

IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract

In the history of whole world December 2019 was in the news regarding the broke out of corona virus in the Wuhan city of China ,it was named as Covid-19.It was the ever expected situation which disturbed the total economy of all our the world. The disease of covid-19 resulted to the continuous lock down of all the economic activities except the emergency services and essential products. This created a severe downfall in the economy.Many people who are engaged in different business areas were distressed. The flow of income to Government sector and Private sector resulted in serious down fall. In present paper, an attempt is made to show the crisis in all the sectors in the Indian economy.

Keywords: Covid-19,Lock Down, Down Fall, Distressed, Economy, Impact.

INTRODUCTION :

Corona virus is the deadly virus which has rapidly spread all over the world within few days from China. Corona virus spreads from one person to other person in many ways, keeping in view of this situation, to make people aware and stop spreading of this dangerous virus ,almost all the countries took the decision of lock down of all the activities. So, that people may 'stay at home and stay safe'. Indian Government took this decision in the early stage of spreading of virus without the loss of citizens due to Covid-19.All the people of the country supported the Government and co-operated with the Government for successful continuation of lockdown for 68 days. But this lock down period has resulted in slow down of economy with the decrease in the income of the economy, many sectors were affected with this stand still of the economic activities. Coronavirus has disrupted the demand and supply chain across the country and with this disruption, it can be seen that the tourism, hospitality, transport and ,entertainment sectors are among the worst affected sectors and are facing the maximum impact of the current crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting the consumption of both essential and discretionary items. As the consumption of any product or services goes down, it leads to an impact on the workforce. In the current scenario, with all the retailers closing down their services, the jobs of the employees are at a huge risk.

OBJECTIVES OF THE STUDY

- 1.To study the economic impact of covid-19 on India.
- 2.To understand the most affected areas in the economy.

Impact on GDP

The [World Bank](#) and [credit rating agencies](#) have downgraded India's growth for [fiscal year](#) 2021 with the lowest figures India has seen in three decades since India's [economic liberalization in the 1990s](#). The former [Chief Economic Advisor to the Government of India](#) has said that India should prepare for a negative growth rate in FY21.According to the SBI Ecowrap report, the extension of the [lockdown](#) would result in economic loss of Rs 21.1 trillion or 6 per cent of the nominal Gross Value Added (GVA).India is heading towards a potential GDP contraction of 10.8 percent in FY21. This in turn will spark huge fallout of demand and jobs, and on top of its direct impact to sectors and companies, the collateral damage of the slowdown will be immense. India faces a potential loss of \$1 trillion, The threat to India's most vulnerable in terms of lost livelihoods, poverty and hunger cannot be emphasised enough if there is a 10% contraction of GDP, based on the firm's calculation, in this type of recovery, GDP in India is expected to contract by 5.3% in FY 2020-21 and grow by 2.8% in FY 2021-22.

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Impact on Financial market

The financial market has experienced uncertainty about the future course and repercussions of COVID-19. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to the fall of Sensex in the second week of March 2020. The fall has continued till May last week as investors resorted to relentless selling due to rising cases of coronavirus.

IMPACT ON MANUFACTURING SECTOR

The supply-side impact of shutting down of factories resulted in a delay in supply of goods from China which has affected a huge number of manufacturing sectors which source their intermediate and final product requirements from China. Some sectors like automobiles, pharmaceuticals, electronics, chemical products etc were impacted big time and even this impact is continuing as India not as rich as other countries like China, Japan U.S. etc., in the manufacturing sector, many spare parts and many high demanded products are from China until customers get addicted to purchase other products this situation may result with same negative impact.

Impact on Trade

The United Nations Conference on Trade and Development (UNCTAD), has suggested that India's trade impact due to the COVID-19 outbreak could be around US\$ 348 million. India is among the top 15 countries that have been affected most as a result of manufacturing slowdown in China that is disrupting world trade. For India, the overall trade impact is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, the automotive sector at 34 million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars. As per UNCTAD estimates, exports across global value chains could decrease by US\$ 50 billion during the year in case there is a 2% reduction in China's exports of intermediate inputs.

According to a survey by the Federation of Indian Chambers of Commerce & Industry (FICCI), the immediate impact of COVID-19 reveals that besides the direct impact on demand and supply of goods and services, businesses are also facing reduced cash flows due to slowing economic activity which in turn is having an impact on all payments including to those for employees, interest, loan repayments and taxes.

