of existing refinancing facilities and introduced three new ones in 2020 to provide support in various areas: (i) aiding hospitals and medical centres in

[34] Sareen, Sushant. "COVID-19 and Pakistan: The economic fallout." ORF Occasional Paper 251 (2020): 50.

[35] Ahmed, Shabbir. "The Public Financial Management in Context of New Global Environment—A Case of Pakistan." In Effective Public Administration Strategies for Global" New Normal", pp. 157-176. Singapore: Springer Nature Singapore, 2022.

[36] Ali, A. "Learning Losses during Covid-19 Pandemic in Pakistan: A Critical Assessment of Online Education System." Global Educational Studies Review, VII (2022).

purchasing COVID-19-related equipment, benefiting 47 hospitals with PKR 15.6 billion allocated thus far; (ii) fostering investment in new manufacturing plants and machinery, as well as the modernisation and expansion of existing projects, resulting in 628 new projects with a total investment of PKR 436 billion completed by March 2021; and (iii) encouraging businesses to retain workers, benefiting 2,958 firms with PKR 238 billion disbursed to date. The launch of these facilities was postponed from June 2020 to September or December 2020.[37] To preserve the health of the banking system and economic activity, the SBP enacted interim regulatory measures. These measures encompassed several initiatives: decreasing the capital conservation buffer by 100 basis points to 1.5 percent and raising the regulatory limit on credit to SMEs by 44 percent to PKR 180 million. The debt burden ratio for consumer loans was reduced from 50 percent to 60 percent, enabling banks to defer clients' principal loan payments by one year (amounting to PKR 657 billion deferred to date), and easing regulatory criteria for restructured loans. Furthermore, by December 2021, the State Bank of Pakistan mandated banks to allocate at least 5% of their private sector portfolios to the construction sector.[38]

To facilitate the procurement of medical equipment and medications during the COVID-19 pandemic, the State Bank of Pakistan (SBP) relaxed import regulations by: (i) eliminating the cap on import advance payments and permitting import on open account, and (ii) allowing banks to approve an Electronic Import Form (EIF) for equipment provided by international donor organisations and foreign governments. Additionally, in a bid to encourage manufacturing and industrial activity, the SBP reduced the cash margin requirement of 100% on imports of specific raw materials.[39]

V. INDIA DURING COVID-19

The first COVID-19 case was reported in India on 30 January 2020.[40] The nationwide lockdown was extended numerous times for the initial wave, followed by a gradual reopening with restrictions in specific containment zones. Most states adopted localised state-wide lockdowns for the second

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[37] Nakhoda, Adil. "Regional integration and cooperation of Pakistan in health-related sectors." (2021).

[38] Sarker, Provash. "Covid crisis: Fiscal, monetary and macro-financial policy responses." Sarker, Provash Kumer,(2020). Covid crisis: Fiscal, monetary and macro-financial policy responses, Theoretical and Applied Economics 3, no. 2020 (2020): 624.

[39] S. Akbar Zaidi, et al., *Policy Response during Challenging Times: Insights from the Federal Budget 2020-21 and the Way Forward* (Karachi: Institute of Business Administration, 2020), https://economics.iba.edu.pk/iba-karachi-launches-book-titled-policy-response-during-challenging-times.php.

[40] Ministry of Health and Family Welfare, "Assessment of COVID Prevention," 18 September 2020. https://pib.gov.in/PressReleasePage.aspx?PRID=1656184.

wave in 2021Q2.[41] COVID-19 had extensive economic repercussions. Due to exceptional COVID-19 lockdowns, Q2 GDP dropped by 24.4%. In the third quarter of 2020, the economic contraction decelerated to -7.4% year-over-year. Subsequently, in the fourth quarter of 2020 and the first quarter of 2021, growth reverted to positive territory, registering at 0.5% and 1.6%, respectively. The national statistics office revised the GDP growth for the fiscal year 2020/21 to -7.3%.[42]

