

IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract

Covid-19 pandemic is affecting the Indian economy in various ways. It mainly affects on the social and economical health of the country. With a view to control the spread of Covid-19 pandemic, the government of India followed various announcements and policies. Such as lock down, social distancing, restriction on mobility of people, closure of non-essential commodities and businesses etc. All such approaches of the government of India created both positive and negative impact on the lives of people and overall on the economy of the country. Due to loss of job and production, the demand-supply chain was disrupted. And thus, the growth rate of the economy and various important sectors have been affected. The current paper is an attempt to discuss various impacts of Covid-19 pandemic on Indian economy and measures taken by the government of India to reduce its impact on the economy. The data used for the study is secondary in nature and the suitable statistical tools and techniques are applied for analysis.

Key-words: Covid-19, Indian Economy, Demand Supply Chain

1. INTRODUCTION

A sudden attack on the well going economy of India in terms of Covid-19 has been noted, which has paused normal social and economical life. The pandemic has severe impact on the government policies, budget and various sectors of the economy. In India, the number of cases increased gradually in the initial stage and thereafter it increased rapidly. So, to control the spread of Covid-19, the government of India imposed lockdown, social distancing, restriction on mobility of people, closure of non-essential commodities and various businesses etc. It has become the great challenge for the government of India, as it has very badly affected the GDP of the country in terms of loss of job, closure of production etc. that disrupted the demand-supply chain. Various fiscal and monetary measures have been declared by the government of India and the RBI to support businesses, households, financial institutions etc.

2. REVIEW OF LITERATURE

The Hindu (2020): Indian Growth rate for financial year 2020-2021 was expected very low by various credit rating agencies and the world bank. The expected growth rate was even lower than the economic reforms.

- Bloom et al. (2005) in their study about the possible impact of an Avian Flue Pandemic on the economy of Asia found that GDP of Asia was declined in 2006 due to psychological impact of the pandemic.
- Sharma (2020) in her research article stated that due to the pandemic the unemployment rate was increased and millions of people lost their jobs and livelihoods.
- Sengupta (2020) stated that impact of Covid-19 pandemic was clearly appeared on the GDP, which was noted the lowest, the rate of unemployment was increased and private sector remained stagnant that lead cut off purchasing power of the consumer.
- ILO (2020): Covid-19 pandemic has been declared as the global disease. The pandemic has created the worst impact on economy of the country. The rate of employment was dropped badly. In the core sectors of an economy, economic activities become very slow or stagnant.

3. RESEARCH METHODOLOGY

The current paper is purely based on the secondary data available on various websites, newspapers, research articles, magazines, various reports, journals etc. To know the impact of Covid-19 Pandemic on the growth of real GVA regression analysis is used.

4. OBJECTIVES

- To study the impact of Covid-19 on Indian economy
- To study the impact of Covid-19 on various sectors of the economy

5. IMPACT OF COVID-19 ON INDIAN ECONOMY

To stop the critical spread of Covid-19 pandemic, the government of India has imposed countrywide lockdown in India. Social distancing, restriction on mobility of people, closures of non-essential commodities etc. measures have been taken. In such situation almost all economic activities were stopped. The demand-supply chain has become instable. To be back in the routine life, the economy will take some time. Three core sectors of the economy were impacted tremendously.

Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Agriculture, Forestry, and Fishing	6.8	6.6	2.6	4.3	3.0
II. Industry	8.4	6.1	5.0	-2.0	-7.4
i.Mining and Quarrying	9.8	-5.6	0.3	-2.5	-9.2
i.Manufacturing	7.9	7.5	5.3	-2.4	-8.4
i.Electricity, Gas, Water Supply and Other Utility Services	10.0	10.6	8.0	2.1	1.8
III. Services	8.1	6.2	7.1	6.4	-8.4
i.Construction	5.9	5.2	6.3	1.0	-10.3
i.Trade, Hotels, Transport, Communication and Services related to Broadcasting	7.7	10.3	7.1	6.4	-18.0
i.Financial, Real Estate and Professional Services	8.6	1.8	7.2	7.3	-1.4
v.Public Administration, Defence and Other Services	9.3	8.3	7.4	8.3	-4.1
GVA at Basic Prices	8.0	6.2	5.9	4.1	-6.5

