

Study on Impact of COVID-19 on Indian Economy

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Abstract: *March 12, 2020 was the day that the world saw WHO declare the COVID-19 a pandemic. And, till this day, this deadly outbreak is ruling all over the world. This bioweapon has been travelling from the Wuhan province of China to all over the other countries and continents, drastically impacting the population, health systems, markets and the whole economy globally. The various lockdowns all over the world completely took the world by a standstill pressing a pause button for everything including the fiercely big economy of India. Everything was put to a halt be it personal vehicles, public transport, gigantic industries, small businesses, corporate giants. Even after so much, the situation about the virus is still unclear. This unprecedented event is impacting the economy of our country massively and many measures have been taken to help people in terms of healthcare and security, huge amounts of funds were collected fanatically but, due to the prolonged country lockdown, the impact of all this lead to the downfall of our economy in ways unknown. According to the ministry of statistics, the growth rate of India went down to 3.1% due to the COVID-19 as stated by the Chief Economic advisor of GOI. Many employees have been laid off, others given a sharp salary cut mainly impacting the service and manufacturing sectors. To control the situation, PM has announced a budget of Rs 20 lakh thousand crores. In this paper, we have tried to cast some light on the economic status of India in the time of covid 19 and what all is going on the economic fronts in the country.*

Keywords: COVID-19, corona outbreak, Indian economy, worker lay off, Indian markets

1. Introduction

1.1 Main Objective

To study the impact of novel corona virus on the Indian Economy.

1.2 Specific Objective

- To determine the effects of Covid on Indian markets.
- To understand the future consequences that shall be faced by Indian markets and economy in general.

1.3 Research Question

- 1) How is COVID-19 impacting the Indian economy?
- 2) What might be the future consequences that the Indian economy will have to suffer?

1.4 Research Methodology

The type of research that will be used in this study will be of qualitative nature. Qualitative research aims to gather in depth understanding of the consequences in the country and the various types of governing behaviors. Data collection is done by continuously updating the authors knowledge on recent most updates and reading a multitude of research papers. The study design is descriptive. To formulate this paper, data has been taken from various articles published in the month of March, April, May and June 2020 to understand the impact of Covid on the Indian economy, and its various sectors such as healthcare, education, markets and pharmaceutical etc. Information from various sources was used to study the evaluation of the changes that occurred due to this Pandemic. Various search platforms such as pub-med, research gate and google were used. All the literature reviews taken are crosschecked with the name of the concerned authors and only official and ethical sources of data were used.

1.5 Rationale

This study has a very wide scope and need among the finance and economical sectors. The study is mainly focusing on the various aspects of the country's strengths and weaknesses, which, has drastically dropped because of the current situation. This study helps to gain a substantial amount of knowledge about all the factors affecting the Indian economy and identifies the various sectors which are the worst hit. It helps to determine the status of those big industries which were once thriving full shot but have now fallen and are fanatically using various measures and making policy level changes to sustain themselves. The outcome of this study which will be based on the aspects of strength and weaknesses, can be utilized by the Indian market and the entire economy.

2. Literature Review

India is the one of the most renowned Asian countries. But, the things are very swiftly moving to worst conditions. Cases are rising day by day and currently reaching above 4 lacs till now which is causing a steep economic decline. The country has been facing economic crisis and though we are living in the 21st century, our country has gone back atleast one decade. India is a country with a huge population and has the following income groups- low, middle and high. The spread of COVID-19 made the government impose restrictions on almost everything. Themajor sufferers in the population were migratory and daily wagers. Not only has the economyimpacted severely by this outbreak but, the biggest evil that is poverty has also reached a very high point. Government is providing funds, but it is difficult to reach everyone in the country.

Within months, the **unemployment rate rose from 6.7% on 15 March to 26% on 19 April 2020.** A harsh impact on the GDP of this country is that it has dropped down and India's growth projection is hitting the ground in the wake of corona virus. This sudden roadblock has cast a deep dent on

the economic market causing recession in various sectors like travel, hospitality, healthcare, industries and sports.

As per the reports of (Sunil et al., 2020), it was revealed that according to the UN reports, India's economy is adversely impacted by the slowdown of manufacturing in China and as India is in top 15 countries all this has disrupted the world trade as well. **Approximately 348 million dollars trade impact is estimated due to this pandemic.**

Trade economy mainly works on the demand and supply principle. But, the sudden stop in the country has led to an acute shortage of raw materials for industrial sectors because there is no supply of resources due to restrictions on travel. Consumption is also affected, due to unemployment and decrease in incomes. Demand and supply rules of economics have become unbalanced. Major affected sectors are tourism and aviation which are facing huge economic crisis. **According to the FICCI report 2020**, it is said that will be the year of shortages in demand and supply in the entire fiscal year.