Following the first wave of COVID-19 and the initial nationwide lockdown, the government announced several relaxation measures in non-hotspot areas, commencing from April 20, 2020, aimed at facilitating business operations. On 29 April 2020, the government authorised, coordinated by state-designated nodal agencies, the interstate mobility of stranded individuals, including migrant workers. Orange and green zones relaxed business activity on 4 May 2020, and domestic air travel resumed on 25 May 2020.[43] On 13 May 2020, the prime minister proposed a 10-per cent GDP rescue plan called the "self-reliant India" program.[44] The central government published "Unlock 3.0" instructions on 29 July 2020, permitting a progressive worldwide restoration of activity and limiting the lockdown to confined zones until 31 August 2020. The government declared ('Unlock 4.0') on 29 August 2020 that it would further reopen the economy in September by removing metro rail restrictions in a phased manner beginning 7 September 2020 and enabling social, academic, sports, and entertainment gatherings of up to 100 people. The federal government established "Unlock 5.0" rules on 30 September 2020, permitting state/union territory administrations to reopen schools and coaching institutes beginning 15 October 2020 gradually. On 15 October 2020, amusement parks and cinemas/theatres/multiplexes can open at 50% of their seating capacity. Now, congregations can accommodate 200 people. After a

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[41] Radhika Nagesh, Manikantha Nataraj, Himangshu Kumar, Thomas Hale, and Toby Phillips, "Indian State-Level Policy Responses to COVID-19 during the Second Wave," BSG Working Paper Series, December 2022, https://www.bsg.ox.ac.uk/sites/default/files/2022-12/BSG-WP-2022-049%20.pdf.

[42] Mahesh Kumar Kurmi and Baneswar Kapasi, "In-Depth Assessment of the Impact of COVID-19 on Indian Economy." *EPRA International Journal of Economic and Business Review* 9, no. 6 (2021), 43–53, https://doi.org/10.36713/epra7453.

[43] Bhadury, Soumya, Vidya Kamate, and Siddhartha Nath, "Impact of COVID-19 Pandemic Risk and Lockdown on the Indian Economy," in Environmental, Social, and Governance Perspectives on Economic Development in Asia, edited by William A. Barnett and Bruno S. Sergi, 29B: 169-188. International Symposia in Economic Theory and Econometrics. https://doi.org/10.1108/S1571-03862021000029B032.

[44] D.M. Diwakar, "NCoV19 and Selling India Inc. Model of Self-Reliance with Local Rethoric", Mainstream Weekly, 6 June 2020, accessed 19 April 2024. https://mainstreamweekly.net/article9470.html.

second COVID-19 wave, the majority of states issued 2021Q2 lockdowns.[45] On 3 January 2021, India's CDSCO granted emergency use permission (EUA) to the AstraZeneca vaccine and COVAXIN (developed by local firm Bharat Biotech). On 11 January 2021, the Prime Minister announced that the world's most extensive immunisation program would commence on January 16 to vaccinate 300 million people. Beginning 1 May 2021, vaccine manufacturers can sell 50% of their goods to anybody 18 and older.[46]

The federal government of India implemented two types of fiscal support: above-the-line measures, encompassing government spending (approximately 3.5 percent of GDP, with 2.2 percent estimated to have been utilized in the preceding fiscal year), foregone or deferred revenues (approximately 0.3 percent of GDP due within the previous fiscal year), and accelerated spending; and below-the-line measures to aid businesses and enhance credit provision to various sectors (approximately 5.3 percent of GDP). Initial expenditures during the pandemic response primarily targeted social protection and healthcare, including in-kind provisions such as food and cooking gas subsidies, as well as monetary assistance to lower-income households (1.2% of GDP). Additionally, measures included wage support and employment provision to low-wage workers (0.5% of GDP), healthcare worker insurance coverage, and investments in healthcare infrastructure (0.1 percent of GDP).