Implications on the workforce

Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp fall in demand due to lockdowns across the country. Undoubtedly, with this crisis impacting the business around the country, it created challenging situations for the workforce. Companies did not meet to the revenue targets hence, forcibly employers had cut down their workforce. The World Travel & Tourism Council has predicted 50 million tourism jobs getting eliminated because of the pandemic. Not only the employees of multinational companies, but daily wage workers specifically migrated workers have been impacted the most during this crisis.

The International Labor Organization has called for urgent, large-scale and coordinated measures across three pillars - protecting workers in the workplace, stimulating the economy and employment, and supporting jobs and incomes.

According to a preliminary assessment report, nearly 25 million jobs could be lost worldwide due to the coronavirus pandemic, but an internationally coordinated policy response can help lower the impact on global unemployment.

While on one hand, Indian employees are losing their jobs and receiving a salary cut, there is also an assumption that the majority of experts have gone back from India and they will take time to return. Different sectors such as automobile, banking and manufacturing employ a large number of experts. Indian companies need experts for several industry verticals and job functions such as after-sales services, business development and market audits.

For some of the sectors, the work-from-home proposition is posing implementation challenges as it has a direct bearing on the business operations. This is particularly true for manufacturing units where workers are

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required to be physically present at the production sites, and services sectors like banking and IT where a lot of confidential data is used, remote working can enhance security threats. Hence, companies operating in these sectors are finding it difficult to implement work-from-home facilities without compromising on their day to day operations.

As India is developing economy, it is stated that as an economy passing through demand depression and high unemployment and the lock down announced by Prime minister Narendra Modi on March 23,2020 has resulted in slow down of the supply of many products and services, due to lockdown all the transport services are also stopped and closed down all the public and private offices, factories and restricted mobilization of activities.

With an increase in the number of coronavirus cases, the government has locked down transport services, closed all public and private offices, factories, and restricted mobilization. Based on the recent studies, some economists have said that there is a job loss of 40 million people (MRD report) in the country, mostly in the unorganized sectors. In this scenario, prediction reveals that India is in recession affecting the unorganized sector and semi-skilled jobholders losing their employment.

The labour sector under the [MGNREGA](#), 2005 are worst impacted as they are not provided jobs due to lockdown, most of the labour sectors are associated with the construction companies and daily wage earners. Travel restrictions and quarantines affecting hundreds of millions of people have left Indian factories short of labour and parts, just-in-time supply chains and triggering sales warnings across technology, automotive, consumer goods, pharmaceutical and other industries.

If we refer to the recent measures announced by the government and the RBI to mitigate the impact of the pandemic, as said by the RBI governor, these are only for short term and may not deliver the desired results as the problem is severe and has been further aggravated by the lockdown.

Referring to the recent happenings and data, the unorganised sector excluding is likely to suffer a great downfall in the coming days as the job generation is going down in an alarming rate with the prolonged lockdown and weak GDP.

With the commencement of 2020-21 financial year the effects of coronavirus have affected the stability of the economy of 150 countries - jeopardizing 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.

Impact on service sector

Restaurants Services The [National Restaurant Association of India](#) (NRAI), which represents 500,000-plus restaurants across the country, has advised its members to shut down dine-in operations. This has shown impact on operations of thousands of dine-in restaurants, pubs, bars, and cafes. By extension, food delivery platforms such as Swiggy and Zomato that are by itself functioning have also taken a big hit. Orders on Zomato and Swiggy have dropped to nearly 80 percent in this pandemic.

Impact on Food and Agriculture

The food and agriculture sector contributes the highest in GDP i.e. 16.5% and 43% to the employment sector. The major portion of the food processing sector deals with dairy (29%), edible oil (32%), and cereals (10%). India also stands number one in dairy and spices products at a global scenario (export). The supply of the food and Agriculture products will be affected in the coming seasons due to low sowing of the upcoming seasonal crops which will affect the mandi operations as said by the Ministry of Agriculture. The companies which deal with Agro-chemical depend on export for finished goods and import of raw materials. Farmers are facing challenges in shifting the produce to market yards. They cannot effort to keep their goods in cold storages. The entire Darjeeling teabased industry has significant fall in revenue. Tea exports could drop up to 8% as a result. The food retail with the Central government and State governments allowing free movement of fruits and vegetables the Bricks and Mortar grocery retail chains are operating normally but with the shortage of staff is impacting operation.

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It is expected that with prolonged lockdown the demand for the food supplies will increase. The online food grocery, on the other hand, suffers a huge loss due to the restriction of delivery vehicles. With the shortage of labour, 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 work with low labour 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.