According to the Asian Development Bank, it is clearly stated that Indian economy is under great losses due to COVID-19

outbreak, **approximately between \$387million to \$29.9 billion in personal consumption.**

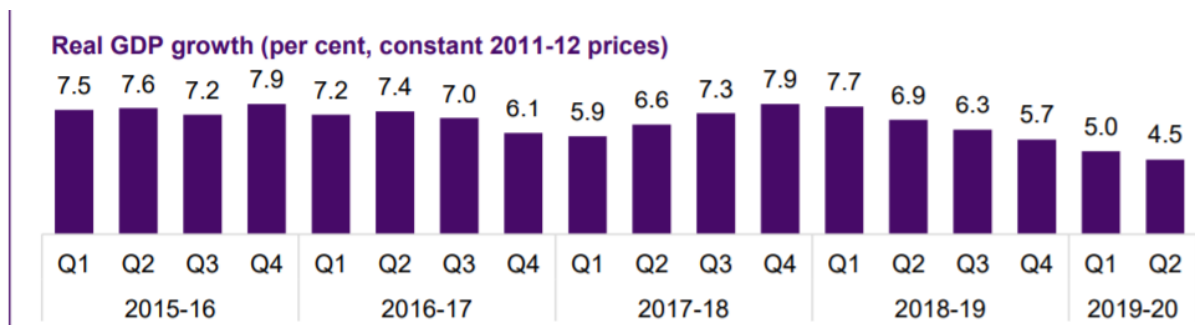
KPMG, which falls under the Big 4 consultancies reported that social distancing has proven to be very expensive. According to their reports, the most vulnerable are the low-income groups and the various unorganized marginalized sectors of India.

GDP of the country is declining continuously. The impact of outbreak has hit the entire nation's economy very badly and the nation-wide lockdown has brought majorly all the economic activities to a standstill.

There are three factors which mainly contribute to the economy-

- 1) Private consumption
- 2) Investment
- 3) External trade

All three have been heavily impacted due to the corona virus pandemic.



Source: Quarterly estimates of gross domestic product for the third quarter (Q3) of 2019-20, Ministry of Statistics and Programme Implementation (MoSPI) 28 February 2020, accessed on 24 March 2020

Consumption is the main component of GDP which is mainly highly hit due to this outbreak. Demand is reduced among people as there is a downturn on the incomes and people are being laid off. The first 21-day lockdown period and restrictions following it have adversely affected the availability of the commodities and raw materials for further production. Shutting down of the factories has created a shortage in production, ultimately affecting the availability of products which were of high demand in the markets.

Sectors which are mainly affected in area of consumption and their share percentages are:

Private final Consumption expenditure by purpose	Share, Percent
Food and non-alcoholic beverages	263
Alcoholic beverages, tobacco and narcotics	1.9
Clothing and footwear	5.8
Housing, water, electricity, gas and other fuels	13.7
Furnishings, household equipment and routine household maintenance	3.2
Health	4.5
Transport	17.6
Communication	2.7

Recreation and culture	0.8
Education	4.0
Restaurant and Hotels	2.2
Miscellaneous goods and services	17.2

Source: First revised estimates of national income, consumption expenditure, saving and capital formation, Ministry of Statistics and Programme Implementation (MoSPI), 31 January 2020, accessed on 24 March 2020

If we talk about the informal sectors, they too have suffered the economic brunt a lot. Almost 37% of all Informal sector workers who are mostly daily wage earners have faced and are still facing a high uncertainty of whether their wages will be provided to them or not. Daily wages are facing a dearth of money which is forcing them to migrate to their respective places back in search for food and security.

Top five states with highest informal workers (non-agriculture) are Punjab, Rajasthan, Andhra Pradesh, Chhattisgarh, Gujarat, and their share percentages are shown below:

States	Percentage share of informal workers (non agriculture)
Rajasthan	54.8
Punjab	51.8
Andhra Pradesh	51.0
Chhattisgarh	49.0
Gujarat	48.4

Source: Periodic Labour Force Survey, 2017-18

Note: per cent of wages/salaried workers who are not eligible for paid leave and do not have written job contract and enjoy social security benefits are considered as informal workers here

Sectoral Impacts

There are various sectors which are hugely impacted but, the main sectors which suffered major economic crisis are:

- 1) Aviation and Tourism
- 2) Education and skill development
- 3) Financial services
- 4) Food and Agriculture
- 5) Healthcare

Aviation and Tourism

It is the first and foremost severely hit industries. India has the fourth largest aviation market in the world and is going through major losses internationally. The only way of recovery is via domestic flights operation if the pandemic is controlled. According to the International Airport Transport Association, it is estimated that there is a loss of USD 252 billion to the industry and travel sector has shrunk up by 25% in 2020. This has resulted in a loss of 50 million jobs. In India, the potential job loss is around 38 million which is about 70% of total workforce.