In October and November of 2020, the federal government augmented capital expenditures and extended interest-free loans to states amounting to approximately 0.2% of GDP. Furthermore, sector-specific support packages were introduced. The second phase included a production linked incentive plan targeting 13 essential industries, costing 0.8% of GDP over five years, an increased allocation for fertiliser subsidies in agriculture (0.3% of GDP), and assistance for urban housing construction (0.1% of GDP). Additionally, measures such as extending tax filing deadlines and reducing penalty interest rates for late GST submissions were implemented to ease tax compliance burdens across various industries. Tax compliance measures were reintroduced in April and May of 2021. Beyond deficit-related initiatives, efforts included providing credit support to enterprises (1.9% of GDP), aiding impoverished households, particularly migrants and farmers (1.6%), assistance to power distribution companies (0.4%), and targeted support for the agricultural sector

[45] Goel, Isha, Seema Sharma, and Smita Kashiramka, "Effects of the COVID-19 Pandemic in India: An Analysis of Policy and Technological Interventions." *Health Policy and Technology* 10, no. 1 (2021): 151–64. https://doi.org/10.1016/j.hlpt.2020.12.001.

[46] Kumar, Velayudhan Mohan, Seithikurippu R. Pandi-Perumal, Ilya Trakht, and Sadras Panchatcharam Thyagarajan, "Strategy for COVID-19 Vaccination in India: The Country with the Second Highest Population and Number of Cases," *Npj Vaccines* 6, no. 1 (2021): 1–7. https://doi.org/10.1038/s41541-021-00327-2.

(0.7%). The business support package comprised financial sector initiatives for micro, small, and medium-sized enterprises, as well as non-bank financial institutions, along with concessional lending programs for farmers and street vendors.

The budget allocated increased funding for health and well-being, specifically for COVID-19 immunisations (350 billion Rs). Responding to the outbreak, the central government announced in April 2021 that approximately 800 million people were slated to receive free food grains in May and June, akin to additional food rations distributed in 2020, with an estimated cost of around 260 billion rupees. Interest-free loans were extended to state governments for capital expenditures until FY2021/22 (150 billion rupees), and the disbursement of the Disaster Response Fund to state governments was expedited from June to May. Customs fees and other levies were reduced to enhance the availability of vaccines, oxygen, and related equipment.[47]

On 1 April 2021, the Reserve Bank of India (RBI) loosened export repatriation restrictions and granted a facility for state governments' short-term financial needs. To improve credit flows to the retail sector and MSMEs, the RBI exempted MSMEs and real estate developers from regulatory requirements for the classification of loan assets (later extended to loans from NBFCs).[48] During the period of April 17-20, 2021, the Reserve Bank of India (RBI) announced several measures: (i) TLTRO-2.0, which involved funds to be invested in investment grade bonds, commercial paper, and non-convertible debentures of Non-Banking Financial Companies (NBFCs). (ii) Special refinance facilities were introduced for rural banks, housing finance companies, and small and medium-sized enterprises. (iii) A temporary reduction in the Liquidity Coverage Ratio (LCR) and restrictions on bank dividend pay-outs were implemented. (iv) State Ways and Means Advance (WMA) limitations were increased by sixty percent and extended through March 2021. Additionally, all additional retail loans were exempted from Cash Reserve Ratio (CRR) maintenance, and the priority sector designation for bank loans to Non-Banking Financial Companies (NBFCs) was extended for on-lending throughout the fiscal year 2020/21.

The Reserve Bank of India has advised financial institutions to evaluate the effects of the COVID-19 shock on the quality of their assets, liquidity, and other relevant criteria, and to promptly implement necessary measures. On

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[47] Sunil Kumar and Jyoti Sharma, "Policy Response to Post Covid-19: An Analytical Study of Indian Monetary and Fiscal Policies," *Abhigyan* 39, no. 2 (2021)10-18.

[48] Bibekananda Panda, "Asymmetric Information and Market Failure in Bank-NBFC Co-Lending Model" August 2023, Indian Institute of Banking & Finance, accessed 19 April 2024, https://www.iibf.org.in/documents/Final-Research%20report.pdf.

