

# **IMPACT OF COVID-19 ON INDIAN ECONOMY IN PANDEMIC SITUATION: A DEPTH STUDY**

**Dr. Md. Mahtab Alam**

*M.Com, MBA, CGSET, HPSET, MPSET, NET, Ph.D.,*

*Faculty, Department of BBA, S.M. College, Bhagalpur,*

*T.M. Bhagalpur University, Bhagalpur, Bihar, India*

## **ABSTRACT**

India is a developing country as well as economy is also on a developing pace in economy market. The exposure of COVID-19 in India has adversely affected India's economy. It has brought a dip in the GDP of the country and hampered the economy to a large extent. COVID-19 has greatly influenced production process, import, exports, selling, buying etc. Some sectors are greatly affected. According to the surveys and researcher, data collection can show the percentage of every sector affected. Though, this was the scenario at beginning, now Government also took many measures to balance and bring the economy to track up to an extent. The steps such as lifting the ban from liquor selling aided some support from State to Central Government in lifting back the economy to some extent. The DIY (do it yourself) economic package of ₹20 lakh was of great relief for Indian economy and one of the largest in the world. Irrespective of all above factors the Indian economy is recovering after mid-May and from the beginning of June. The unemployment level is back again it was before the COVID-19 exposure. Besides, some sectors could be seen with a possible uptick and increasing demand.

**Keywords:** COVID-19, Indian economy, Government initiatives, DIY economic package

## **INTRODUCTION**

Economy can be defined as "The state of a country or region in terms of the production and consumption of goods and services and the supply of money". Simply it can be described as "careful management of available resources". The economy of India is characterised as a developing market economy. It is the world's fifth largest economy by nominal GDP and the third largest purchasing power parity. According to, the IMF, on a per capita income basis, India ranked 139<sup>th</sup> by GDP and 118<sup>th</sup> by GDP in 2018.

The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive. India's growth in the fourth quarter 2020 of the fiscal year went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. Notably India has also been witnessing a pre - pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

### **WHAT IS COVID-19**

Coronavirus disease 2019 (COVID-19) is defined as illness caused by a novel coronavirus now called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2 ; formerly called 2019-nCoV) , which was first identified amid an outbreak of respiratory illness cases in Wuhan City , Hubei Province , China . It was initially reported to the WHO on December 31, 2019 .On January 30, 2020, the WHO declared the COVID-19 outbreak a global health emergency. On March 11, 2020, the WHO declared COVID-19 a global pandemic, its first such designation since declaring H1N1 influenza a pandemic in 2009.

Illness caused by SARS-COV-2 was termed COVID-19 by the WHO , the acronym derived from "coronavirus disease 2019".On February 11,2020 , the Coronavirus Study Group of the International Committee on Taxonomy of Viruses issued a statement announcing an official designation for the novel virus: (SARS-COV-2).

