COVID-19 OUTBREAK: IMPACT ON INDIAN ECONOMY

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Abstract:

Covid-19 or Coronavirus is most commonly heard the term by the entire world in the current scenario. It made India sicker due to its severe impact on society, industry, and especially on the Indian economy. Along with the outbreak of this disease has created a global health crisis that has had a deep impact on the way we perceive our world and everyday lives. The main objective of this paper is to study the major impact of COVID 19 on the economy. The Covid-19 influence is regularly increasing despite global containment and quarantine efforts. The outbreak of this virus has disrupted the economies of global leaders whereas the US and China and spreading globally. This research paper is guided through the global economic scenario but mainly focused on the impact of a pandemic on the Indian economy. This virus also sparked off an impending economic crisis and recession. Social distancing, self-isolation, and restricting travel forced a decrease in manpower across all economic sectors and caused many jobs to be lost. All the schools and colleges closed down, and the demand for commodities and manufactured products and services has decreased. It's all directly impact on the society and economy. In contrast, the need or demand for medical supplies has significantly increased. The food sector has also seen a great demand due to the panic- buying and stockpiling of mood products. The significant aim of this paper is to analyse the constraints and impact of the COVID 19 on the Indian economy and seeking the solutions to the current situation of India in economic perspective. COVID 19 has spread across the globe and called a pandemic by WHO. This is stopped many economic activities and due to epidemic disease and has not cured till date to fight with Corona. COVID has produced an economic impact on the universe and India. it may produce a recession in many parts of the world. In each sector in India, most of the products are imported from China, Especially in medicine and manufacturing industry. Major Indian companies like Larsen & Toubro, Bharat Forge, UltraTech Cement, Aditya Birla Group, BHEL, and Tata Motors have temporarily suspended or importantly reduced operations. Young startups also have been impacted as funding has fallen. FMCG companies the country has significantly reduced operations and is focusing on essentials. Stock markets in India posted their worst losses in history on 23 March 2020. However on 25 March, one day after a complete 21- day lockdown was announced by the Prime Minister, SENSEX and NIFTY posted their biggest gains in 11 years.

Keywords: Covid-19 pandemic, Economic crisis, Self-isolation.

Introduction:

The economic impact of the 2020 Covid-19 pandemic in India has been largely disruptive. The World Bank and some rating agencies had initially revised India's growth for the fiscal year 2021 with the lowest figure India has seen in three decades since India's economic liberalization in the 1990s. Nearly around 162 countries are decidedly going into lockdown, and businesses across the world are operating their works in fear of an impending collapse of global financial markets. This situation, clubbed with slowdown economic growth in the previous year, especially in a developing country like India, is leading to extremely uncomfortable with current market conditions. However, after the announcement of the economic package in mid-May, India's GDP predicts were downgraded even more to negative figures, signalling a deep recession. On 26 May, CRISIL announced that this will perhaps be India's worst recession since independence. SBI research predicts a contribution of over 40% in the GDP in the Financial Year 2021. Referring to the recent happenings and data, the unorganized sector excluding this likely to suffer a great downfall in the upcoming days as the job generation and creation is going down at an alarming rate with the prolonged lockdown and weak GDP. With the commencement of the 2020-2021 financial year, the effects of COVID have affected the stability of the economy of 150 countries- threaten their lifestyle, economy, impacting business, and assumption of common wellbeing which we had taken for granted. The lockdown has adversely have affected service sector like banks, restaurants, food vendors, and food delivery providers at par with providing health safety and medical sustenance, we should also have to think about the health of the sickening economy by mobilizing the resources and make plans of job creation and job continuity.

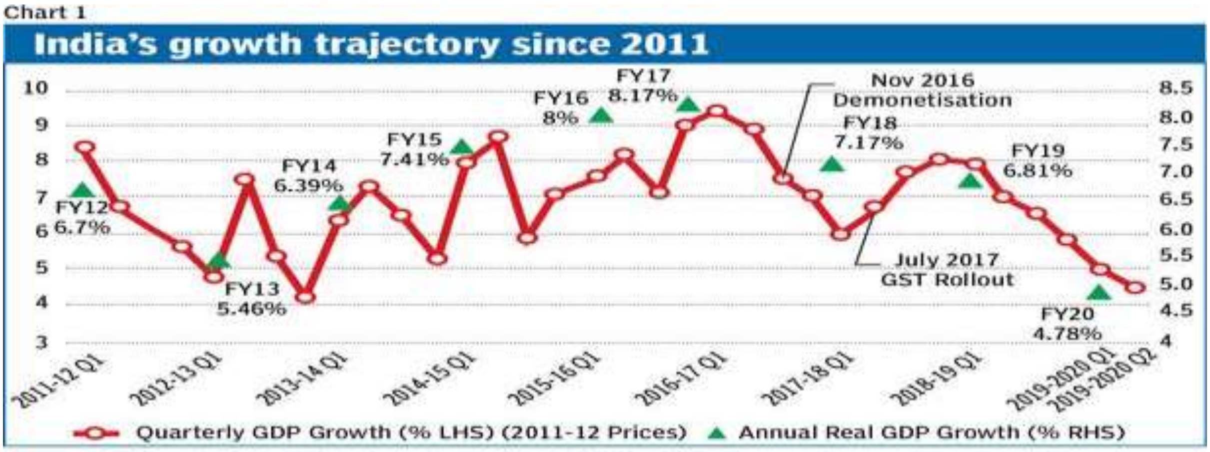
Objectives of the study:

- To study the impact of COVID-19 in different sectors in the economy
- To predicting the future of the Indian economy by analysing the current scenario
- To providing remedial measures to economic crisis.