April 27, 2021, the Reserve Bank of India (RBI) introduced a special liquidity facility for mutual funds (SLF-MF) and a fixed-rate 90-day repo operation for banks to address the liquidity requirements of mutual funds. Additionally, the RBI implemented regulatory measures to facilitate liquidity support. On May 13, 2021, the government introduced a lending programme that offers collateral-free loans with a 100 percent guarantee. Additionally, stressed MSMEs can access subordinate debt with a partial guarantee, and public sector banks can benefit from a partial credit guarantee scheme for non-bank financial companies, housing finance companies (HFCs), and microfinance institutions. In addition, the government has introduced a Fund to provide financial support to MSMEs and a Special Purpose Vehicle (SPV) to acquire the short-term debt of qualifying non-bank financial institutions and home finance firms. These initiatives will be managed by a public sector bank and will be fully backed by government guarantees.

On 22 May 2021, the RBI boosted the large exposure limit, loosened limitations on state government financing, promoted exporters and importers, and expanded refinancing opportunities for small businesses. The Reserve Bank of India (RBI) has decided to prolong the interest subvention and prompt repayment incentive schemes for short-term agricultural loans till 31 August 2020, as of 4 June 2021. On June 12, 2020, the GST council reduced the interest charges for delayed filing of small enterprises by 50%. On 21 June 2020, the RBI instructed banks to assign no risk weight to guarantee emergency credit lines. On 21 October 2020, it was stated that on-demand TLTROs of up to 1,000,000 crores for three years at a variable rate related to the policy repo rate would be available.

The Emergency Credit Line Guarantee Scheme (ECLGS) for micro, small, and medium-sized enterprises (MSMEs) was extended to 30 November 2020, 31 March 2021, and 30 September 2021, and eligibility requirements were loosened. The RBI also provided regional rural banks with the Liquidity Adjustment Facility and Marginal Standing Facility since December 2020 to boost liquidity management. On 8 January 2021, the RBI announced a phased resumption of activities under the new liquidity management framework. In February 2021, banks' reserve requirements for loans to small and medium-sized enterprises (SMEs) were cut until December 2021.

The Reserve Bank of India (RBI) announced new liquidity and financing efforts on 4 May 2021, including on-demand liquidity support for COVID-19-related healthcare infrastructure and services and special Long-Term Repo Operations (SLTRO) for small financial institutions. Lenders were given until September 2021 to restructure COVID-19-related retail and SME loans. For loans restructured under the old settlement system, lenders may extend repayment moratoria or loan terms by up to two years. The RBI further extended the deadline for payment system requirements and the ECLGS project to 30 September 2021, in late May.[49]

VI. MONETARY POLICY RESPONSE TO THE PANDEMIC

Before the pandemic most South Asian countries were already facing economic problems like poverty, unemployment, and income inequality.[50] Nevertheless, the COVID-19 epidemic has exacerbated the problem. Undoubtedly, the epidemic has had a profound effect on the economic progress of South Asian nations. The repercussions encompass slow GDP growth, soaring inflation, diminished production, and market upheavals. The South Asia Economic Focus Report for 2023, published by the World Bank, presents data on the present condition of economic indicators in the region and offers prospective remedies to alleviate their adverse impacts.

Monetary policy also plays a crucial role in regulating the money supply and interest rates as well as the availability of credit in an economy. Monetary policy is not only used for stabilizing the economy but also for increasing the broad monetary growth, growth of investment and therefore economic growth. In response to the pandemic, an expansionary monetary policy was used by the South Asian central banks to provide liquidity and support economic activities.

[49] Nikhil, Belavadi, Shivakumar Deene, and Sanjeev Kumar, "Covid-19 and the Policy Responses in India," *Specialusis Ugdymas* 1, no. 43 (2022): 3662–69.

[50] S. Surjit Bhalla, Bhasin Karan, and Virmani Arvind, "Pandemic, Poverty, and Inequality: Evidence from India", *IMF working Paper,* WP/22/69. https://www.imf.org/en/Publications/WP/Issues/2022/04/05/Pandemic-Poverty-and-Inequality-Evidence-from-India-516155; Angus Deaton, COVID-19 and Global Income Inequality. No. w28392. National Bureau of Economic Research, 2021.