Source: rbi.org.in, Annual Report 2020-21

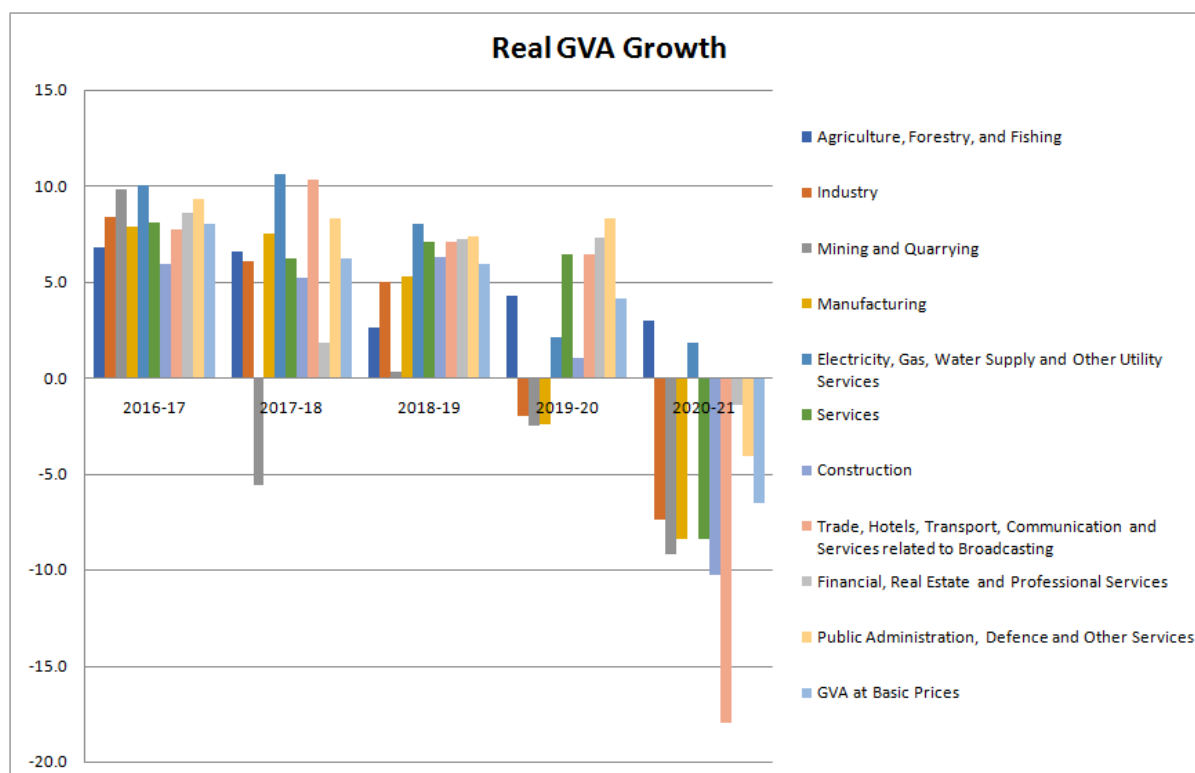


Figure: Real GVA Growth of Various Sectors

6. SECTOR WISE IMPACT OF COVID-19

Each and every sector of the economy has experienced the impact of Covid-19 at various levels. Here some of them are discussed in brief.

Agriculture and Allied Sector:

Agriculture production was not much affected by the impact of Covid-19, as harvesting of rabi crops and sowing of kharif crops was almost completed by the end of April 2020. However, the production in allied sectors like poultry, fisheries etc. had declined, which brought decline in demand of such products. Disruption in supply chain of agricultural commodities had increased prices of agricultural products.

International Trade:

In terms of international trade, India is closely associated with China. The trade impact for India is estimated to be the most for the chemical sector, textiles and apparel, automotive sector, electrical machinery, leather products, metals, wood products etc. According to UNCTAD, Covid-19 could impact on India's international trade about US \$ 348 million.

Manufacturing and Production:

As a result of lockdown, the manufacturing and production sector has to pay an extreme price. Many giant units have slowed down or stopped their production. A number of employees have lost their job or got cut off their salaries. A large number of workforce became migrants.

Tourism-Hotel-Hospitality Industry:

In India, many tourist places depend on tourism for their livelihood. Due to lockdown, social distance, restriction on mobility of people etc. have impacted tourism, hotel and hospitality industry very badly. A large number of travel plans, meetings, conferences, exhibitions etc. have been cancelled. Almost 90% bookings of hotels, flights, cruises etc. have been cancelled. As per the Indian Association of Tour operators, this sector may have loss of about ₹.8500 crore.