Education and skilling

Education sector is badly impacted. Education, internships, almost everything is suspended. Examinations have been put on hold. Post the covid phase, new systems and a new academic calendar would be followed, directly aiming towards the fact that it would be tougher to get back on track. Jobs and placements will be impacted badly. Skill institutes, which were training more than 10 million people in India but, due to the lockdown and decrease in manpower this sector is facing tremendous losses. Schools are facing a halt in functioning from past 3 months and might hint on the termination of the academic year. Online learning is in full swing but, the students who are resourcefully not that well off or are in the government schools are suffering a lot. Students relying on the mid-day meal programs are facing hunger. Impact of COVID-19 is affecting the students in getting admissions at the various universities in the coming academic year.

Financial services

Finance industries are the main driving force for the growth of a Country and these are being hit badly by COVID-19 ultimately leading to the economic slowdown. Banks are under pressure as loans are overdue. Chances of insolvencies are huge, tax collection is prohibited, Govt. has no money to pay salaries to its employees.

Food and agriculture

There is macro impact of COVID-19 on the food and agriculture industry. Due to lockdown, except for essentials commodities all production activities were shut down leading to severe price fluctuations of various goods and increased demands of other raw materials and daily use products. Most affected in the food industry are restaurants. Shut down of the food outlets and online deliveries were a major impediment. E-commerce based food delivery platforms impacted, which provide employment to lot of people. Supply chain seems to be more challenging in the food industry.

Agriculture industry has not suffered that much and it has the highest priority. Under guidelines of government with certain restrictions, farmers were permitted to cut the rabi crops and allowed to grow paddy. Because agricultural sector has the highest demand and supply, it may not be neglected or stopped under any circumstances.

Healthcare sector

Due to this deadly outbreak, not only in India but globally it is realized that health is of utmost importance. So, contribution in this sector was increased by the government. Losses and economic crisis also have been seen in demand and supply arena.

Price variation has been seen in key drugs and consumables. Due to huge demand of masks, gloves, sanitizers in the market, shortage of supply occurred and hoarding of these items is being observed. Production of these consumables is being increased to compensate high demand.

Large count of covid cases has lead to the closure of all the OPDs and IPDs. Only emergency cases are allowed in the hospitals which is impacting the revenue of the hospitals where cashflows on all services is continued. Many healthcare organizations and hospitals have cut-off the salaries of employees.

Market uncertainty and low supply of all the medical equipment's is affecting the healthcare industry negatively. More advancement in the treatment protocols is demanded by the patients due to the fear of infection of COVID-19.

In this fear, people are getting more conscious about their health and are shifting towards health insurance. In this unprecedented time home healthcare services, teleconsultations, online pharmacy, and remote diagnosis is more in demand as people want services at their homes. These sectors are not facing much economic crisis.

In these hard times, people are becoming more alert and aware. Government contributes 1.25% to GDP to public health but after this covid phase, it is expected to increase up to 2.5% by 2025. Allocation of INR150 billion is made for healthcare industry to control COVID-19 outbreak. More than 2 million healthcare workers are doing their jobs tirelessly to control the situation. According to WHO recommendations, the ratio of patient and doctor is 1000:1 but to control the covid cases, the ratio is increased by upto 1500:1 in India. A huge fund is allotted to NHM and Ayushman Bharat.

3. Results

Following the sequel, it is very transparent that continuous increase in covid cases is eating up the Indian economy like termite. This downturn is quite different from all the recessions this country has ever faced in the past. Post crises will emerge the new normal and this will shake up the entire business cycle and economic activity to a totally different turning point. Business landscape will shift completely not only in India, but the world around. India's GDP has been on a consistent decline after a peak at 7.9 in Q4 of FY 2018 to 4.5 in Q2 of FY 2020. Being in the developing phase, impact of outbreak in India will last long. It will take more time get the things to settle down. Industries are being negatively impacted and there is a strong need to push the growth inducing activities to get it back on track.

4. Recommendations

Here are a few recommendations to deal with the economic crises:

- 1) Steps are being taken by the BJP government by allotting 20 lacs crore to turn the economy. There is for shift towards localization- "VOCAL BY LOCAL"
- 2) More power to "Digital India" – technology should be enabled in all the sectors.
- 3) Improvisation in supply chain network is a must.
- 4) Policies will need to evolve faster than market and policymakers will have to be more responsive, inclusive, and agile.
- 5) To increase liquidity and increase consumer confidence, the Government of India should provide a pay roll tax holiday for a quarter to help support demands in these stressful times.
- 6) Post covid with de-risking strategies, many countries will shift their businesses from china to other countries like India. So, there will be ample of great opportunities for India to stand back up again.

5. Conclusion

Corona outbreak is disaster and times like these are very uncertain to predict anything and we are surrounded with a lot of uncertainties. COVID-19 instigates some new challenges to market trends and economic activities. India has not started in a systemic manner to resolve this condition but there is need to put this issue on the highest priority. COVID-19 crises is expanding manifolds and new challenges are coming up. So, it is high time to realize the situation and we need to coordinate closely with this matter and throw light on new plans and operations. It is glaringly obvious that post covid, the new normal will emerge. Indians must be well versed and informed about the situation and buck themselves up to deal with it so. This will help the businesses and give directions to the economy.

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