Impact on MSME

MSME: This sector contributes 30% to 35% of the GDP, showing a bifurcation of micro (99%), small (0.52%) and medium (0.01%) enterprise. If we see the sectorial distribution of MSMEs, it shows 49% from rural and 51% from the semi-urban and urban areas.

Maharashtra, Uttar Pradesh, Bihar, Tamil Nadu, and Madhya Pradesh have the highest number of registered MSMEs, a study by the AIMO estimated that about a quarter of over 75 million is facing closure if the closure goes beyond four weeks and if the lockdown still extends the situation would worsen affecting the employment of 114 million people affecting the GDP. Consumer goods, garments, logistics are facing a sharp drop in the business and the MSMEs engaged in the service sector are still operating, however, is likely to isolate due to plunging liquidity constrains and purchasing capacity.

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 announcement of a three-month moratorium on repayments of loan and reduction in the repo rate asmost of the MSMEs depends on the loan funding from the government.

Impact on Energy

India's fuel demand in April 2020 as compared to the previous year fell nearly 46%. Consumption of fuel was the lowest since 2007. Cooking gas (LPG) sales rose 12%.An [International Energy Agency](#) report in April estimated India's annual fuel consumption will decline 5.6% in 2020.

Impact on 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. It contributes 10% to the Indian GDP and showed a drastic in the employment sector in the FY19 viz 8%. Its major segments are the household and personal care products(50%), healthcare segment (31%) and the food and beverage sector (19%).

Atmist the social distancing due to threat of covid-19 the tendency of the consumers to overstock on essential product and commodities viz rice, flour and lentils. This gave rise in the sales of the FMCG companies which it saw fall in the stoke in trade due to distorted supply chain the e-commerce sector saw a dip in growth with pressure on the supply chain deliveries and the expectations of the consumers on the companies to come up with newer distribution channels focusing on direct to customer routes. In this soaring environment the managing and predicting of demand will play a vital role in the customer relation sector. Categorizing the commodities into part i.e. essential commodities and non-essential commodities showed different responses in the market.

Major results on Impact of Covid-19

- A significant 53 per cent of Indian businesses indicate the marked impact of the COVID-19 pandemic on business operations even at early stages.
- The pandemic has significantly impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow.
- The pandemic has had a major impact on the supply chains as more than 60 per cent respondents indicate that their supply chains were affected. The companies also highlighted that they are closely monitoring the situation and expect the impact of the pandemic on the supply chain to worsen further.

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- Organizations have brought in a renewed focus on hygiene aspects concerning the pandemic. Almost 40 per cent have put in place stringent checks on people entering their offices and disinfection. Nearly 30 per cent organizations have already put in place Work-from-Home policies for their employees.
- Nearly 42 per cent of the respondents feel that it could take upto 3 months for normal conditions to return.
- Above points stated mostly the negative impact of the lockdown, but we would miss out something if we do not acknowledge the growth of digital infused technological gain. With the advent of the lockdown most of the sector shifted their functioning online the MNC are utilizing their work from home option to carry on an uninterrupted work.

While these trends were already in the baby steps, they were forced to hit the fast-forward button. The digital world got such a push that the small retail sectors like the Bricks and Mortar stores are also using apps like Pay TM and other digital channels. The education sector is now completely based on the digital platforms the colleges and universities are conducting their routine classes being in the comfort of their home with various online platforms such as google classrooms, zoom, etc. they are also introducing new software to their curriculums such as digital campus where the students can access their college library, fee payments, online exams etc. This present crisis has highlighted the importance of investing in technologies like cloud data and cyber security, self-service capabilities and e-governance.

Measures announced by the central Government

The Atmanirbhar Bharat Abhiyan scheme (self-reliant India scheme) was announced in four tranches by the Union Finance Minister Nirmala Sitharaman in May 2020 to minimise the imports.

The economic stimulus relief package announced by the government is touted to be worth Rs.20 Lakh crores. This includes the already announced Rs 1.70 lakh crore relief package, as the PMGKY, for the poor to overcome difficulties caused by the coronavirus pandemic and the lockdown imposed to check its spread. The [Government of India](#) has announced a variety of measures to tackle the situation, from [food security](#) and extra funds for healthcare, to sector related incentives and tax deadline extension.

CONCLUSION

Economy needs people as much as people needs economy ,investments have come down to loss of faith by investors, though there is growth of demand. lower investments is due to the lack of confidence in the government and related institutions .Lower investments will further slowdown the economy recovery needs reforms , we have to restart our growth journey keeping our people at the forefront country should be courageous to list out failures instead of fooling the public with its non-existence achievements .Most of the Analysts believe that any recovery will take 2 years or more.

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