Covid-19 pandemic impact on Indian Economy:

The immediate economic and market impact of the COVID-19 has been on India's financial markets as well as the rupee. Beyond the financial shocks, India has urgently found a way to cushion the demand side shocks induced by potential lockdowns and other on-going containment measures.

Chart 1



Source: Authors based on data from Central Statistical Office

Although the recent drop in oil prices offers some reprieve, India will inevitably have to undertake more aggressive countercyclical fiscal measures at some stage to buffer against acute negative shocks arising from the spread of COVID-19.

Sectoral Impact:

Restaurants services: The National Restaurant Association of India (NRAI), which states that 500,000-plus restaurants across the country, has advised its members to shut down dine-in operations. This will impact operations if thousands of dine-in restaurants, pubs, bars, and cafes. By extension, food delivery platforms such as Swiggy and Zomato have dropped 60% amid the pandemic.

Food and Agriculture: The food and agriculture sector contributes the highest in GDP that is 16.5% and 43% to the employment sector. The major portion of the food processing sector deals with dairy (29%), edible oils (32%), and cereals (10%). India also stands number one in dairy and spices products at a global scenario (export). With the shortage of labor, the food processing units are facing a hunch in normal function but the government is trying to ease out the situation until that the factories have to adjust to working with low labor count. A major destination in the grapple of COVID-19 for the next few months the Indian export is impacted due to low consumer demand the export-oriented commodities like seafood, mangoes, grapes are crashing this will impact the future crop availability.

MSME: The MSME sector contributes 30% to 35% of the GDP, showing a classification of micro (99%), small (0.52%) and medium (0.01%) enterprise. If we see the sectoral distribution of MSME,s it shows 49% from rural and 51% from the semi-urban and urban areas. Sectors which depends on import such as electronics, pharma, consumer durables, etc. are facing a downfall causing a huge rapture across the value chain. As a splash of relief came the RBI announcements of a three-month moratorium on repayments of loan and reduction in the repo rate as most of the MSMEs depends on the loan funding from the government.

Online Business/Internet Business Sector: The online business in today's economy plays a major role in the economy with a market share of USD 950 billion. This sector contributes 10% to the Indian GDP and showed a drastic in the employment sector in the Financial year 2019 whereas 8%. Its major segments are households and personal care products (50%), healthcare segments (31%), and the food and beverage sector (19%). This gave rise in the sales of the FMCG companies which it saw fall in the stoke in trade due to destroyed supply chain.

Informal Sector: this sector is very important now to protect the workers in the informal sector, who have badly affected, and yet have little savings to tide them over the shock. Over and above the fiscal package that the central government has already announced, some more time relief measures for the workers of the informal sector may be considered.

What's the solution?

Here I have given some suggestions about are measures we need to take come out form COVID -19 outbreak.

- As long as the crisis is acute, mobility players must focus on keeping employees and customers safe and establishing dedicated safety protocols. They must also stay connected with their customers, even if operations are temporarily suspended or restricted. For instance, they can keep potential customers informed about safety updates and demonstrate their commitment to preventing infection.
- Companies can also benefit from a thorough portfolio review that helps them focus on profitable operations. They can then decide which technologies deserve increased investment and which should be abandoned, allowing them to emerge from the crisis healthier and stronger.
- Finding new opportunities for M&A may also help mobility players thrive.
- Public sector financial institutions need to be further capitalized and nudged by the RBI to lend out low-ticket loans below INR 1 Crore in the form of working capital to ensure that liquidity comes back into the system.
- The banking sector needs to be nudged to pass on rate cuts induced by RBI to the borrowers.
- the nation can invest in recovery, the experts said. But a carefully targeted policy will be essential. A priority will be to assure that policy addresses the critical needs of low-income people and communities of color, who have been disproportionately hurt by the pandemic.

Conclusion:

Covid-19 has posed an unprecedented challenge for India. Given the large size of the population, the precarious situation of the economy, especially of the financial sector in the pre-COVID-19 period, and the economy's dependence on informal labor, lockdowns, and other social distancing measures would be hugely disruptive. The central and state governments have recognized the challenge and have responded but this response should be just the beginning. Policymakers need to be prepared to scale up the response as the events unfold to minimize the impact of the shock on both the formal and informal sectors and pave the way for a V-shaped recovery. At the same time, they must ensure that the responses remain enshrined in a rules-based framework and limit the exercise of discretion to avoid long-term damage to the economy.

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