Table 2.
Selected Financial Sector Measures in South Asian countries during COVID-19[51]

Bangladesh	Pakistan	India	Maldives	Nepal	Sri Lanka
Dec. 31, 2020	Mar.17, 2020	Aug. 31, 2020	Nov. 30, 2020	Jan. 2020	Apr. 2021
1. Reduced bank rate by 100 bps; 2. Repo rate by 125 bps; 3. Reverse repo rate by 150 bps; 4. Cash reserve ratio by 150 bps. 5. Increased advance-deposit ratio and investment 6. Deposit ratio by 2% will purchase T-bills and bonds from banks.	1. Cutting the policy rate by a cumulative 625 bps to 7.0 percent.	1. Reduced repo by 115 bps; 2. Reverse repo rates by 155 bps; 3. Cash reserve ratio by 100 bps. 4. Liquidity measures include long-term repo operations (LTROs); 5. Increased the marginal standing facility to 3% of the statutory liquidity ratio, to end-Sept.	1. Reduced the minimum reserve requirement to 5%. 2. Short term credit facility available to financial institutions.	1. The cash reserve ratio has been reduced by 100 bps. 2. The interest rate on the standing liquidity facility has been reduced by 100 bps.	1. Monetary policy rates reduced by 200 bps, 2. Statutory reserve ratio has been lowered by 300 bps

VI.A. Bangladesh

The Bank of Bangladesh has declared its intention to acquire treasury bonds and bills from banks in order to enhance the sufficient liquidity inside the banking system. The central bank (BB) has announced a series of three reductions in the repo rate, lowering it from 6 percent to 4.75 percent. These cuts will be implemented gradually from March to July.[52] The cash reserve ratio (CRR) for banks was decreased to 3.5 percent on a daily basis and to 4 percent on a bi-weekly basis, from the previous rates of 5 percent and 5.5 percent, respectively. The Cash Reserve Ratio (CRR) was reduced for offshore banking operations, starting from 1 July, and for Non-Bank Financial Institutions (NBFIs), starting from June 1. The advance-deposit ratio and investment-deposit ratio have

[51] IMF: Asia and Pacific Development (2021).Policy Advice to Asia in the COVID-19 Era. Edited by Chang Yong Rhee and Katsiaryna Svirydzenka. Bangladesh Bank; State Bank of Pakistan; Central Bank of Sri Lanka; Maldives Monetary Authority; Reserve Bank of India; Royal Monetary Authority of Bhutan; and IMF staff estimates.

[52] Sayera Younus, et al., "COVID-19 Pandemic: Policy Responses and its Impact on the SAARC Countries" BB Special Publication: SP 2021-06, , Bangladesh Bank, August 2021, https://www.bb.org.bd/pub/special//covid19_26082021.pdf.

been increased by two percent in order to enhance credit availability to the private sector and enhance liquidity.

VI.B. Pakistan

In response to the crisis, the State Bank of Pakistan (SBP) has reduced the policy rate by a total of 625 basis points, bringing it down to 7.0 percent since 17 March 2020. In 2020, the SBP broadened the range of existing refinancing facilities and introduced three new ones. These measures were implemented to achieve the following objectives: (i) provide financial support to hospitals and medical centres for the procurement of equipment related to COVID-19 (47 hospitals, totalling PKR 15.6 billion, as of now); (ii) encourage investment in new manufacturing plants and machinery, as well as the modernisation and expansion of existing projects (628 new projects, totalling PKR 436 billion, until March 2021); (iii) incentivise businesses to retain their employees during the pandemic (2,958 firms, totalling PKR 238 billion, as of now). The deadline for these facilities was extended from June 2020 to either September or December 2020.[53]

