

Impact of Covid-19 on Indian Economy

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Abstract

The COVID-19 has impacted nations in an enormous way, especially the nationwide lockdowns which have brought social and economic life to a standstill. The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1 percent according to the Ministry of Statistics. The Chief Economic Advisor to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy. A world which forever buzzed with activities has fallen silent and all the resources have been diverted to meeting the never-experienced-before crisis. There is a multi-sectoral impact of the virus as the economic activities of nations have slowed down. This COVID-19 pandemic affected the manufacturing and the services sector like hospitality, tours and travels, healthcare, retail, banks, hotels, real estate, education, health, IT, recreation, media and others. The economic stress has started and will grow rapidly. In this regard, RBI is taking necessary steps to meet the crisis situation in the country. It came up with Business Continuity Plan in the emerging situation and is sharing instructions, by devising strategies between the staff member and other customers. With the background of the study, this paper is going to justify the impact of Covid-19 on Indian economy.

Key Words: COVID-19, Impact, Indian economy, Service sector, Economic life, Manufacturing

Introduction

The Covid-19 epidemic is the first and foremost human disaster in 2020. More than 200 countries and territories have confirmed effective medical cases, caused by coronavirus declared a pandemic by the WHO. India is a developing economy, it is stated as an economy passing through demand depression. The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. ***Indeed, even before the beginning of this pandemic, the worldwide economy was going up against choppiness by interruptions in exchange streams and weakened development. The circumstance has now been bothered by the interest, flexibility and liquidity stuns that COVID-19 has dispensed.*** This Corona Virus pandemic may wreck the Indian economy. The level of GDP may further fall, more so when India is not immune to the global recession. In fact, it is believed that India is more vulnerable.

However, the concrete plans would have to be kept in place to support the economy and its recovery. India faces a decline in growth of the income of the country as a whole. A fall in investor sentiment impacts privatization plans, government and industry. Fear of corona virus has limited the movement of the individuals. People were not even going to buy the daily essentials and these all were somewhere impacting the economy of the world as a whole. Developing countries like India has more fragile economic and social fabric and the present situation will create more suffering for the unorganized sectors and migrant labour. The former RBI governor C Rangarajan said that the Government of India must provide lifelines to businesses - extend loans and tax waivers to small businesses and the self-employed to retain staff give direct support to severely affected industries and provide more funds to states, tax waivers to households etc. With the background of the study, this paper explains the impact of Covid-19 on Indian economy.

Food & Agriculture

Since Agriculture is the backbone of the country and a part of the government announced essential category, the impact is likely to be low on both primary agricultural production and usage of Agro-inputs. Several state governments have already allowed free movement of fruits, vegetables, milk etc. Online food grocery platforms are heavily impacted due to unclear restrictions on movements and stoppage of logistics vehicles. RBI and Finance Minister

announced measures will help the industry and the employees in the short term. Insulating the rural food production areas in the coming weeks will hold a great answer to the macro impact of COVID-19 on Indian food sector as well as larger economy.

Aviation & Tourism

The contribution of the Aviation Sector and Tourism to our GDP stands at about 2.4% and 9.2% respectively. The Tourism sector served approximately 43 million people in FY 18-19. Aviation and Tourism were the first industries that were hit significantly by the pandemic. The common consensus seems to be that COVID will hit these industries harder than 9/11 and the Financial Crisis of 2008. These two industries have been dealing with severe cash flow issues since the start of the pandemic and are staring at a potential 38 million lay-offs, which translates to 70 per cent of the total workforce. The impact is going to fall on both, White and Blue collar jobs. According to IATO estimates, these industries may incur losses of about 85 billion Rupees due to travel restrictions. The Pandemic has also brought about a wave of innovation in the fields of contactless boarding and travel technologies.

Telecom

There has been a significant amount of changes in the telecom sector of India even before the COVID 19 due to brief price wars between the service providers. Most essential services and sectors have continued to run during the pandemic thanks to the implementation of the 'work from home' due to restrictions. With over 1 billion connections as of 2019, the telecom sector contributes about 6.5 per cent of GDP and employs almost 4 million people. Increased broadband usage had a direct impact and resulted in pressure on the network. Demand has been increased by about 10%. However, the Telco's are bracing for a sharp drop in adding new subscribers. As a policy recommendation, the government can aid the sector by relaxing the regulatory compliances and provide moratorium for spectrum dues, which can be used for network expansions by the companies.

Pharmaceuticals

The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. With a market size of \$55 billion during the beginning of 2020, it has been surging in India, exporting Hydroxychloroquine to the world, esp. to the US, UK, Canada, and the Middle-East. There has been a recent rise in the prices of raw materials imported from China due to the pandemic. Generic drugs are the most impacted due to heavy reliance on imports, disrupted supply-chain, and labour unavailability in the industry, caused by social distancing. Simultaneously, the pharmaceutical industry is struggling because of the government-imposed bans on the export of critical drugs, equipment, and PPE kits to ensure sufficient quantities for the country. The increasing demand for these drugs, coupled with hindered accessibility is making things harder. Easing the financial stress on the pharmaceutical companies, tax-relaxations, and addressing the labour force shortage could be the differentiating factors in such a desperate time.