### **COVID-19 AND THE INDIAN ECONOMY**

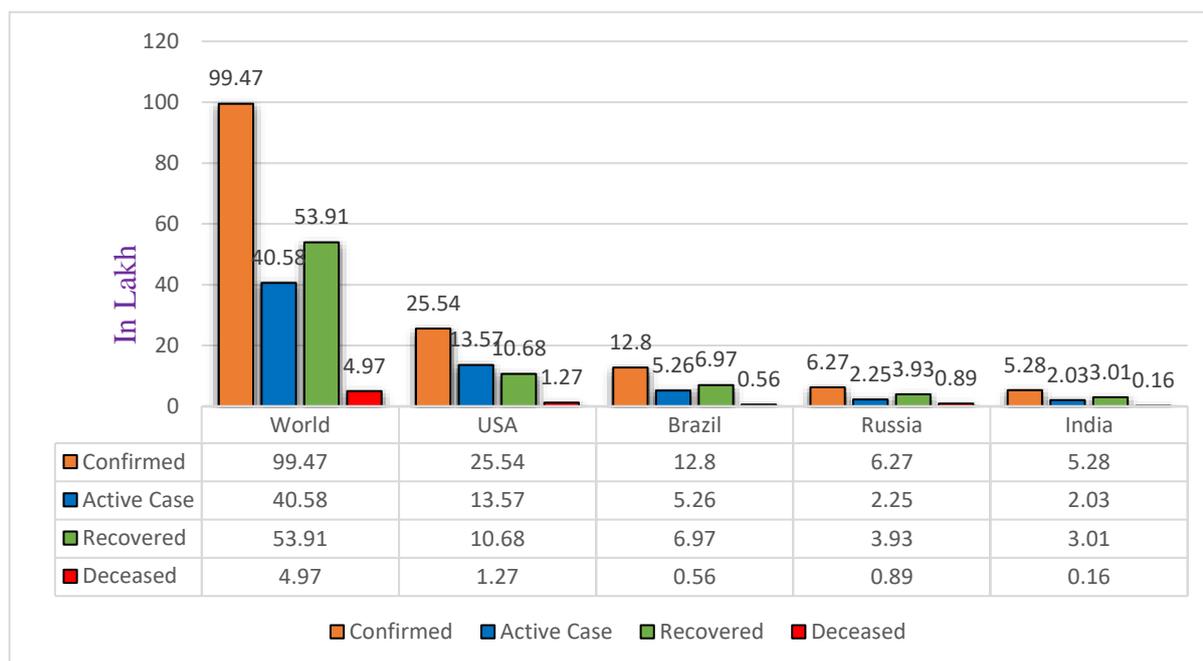
With the beginning of COVID-19, the global economy is experiencing a rapid double-dip recession. As many international agencies have already predicted, global growth could reach - 3% in 2020, which is about 6% less than the baseline projection of a positive 3% increase without any pandemics. Such swings are unprecedented in forecasting growth, due to a number of health deaths and infections, as well as the lockdown of a large part of the global economy. At the same time, pandemics appear to be more severe in the industrial economy. Although the 2021 forecast indicates a rapid return, trends suggest that the world will need to endure longer than expected. Unlike the global economy, the Indian economy was in a slowdown even before the pandemic hit, and the economy was expected to recover. But, with the COVID-19, such hopes are not only dashed, but deepened. There are various predictions that indicate a rapid slowdown. Some predictions even suggest negative growth, which has not been heard in the last five decades. With lockdowns and growing infections, uncertainty in the economy has multiplied. There are also exchanges about the shape of the recovery - V or U or W. But, in our opinion, the most likely recovery looks to be an extended U shape.

The government and the RBI have taken a number of steps on a regular basis to ensure not only liquidity in the financial markets but also to partially reduce the income losses of the poor and daily wage earners. Also transfer. The government has already announced financial assistance of ₹1.7 lakh crore, in addition to the relief measures taken by other state governments so far. However, as it turns out, if the lockdown is still extended to the post-lockdown economy, the steps taken so far will not be enough. More than that, there are sectors like MSMEs which are already struggling with two major setbacks in the form of demonetization and GST implementation. There is also a demand for free food distribution to the poor and helpless, and some have argued for support such as Universal Basic Income (UBI), such as the United States (10% of GDP) and others. Announced in Scandinavian countries. Does India have the financial resources for such mega financial assistance? Or, what should India do to ensure both life and livelihood and to revive the post-epidemic economy? It is also important to understand what needs to be done to revive the commercial sector, which is the backbone of not only economic growth but also employment.

**OBJECTIVES OF THE STUDY**

- To study the impact of COVID-19 on our economy
- To study the most adversely affected sectors during COVID-19
- To study the present scenario of Indian economy
- To study the government initiatives for tackle the pandemic situation
- To suggest policy measures

**THE TOPMOST COUNTRIES AFFECTED PRESENTLY**



Source: WHO Coronavirus Disease (COVID-19) Dashboard (Data last updated: 2020/6/28, 11:30am CEST)

## **IMPACT ON INDIAN ECONOMY**

In the present Era, we all are facing so many problems which crop as a hurdle in the economic and social development. One of the problem is the spread of Coronavirus disease 2019 (COVID-19), corona infection globally. When the super powers and the developed countries are put into the tight corner by this COVID-19 pandemic, what is the worth of India? The widespread of COVID-19 in our country like India is the phase of global turmoil and national crisis and when it comes on effect on Indian economy, then COVID-19 may be lethal for the Indian Economy.