VI.C. India

On 31 August 2020, the Reserve Bank of India (RBI) announced that it had decreased the repo and reverse repo rates by 115 and 155 basis points (bps) to 4.0 and 3.35 percent, respectively. They have also introduced liquidity measures in three areas: Long Term Repo Operations (LTROs), a 100 basis point reduction in the cash reserve ratio (CRR), and a 3% increase in the marginal standing facility (MSF) to the Statutory Liquidity Ratio (SLR). These measures have been extended to September 30, 2021. The RBI will also conduct open market operations, which entail the simultaneous buying and selling of government securities. These initiatives will result in a total liquidity injection of 5.9% of GDP by September. The major purpose of the Monetary Policy Committee (MPC) is to mitigate the negative effects of the pandemic while maintaining financial stability.[54]

The COVID-19 pandemic has had a substantial effect on the GDP growth rate of South Asian countries, as stated in a report by the World Bank. India, the predominant country in the area, had a significant decrease from 9.1 percent in 2021 to 6.3 percent in 2022, whereas Bangladesh observed a reduction from

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[53] Asian Development bank. "Pakistan: COVID-19 Active Response and Expenditure Support Program" Project Number: 54193-001 Loan Number: 3931 September 2022. https://www.adb.org/sites/default/files/project-documents/54193/54193-001-pcr-en.pdf.

[54] Mohan Rekesh, "The Response of the Reserve Bank of India to Covid-19: Do whatever it Takes", *CSEP working Paper-8*June (2021): https://csep.org/wp-content/uploads/2021/06/WP_The-response-of-the-Reserve-Bank-of-India-to-Covid-19_17062021.pdf.

7.1 percent in 2021 to 5.2 percent in 2022. The Maldives witnessed a significant decrease, with a substantial drop from 41.7 percent in 2021 to 5.3 percent in 2022. Sri Lanka had a decrease, with a negative growth rate of -4.3 percent in 2022, followed by a modest rebound to 1.2% in 2022. Bhutan experienced a significant rise in its Gross Domestic Product (GDP) from a negative growth rate of -3.3 percent in 2021 to a positive growth rate of 4.5 percent in 2022. In 2022, Nepal's growth rate decreased from 5.8 percent to 4.1 percent, while Pakistan's growth rate dropped from 6.0 percent to 0.4 percent. [55]

The path towards economic recovery in South Asia will be arduous and protracted, necessitating substantial investments in healthcare, education, and infrastructure, with decisive governmental actions to foster equitable growth and social protection. Therefore, a policy mix between monetary and fiscal policy tools must become more effective to overcome from demand shocks due to pandemic.

VII. CONCLUDING REMARKS

The research attempted to reveal the role that fiscal and monetary policy throughout the COVID-19 pandemic played in India, Bangladesh, and Pakistan. Both fiscal and monetary policy plays a crucial role in building economic resilience in South Asian countries.

In response to the COVID-19 pandemic, several types of fiscal support (such as above-the-line and below-the-line measures and contingent liabilities) had distinct effects on public finances in the short- and long-term. A measure "above the line" is increases in government spending and decreases in tax revenue, which directly affects economic activity through fiscal multipliers. "Below the line" measures (like loans and equity stakes) and guarantees (to firms and banks) affect the economy depending on how much the people who are supposed to get them to take advantage of them and spend them. while contingent liabilities measure the potential liabilities that may occur in the future.

Monetary policy measures during the pandemic for most South Asian countries included lowering the cash reserve ratio which provides additional liquidity and support economic activities. Certain economic sectors, including supply chain, travel and tourism, and manufacturing, have been severely impacted by restrictions and lockdowns. To mitigate the effects of the epidemic, the governments employed several creative strategies and technologies. Additionally, it effectively detected the coronavirus transmission hotspots and

[55] World Bank Report, "Reshaping Norms: A New way Forward." *South Asia Economic Focus* (2022), https://openknowledge.worldbank.org/server/api/core/bitstreams/7b3cce1b-7c32-553b-83e5-0328c50d26d5/content.

placed restrictions on the identified hotspots. The policy of adaptive lockdown aided in preventing the spread of the virus and allowed for the continuation of economic activity. Even though the action was taken abruptly and wreaked devastation on the populace, especially the working class, such as day laborers and wage earners, it was a necessary one.