Oil & Gas

The Indian Oil & Gas industry is quite significant in the global context – it is the third-largest energy consumer only behind USA and China and contributes to 5.2% of the global oil demand. The complete lockdown across the country slowed down the demand of transport fuels (accounting for 2/3rd demand in oil & gas sector) as auto & industrial manufacturing declined and goods & passenger movement (both bulk & personal) fell. Though the crude prices dipped in this period, the government increased the excise and special excise duty to make up for the revenue loss, additionally, road cess was raised too. As a policy recommendation, the government may think of passing on the benefits of decreased crude prices to end consumers at retail outlets to stimulate demand.

Healthcare Sector

Healthcare is the epicenter during this unprecedented global pandemic. Lack of medical investment and healthcare infrastructure are the biggest challenge for an effective response in India in a battle against the novel pandemic. Amid the rising cases lack of healthcare facilities like shortage of beds, lack of protection equipment. According to a survey conducted by LocalCircles, which included responses from over 17,000 individuals located in over 211 districts of the country, only 4 percent patients who needed an ICU bed were able to find one by going through the routine process while 78 percent are forced to use connections, clout to secure an ICU bed.

GDP Contracted

In the first quarter of the fiscal year 2021 India's Gross Domestic Product collapsed by 23.9 percent amid the coronavirus lockdown. The pandemic has led to an unprecedented shutdown of business, industries and services. From manufacturing to real estate, hospitality to mining, has been impacted as the economy records its sharpest drop in 41 years

Job Loss

The pandemic has wreaked havoc on the job landscape in India. According to the Centre for Monitoring Indian Economy (CMIE) about 21 million salaries employees lost their jobs during April-August. There were 86 million salaried jobs in India during 2019-20. In August 2020, the count was down to 65 million after 3.3 million jobs were gone in the particular month, mostly among the industrial workers and white collar workers, as per the CMIE

Income Loss for Vulnerable Section

The lockdown has impacted the disadvantaged groups with a greater magnitude. According to an analysis by Scroll, during the first two months of the lockdown, India's vulnerable section lost incomes amounting to as much as Rs 4 lakh crores, or nearly 2 percent of the country's annual GDP.

Suicide Rate

The ongoing pandemic has affected people's mental health majorly. According to the data compiled by a group of researchers at Jindal Global School of Law, suicide was the leading cause of over 300 non-coronavirus deaths reported in India from March 19 till May 2 due to the distress triggered by the nationwide lockdown.

Travel & Tourism Industry

Indian travel and tourism industry is one of the worst-impacted sectors by the coronavirus pandemic. According to the Confederation of Indian Industry (CII) and hospitality consulting firm Hotelivate. Tour operators, including both online and offline as well as inbound and outbound will lose \$4.77 billion. The entire value chain linked to Travel & Tourism is likely to lose around 5 lakh crore or US \$65.57 billion, with the organized sector alone likely to lose US \$25 billion

Hospitality Industry

The CII-Hotelivate report says that the shutdown which was initially expected to affect revenue streams till October have now indicated otherwise and only 30 percent of occupancy in hotels till the start of 2021. Currently hotels are seeing an 80 percent- 85 percent erosion in revenue streams. The hospitality industry, including branded and unbranded hotels, will incur a revenue loss of \$19.31 billion, as per the CII-Hotelivate research.

Metro Rail Services

The country has been under lockdown since March 25 due to the novel coronavirus outbreak, imposing strict curbs on activities and travel across the country. Ever since then the metro rail was also shut nationwide till the government lifted the restrictions and allowed the metro trains to resume services from September 7. While the services were shut, the metro

incurred huge revenue loss. On September 17, Union Housing and Urban Affairs Minister Hardeep Singh Puri told Lok Sabha that the Delhi, Bengaluru, Lucknow, Chennai and Kochi Metro Rail Corporation reported a combined loss of almost Rs 2,000 crore while the services were suspended during the lockdown.

Indian Railways

Amid the coronavirus crisis Railways had suspended all passenger services from March till May 3. During a web conference on July 28, Railway Board chairman VK Yadav said that the Indian Railways expects to incur revenue loss of up to Rs 35,000 from passenger train segment during the FY21 due to a fallout of train travel following the restriction to prevent the spread of COVID-19

Education Sector

The pandemic has disrupted the education sector as people are forced to stay at home. The schools and colleges remain closed ever since the nationwide lockdown was imposed. Many children are struggling to keep up with the challenges of online classes. Students and teachers in cities, towns and villages scramble to cope with the demands of the times. From September 21, students of class 9-12 were allowed to attend schools physically on a voluntary basis as per the government's Unlock 4 guidelines

Impact on Street Vendors

Livelihoods of street vendors which depend on being in public places have been hit hard by the unprecedented lockdown. With the absence of people during the lockdown, the city's vendors lost their source of income. Many were unable to feed their families, which led to starvation and deprivation. Even after the lockdown restrictions were lifted, many street vendors reported a drastic decrease in income as compared to the times before the pandemic outbreak

Conclusion

In view of the scale of disruption caused by the pandemic, it is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand & increased unemployment is going to alter the business landscape. Adopting new principles like 'shift towards localization, cash conservation, supply chain resilience and innovation' will help businesses in treading a new path in this uncertain environment. However, every crisis brings about a unique opportunity to rethink on the path undertaken for the development of a human being, community and society. The COVID-19 pandemic has a clear message for the Indian economy to adopt sustainable developmental models, which are based on self-reliance, inclusive frameworks and are environment friendly.

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