Aviation Industry:

Aviation industry is tremendously affected by the Covid-19 pandemic. As per the estimation of the International Air Transport Association, globally the passenger revenue loss could be of US \$ 113 billion. Ticket bookings dropped about 30%. Hence, air fares were declined by 20-30%. As per the data of the Ministry of Civil Aviation, almost 585 international flights have been cancelled. Some airlines have decreased the number of employees.

Stock Market:

The equity market has been started falling downwards. The BSE, S&P Sensex have started losing 23% of its value. In financial year 2020, the Sensex fell by 22 and mid-cap index by 26.5. Price to earning ratio also declined. Crash in the equity market is sign of emerging depression crisis in the economy.

H₀: There is no significant impact of Covid-19 pandemic on real GVA growth of various sectors of Indian economy.

H₁: There is a significant impact of Covid-19 pandemic on real GVA growth of various sectors of Indian economy.

Table-2 Regression Model Summary for Real GVA Growth of various Sectors of Indian Economy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 ^a	1.000	1.000	.0411

a. Predictors: (Constant), Services, Agriculture, Forestry, and Fishing, Industry

Table-3 ANOVA for Real GVA Growth of various Sectors of Indian Economy

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.650	3	44.550	26321.115	.005 ^b
	Residual	.002	1	.002		
	Total	133.652	4			

a. Dependent Variable: GVA at Basic Prices

b. Predictors: (Constant), Services, Agriculture, Forestry, and Fishing, Industry

Table-4 Regression Coefficients for Real GVA Growth of various Sectors of Indian Economy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.055	.063		-.874	.543
	Agriculture, Forestry, and Fishing	.156	.014	.053	11.512	.055
	Industry	.234	.007	.265	35.743	.018
	Services	.617	.006	.737	112.150	.006

a. Dependent Variable: GVA at Basic Prices

To know the impact of Covid-19 pandemic on real GVA of various sectors of Indian economy, regression analysis was conducted. In the above table, core sectors of the economic i.e. agriculture and allied, industry and service sector model summary is exhibited, which indicates that multiple correlation coefficient of model is 1.000 and the F-test shows whether the regression model is a good fit for the data. The output of ANOVA analysis for the model predicts $F(3,1) = 26321.115$, indicates that regression equation entered for impact of Covid-19 pandemic and various GVA of various sectors of Indian economy are significantly related.

The Unstandardized beta coefficient indicates how dependent variable varies with an independent variable when all other independent variable are held constant and standardized beta coefficient helps to compare the strength of each independent variable to the dependent variable. As shown in the above table, the impact of Covid-19 pandemic on GVA of various sectors of Indian economy by consulting the p-value of the t-test for predictors it reveals for agriculture, forestry and fishing $\beta = .053$, for industry $\beta = .265$ and for services $\beta = .737$ and the significance level is greater than .05. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, there is a significant impact of Covid-19 pandemic on real GVA growth of various sectors of Indian economy.

7. STRATEGIES AND CONCLUSION

To reduce the losses due to Covid-19 pandemic, the government of India and the RBI have announced a number of plans and strategies. Some of them are mentioned below:

- To promote or encourage the workforce 'Atmanirbhar Bharat Abhiyan' has been declared. Under this project various packages have been provided to uplift the lives of people.
- The credit limits for regular banking accounts has been increased.
- Credit facilities have been provided to affected sectors in friendly manner.
- A large number of people have lost their jobs, so to keep these employees the government insists the companies not to leave them and make their work in digital form.
- To support low income groups financially, various packages have been declared.
- Terms and conditions to pay taxes have been made flexible.
- The government has allotted financial aid for aviation.

The situation of Covid-19 pandemic has badly affected on the various sectors of Indian economy. The core three sectors of the economy i.e. agriculture and allied sectors, industry and service sectors have been impacted at a great level. The growth rate of each and every sector and overall the economy fell down. According to UN report, the Indian economy will be impacted by \$ 348 million. The figure may be more than the given as per the situation. A large number of people lost their jobs and became migrants. Hence, the rate of unemployment of the economy increased drastically. The government of India and the RBI are trying their level best to maintain the health of people and the economy. So various packages have been declared to push the economy.

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