Finally, the findings of the study emphasise that the fiscal stimulus packages (Fiscal Policy) released to mitigate the effects and lowered the macroeconomics rates (monetary policy), which provided additional liquidity and support economic activities by South Asian countries. There are few recommendations for any unanticipated epidemic. The policymakers of the country should implement measures that enable enterprises to postpone their financial obligations to avoid bankruptcy. This program will protect the economy's physical capital. There should be a robust organisation that monitors the imact of the epidemic on employment and takes action to protect workers, firms, and particularly the most vulnerable industries. In addition, proper social measures must be taken to protect the most vulnerable members of society. And the last optimum utilisation of fiscal, monetary, and financial instruments to combat the consequences of demand shocks.

The impact of COVID-19 on all South Asian countries is analysed in this paper. The paper tries to address the economic challenges faced by South Asian Countries in the pre- and post-pandemic period. The data on fiscal stimulus packages is available only for three countries namely India, Pakistan, and Bangladesh.

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Appendix-1

In USD Billion								
	Above the line measures				**Liquidity support**			
	Additional spending or foregone revenues					**Below the line measures:** equity injections, loans, asset purchase or debt assumptions.	**Contingent liabilities**	
	Subtotal	Health sector	Non-health sector	Accelerated spending / deferred revenue	Subtotal		Guarantees	Quasi-fiscal operations
India	**109**	14	95	18	**166**	9	141	16
Pakistan	**5.2**	1.1	4.1	3.0				
Bangladesh	**7.4**	3.0	4.5		**0.2**		0.2	
Global	**10,793**	**1,451**	**9,255**	775	**6,117**	376	4,046	1,695

Appendix-2

In Percent of GDP								
	Above the line measures				**Liquidity support**			
	Additional spending or foregone revenues					**Below the line measures:** equity injections, loans, asset purchase or debt assumptions.	**Contingent liabilities**	
	Subtotal	Health sector	Non-health sector	Accelerated spending / deferred revenue	Subtotal		Guarantees	Quasi-fiscal operations
India	4.1	0.5	3.6	0.7	6.2	0.3	5.3	0.6
Pakistan	2.0	0.4	1.6	1.2				
Bangladesh	2.3	0.9	1.4		0.1		0.1	
Global	10.2	1.4	8.6	0.9	6.2	0.4	4.1	1.6

Source: Data based on October 2021 World Economic Outlook

Appendix-3

A. Above-the line measures									
Countries	**India**			**Pakistan**			**Bangladesh**		
Unit	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**
Total on-budget (A-D)	808 4.44	108.91 79631	4.09 4285	828	5.21 4838	1.99 2476	630. 91	7.44 0496	2.30 3152
Additional spending and forgone revenue in the health sector	104 1.23	14.028 01564	0.52 7321	178	1.12 1064	0.42 8334	253	2.98 3699	0.92 3583
Additional spending and forgone revenue in areas other than health	704 3.21	94.889 94747	3.56 6964	650	4.09 3773	1.56 4142	377. 91	4.45 6797	1.37 957

Source: Data based on October 2021 World Economic Outlook

Appendix-4

B. Below the line measures									
Countries	**India**			**Pakistan**			**Bangladesh**		
Unit	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**
Total off-budget (B+C)	122 91	165.59 10223	6.22 4656	n.a.			20	0.23 5866	0.07 301
Equity injections, asset purchases, loans, debt assumptions, including through extra-budgetary funds	641	8.6358 99871	0.32 4628						

Source: Data based on October 2021 World Economic Outlook

Appendix-5

C. Contingent liabilities									
Countries	**India**			**Pakistan**			**Bangladesh**		
Unit	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**	**LC bn**	**USD bn**	**% GDP**
Equity injections, asset purchases, loans, debt assumptions, including through extra-budgetary funds	10450	140.78 80712	5.2 923	n.a.			20	0.23 5866	0.07 301
Quasi-fiscal operations (non-commercial activity of public corporations on behalf of government)	1200	16.167 05124	0.60 7728	n.a.					

Source: Data based on October 2021 World Economic Outlook.

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