According, to the survey, COVID-19 is having a ‘deep impact’ on Indian businesses, over the coming months jobs are at high risk because firms are looking for some reduction in manpower. Further, it is added that already COVID-19 crisis has caused an unprecedented collapse in economic activities over the last few weeks. FICCI said in a statement, “The survey clearly highlights that unless a substantive economic package is announced by the Government immediately, we could see a permanent impairment of a large section of the industry, which may lose the opportunity to come back to life again”. The GDP estimates for India downwards by 0.2% points for the fiscal year 2020 to 4.8% and by 0.5% for the fiscal year 2021 to 6%. Further, according to the World Bank’s assessment India is expected to grow 1.5% to 2.8%. And IMF projected a GDP growth of 1.9% for India in 2020 because the global economy is affected by the COVID pandemic, the worst recession since the Great Depression in the 1930s. According to KPMG, the lockdown in India will have a sizeable impact on the economy mainly on consumption which is the biggest component of GDP.

According, to CII, GDP could fall below 5% in FY 2021 if policy action is not taken urgently. It is said that the Government should take some strong fiscal stimulus to the extent of 1% of GDP to the poor.

In the third quarter (Oct - Dec) growth is slowed down to 4.7% and the impact of COVID-19 will further be seen in the fourth quarter.

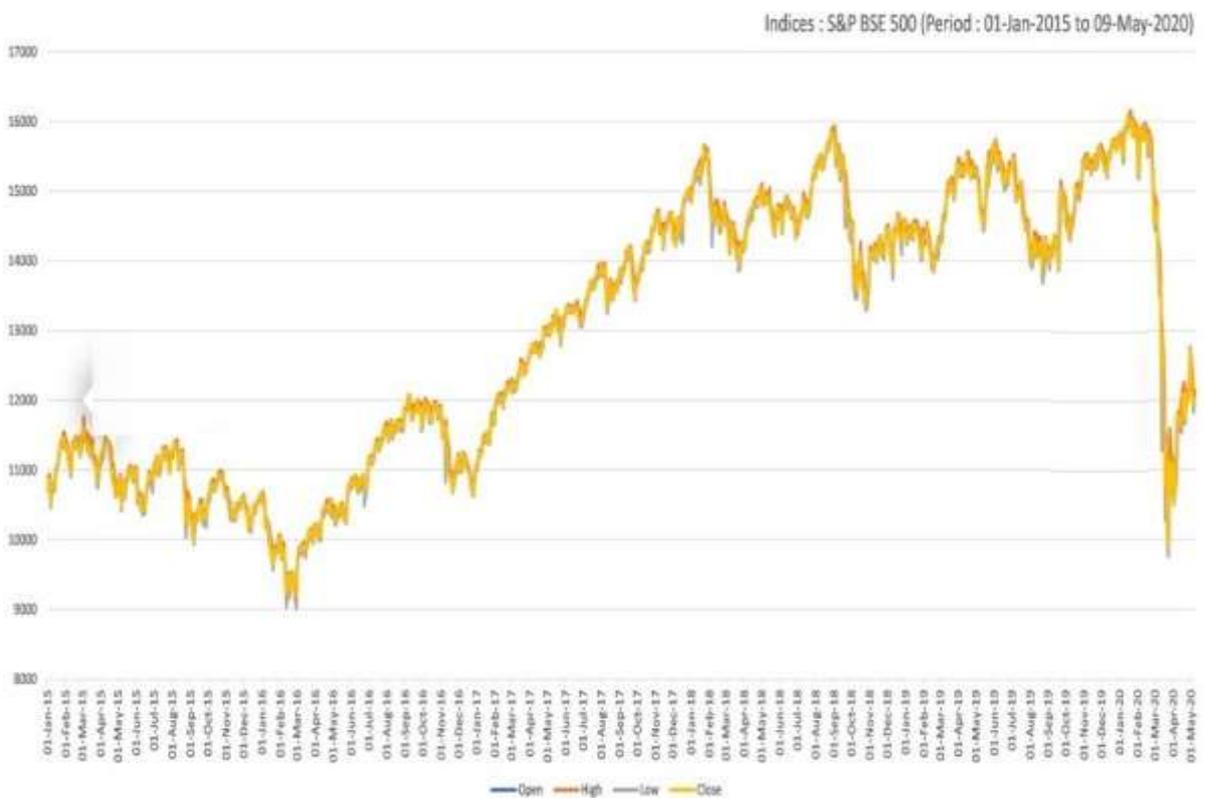
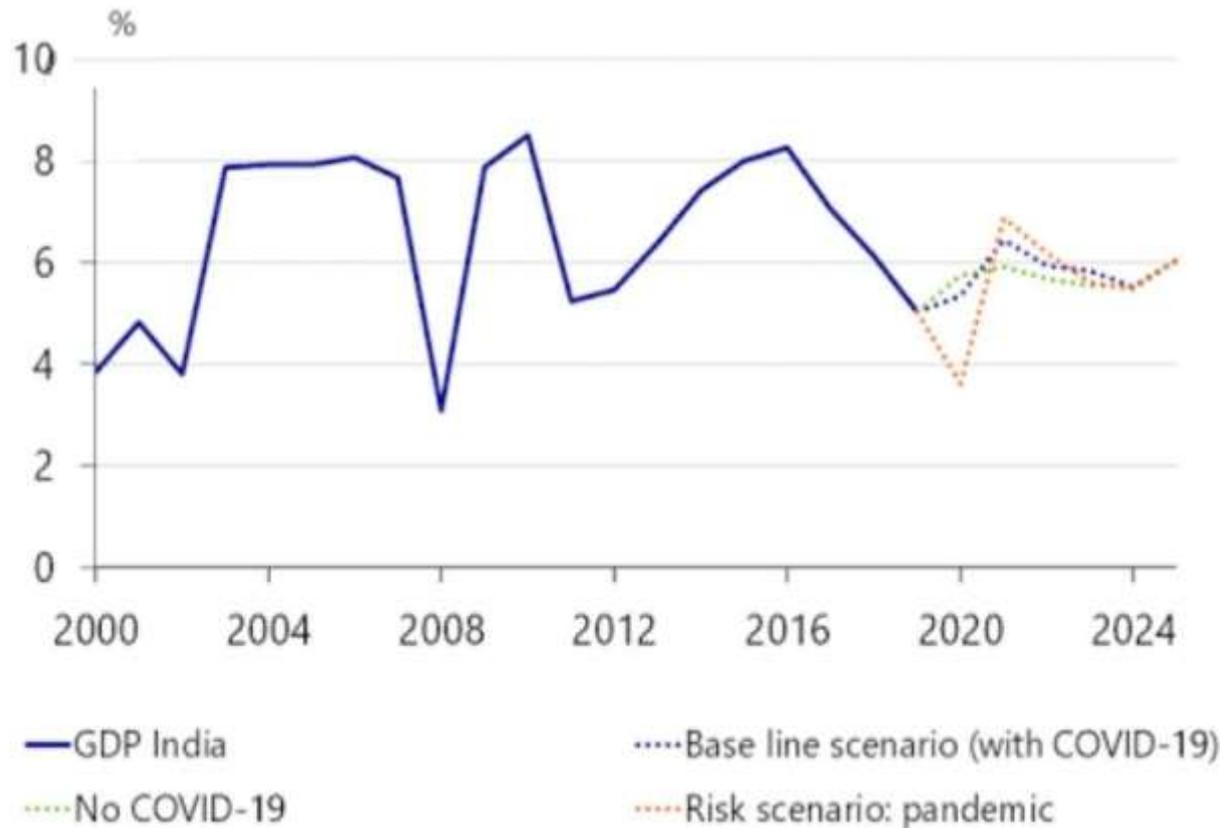
FICCI survey showed 5.3% of Indian businesses have indicated a marked impact of COVID-19 on business operations and 42% of the respondents said that up to three months could take for a normalcy to return.

In terms of trade, China is the world’s largest exporter and second largest importer. It accounts for 13% of world exports and 11% of world imports. Up to a large extent, it will impact the Indian industry.

China's share in total imports to India	
Organic chemicals	37%
Inorganic chemicals	13%
Medicinal & Pharma products	36%
Dyes	28%
<small>Source: https://comtrade.gov.in</small>	

Therefore, we can say that due to the current outbreak of coronavirus in China, the import dependence on China will have a significant impact on the Indian Economy.

**GRAPHICAL REPRESENTATION**



### **MOST ADVERSELY AFFECTED SECTORS**

- (a) **Chemical Industries:** It was found that 20% of the production has been impacted due to the disruption in raw material supply from China.
- (b) **Shipping and Non-Food Retail:** As per the sources, per day per vessel has declined by more than 75-80% in dry bulk trade. Non - food retail chains and global shipping businesses will find this 12 month period very challenging.
- (c) **Auto Sector:** (which includes automobiles and auto parts) will continue to face challenges on account of lack of demand, global recession and falling income levels. Expected to result in an 8-10% contraction of Indian auto manufacturing in 2020.
- (d) **Pharmaceuticals:** Despite being one of the top formulations of drug exporters in the world, the pharma industry of India relies heavily on import as of bulk drugs.
- (e) **Solar Power Sector:** Indian developers may face some shortfall of raw materials needed in solar panels.
- (f) **Electronics Industry:** India's electronic industry may face supply disruptions, production reduction impact on prices due to heavy dependence on electric component supply directly or indirectly and local manufacture.
- (g) **IT Industry:** Coronavirus outbreak has adversely affected the revenue and growth of Indian IT companies.
- (h) **Tourism and Aviation:** Is one sector which has the highest probability of going under without direct government intervention. In the next 12- months, it's highly unlikely people will travel for leisure apart from very essential travel.
- (i) **Apparel and Textile:** Will get adversely affected due to disruption in labour, raw material unavailability, working capital constraints and restricted demand due to limited movement of people and purchasing ability.
- (j) **Building and Construction:** Businesses are generally leveraged and hence will face the dual challenges of high interest payments and lack of sales.

### **INITIATIVE MEASURES TAKEN BY GOVERNMENT TO BALANCE ECONOMY**

Few measures taken by Government in order to balance economy up to certain extent:

- (a) India lifted alcohol ban to ease coronavirus funds crunch: Thirsty drinkers formed long queues at Indian liquor stores to balance economy. During the lockdown, many states pushed for the resumption of alcohol sales and three small North Eastern States - Assam, Meghalaya and Sikkim even allowed it for few days before New Delhi forced them to stop. Kerala to hike liquor prices sharply amid COVID-19 lockdown. The Delhi Government as well as Arunachal Pradesh Government imposed a 70-75% "corona" extra tax on liquor.

Nearly 10-15% of total tax collection was made from some states. The ban during the lockdown affected alcohol sales, in turn having a major effect on State revenue.

(b) The DIY economic package: India's ₹20 lakh crore Covid-19 relief package one among the largest in the world. It includes ₹1.7 lakh crore package of free food grains to poor and cash to poor women and elderly. This package announcement by the Government during COVID crisis and decisions taken by RBI, is equivalent to almost 10 % of India's GDP. The package, focused on land, labour, liquidity and laws. It is catered to various sections, including cottage industries, MSMEs, labourers, middle class and industries. It included tax relief for small, micro and medium enterprises and incentives to boost domestic manufacturing as well as investments.

### **ECONOMIC RECOVERY (PRESENT SCENARIO)**

In the beginning of May, Duvvuri Subbarao a former RBI Governor, said that India could look forward to a V - shaped recovery. A V - shaped recovery is the best outcome. Arthur D. Little, an International consulting firm, suggested that India will most probably see a W - shaped recovery. The Economic times suggests that U - shaped recovery is the most likely followed by an L- shaped recovery.

In the second week of May, companies started preparations for restarting operations. Some opened for restarting operations. Some opened offices with the maximum permitted strength of 33 % while others took a more cautious approach of as low as 5%.

The beginning of June saw companies further reopen and making plans to reopen. It is found that five Indian States Kerala, Punjab, Tamil Nadu, Haryana and Karnataka are contributing 27% to India's GDP as India emerges from a total lockdown. By mid- June, unemployment levels were back to pre- lockdown levels.

### **FUTURE OF INDIAN ECONOMY POST COVID-19**

The recovery of the underlying economy will be slow, and it will take around two years for normalcy to come back across sectors. While the overall economy might take a hit because of the Government lockdown , some sectors are set to see immense growth , in the past COVID era - FMCG , B2C specialised lenders , goal dependent companies , food retail and pharmaceuticals companies to name a few . Stock markets will have a strong recovery, not due to fundamentals strength, but due to global liquidity which is available for almost free (as interest rate tends to zero). Availability of debt capital will be scarce in India whilst equity capital will be available in plenty over a period of time.

## SECTORS WITH A POSSIBLE UPTICK

(a) *Digital and Internet Economy*: Online based products and services companies will find new takers:

- Ed-tech and online education along with firms involved with online - skill development.
- Online groceries
- There will be a sudden spike in the demand for content, with digital content being in demand more than ever.

(b) *FMCG and Retail*: Will benefit immensely with continued fear, food -based retail chains, and companies catering to low - ticket consumption demand will emerge as winners.

(c) *Speciality chemicals*: Firms dealing in chemicals will see a jump due to increased demand for disinfectants, drugs and medicines.

(d) *Pharma*: Pharmaceuticals firms are set to see growth in near - term. Countries like China and India stand to benefit from low crude oil prices and a younger population which can kick in low - ticket consumption demand. While the world is currently dominated by right wing politician who propagate the concept of 'Make local, Consume local', the world will find comfort once again in the arms of capitalism. Free markets and abolishment of trade restrictions can be expected in the post-covid -19 era.

## CONCLUSION

This may be the time to reset. Never before has the world come to a standstill where one can pick apart the many moving pieces - like Tom Cruise in *Minority Report*. We have the opportunity to rethink everything. If we do things right, we may be able to fix challenges that face humankind - environmental damage, inequality etc. More importantly we must ensure something like this never happens again. History says that humankind has never learnt from history. Let's hope that it's a thing of the past.

## REFERENCES

- Sunil Kumar, Pratibha B Thombare & Pandurang A Kale (2020), Impact of coronavirus (COVID-19) on Indian economy, agriculture & food: e-newsletter
- Shruti Agrawal , Anbesh Jamwal , Sumit Gupta (2020), Effect of COVID-19 on the Indian Economy and Supply Chain, Preprints ([www.preprints.org](http://www.preprints.org))
- S. Mahendra Dev and Rajeswari Sengupta (2020), Covid-19: Impact on the Indian Economy, Indira Gandhi Institute of Development Research, Mumbai
- [https://covid19.who.int/?gclid=CjwKCAjwD3BRBIEiwAjVMMy7O3hUV80eo9TeTfCaYnf\\_pxYnepNdsTcgDKPa9cUen81Vq\\_PXXe4YRoCp2kQAvD\\_BwE](https://covid19.who.int/?gclid=CjwKCAjwD3BRBIEiwAjVMMy7O3hUV80eo9TeTfCaYnf_pxYnepNdsTcgDKPa9cUen81Vq_PXXe4YRoCp2kQAvD_BwE)

- <https://m.jagranjosh.com/general-knowledge/what-is-the-impact-of-coronavirus-on-indian-economy-1582870052-1>
- [https://home.kpmg/xx/en/home/misc/search.html?sp\\_p=any&q=india](https://home.kpmg/xx/en/home/misc/search.html?sp_p=any&q=india)
- <https://www.hindustantimes.com/india-news/economic-impact-of-covid-19-pandemic-to-vary-in-sectors/story-DIWjwnBZoON7ZUvgSMSFOL.html>
- <https://www.india-briefing.com/news/social-economic-impact-covid-19-india-recovery-potential-20202.html/>
- <https://www.coronatracker.com/country/india/>
- <https://www.ayush.gov.in/>