

## **IMPACT OF COVID-19 ON INDIAN ECONOMY**

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### **ABSTRACT**

Globally corona virus has produced an unstable environment for people. This has spread all over the world and called as a pandemic by World Health organization. This is stopped many of economic activities due to contagious disease and has no cured till date to fight with corona. It has produced economic impact on globe and India. It may produce recession in many parts of the world. The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The economy was already in a parlous state before Covid-19 struck. With the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. The magnitude of the economic impact will depend upon the duration and severity of the health crisis, the duration of the lockdown and the manner in which the situation unfolds once the lockdown is lifted. In this paper we describe the impact of the Indian economy.

Before reading in detail about the impact on the economy, firstly let's know about the corona virus. **COVID-19** is an infectious disease caused by the most recently discovered corona virus (SARS-CoV2). This new virus and disease were unknown before the outbreak began *in Wuhan, China, in December 2019*. Corona viruses (CoV) are a large family of viruses that cause illness ranging from the common cold to more severe diseases such as *Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV)*. The new corona virus is spread from one person to another primarily through respiratory droplets generated when an infected person coughs or sneezes. According to recent reports, it may be possible that people infected with the novel corona virus spread the virus before showing significant symptoms. Some patients with confirmed infections with the novel corona virus have showed little to no symptoms while others have become severely ill and died. Symptoms of infection include: Fever, cough and shortness of breath. At this time, it is believed that symptoms may appear in as few as 2 days or as long as 14 days after exposure. Scientists are working hard to understand this new virus and produce a vaccine. Antibiotics do not work against viruses; they only work on bacterial infections.

**Keywords:** *Covid-19, Indian economy and impact on economy.*

### **INTRODUCTION**

We are in the middle of a global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility and even lockdown of an entire country. These actions can potentially lead to dire consequences for economies around the world. In other words, effective containment of the disease requires the economy of a country to stop its normal functioning. This has triggered fears of a deep and prolonged global recession. On April 9, the chief of

International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the worst global economic fallout since the Great Depression in the 1930s, with over 170 countries likely to experience negative per capita GDP growth due to the raging corona virus pandemic.<sup>34</sup> The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. All of these individually have been pretty severe episodes. However, the Covid-19 which originated in China in December 2019 and over the next few months rapidly spread to almost all countries of the world can potentially turn out to be the biggest health crisis in our history. Many experts have already called this a Black Swan event for the global economy. India recorded the first case of the disease on January 30, 2020. Since then, the cases have increased steadily and significantly. At the time of writing of this paper (April 2nd week, 2020), and as shown in figures 1 and 2, India has recorded lower number of cases (6,825 total confirmed cases and 229 deaths) compared to other countries, especially those in the developed world, which have been badly affected such as the United States (3,95,030), Spain (1,46,690), Italy (1,39,422), Germany (1,08,202), France (81,095), Iran (66,220) and the United Kingdom (60,737) among others.<sup>5</sup> However according to experts, India appears to be at the early stages of the outbreak and could very soon get overwhelmed with a large number of cases. Globally there have been 1.4 million confirmed cases and close to 85,000 deaths (World Health Organization). All non-essential services and businesses, including retail establishments, educational institutions, places of religious worship, public utilities and government offices across the country will stay closed during this period and all means of travel have been stopped. This is by far the most 3 The name of the virus is SARS-COV-2 (Severe acute respiratory syndrome corona virus 2) which causes the corona virus disease 2019 referred to as Covid-19. Accordingly in our paper we use Covid-19 to refer to the disease and the Ministry of Health and Family Welfare. Data on cases from other countries is sourced from World Health Organization. Numbers in parentheses are total confirmed cases as of April 9, 2020. 3 far-reaching measures undertaken by any government in response to the pandemic. Given the patterns of transmission reported in recent days it looks likely that the lockdown might be extended beyond April 14, at least in some states. It is therefore not certain when the lockdown might be lifted for the country as a whole, what might happen once the lockdown is relaxed even in a phased manner, and how long will it take for normalcy to gradually restored. The lockdown period buys time to prepare the health system and to put together a plan of how to deal with the outbreak once the case-load starts accelerating. India's public health system is relatively weaker than other countries. The government spends only 1.5% of the total GDP on public health as a result of which the system is grossly underprepared to deal with a health crisis such as this.

This crisis comes at a time when India's GDP growth was already slowing down, and unemployment was on the rise owing to poor economic performance over the last several years. The precarious situation that the economy was in before getting hit by this shock will potentially worsen the effect of the shock. This is especially because the financial sector which is the brain of the economy has not been functioning properly and the macroeconomic policy space to respond to such a crisis is severely limited.

Earlier, Indian economy was primarily experiencing a demand slowdown whereas now both demand and supply have been disrupted. There are four channels through which the impact will get transmitted to output growth. These are: external supply and demand constraints due to global recession and disruption of global supply chains, domestic supply disruptions, and decline in domestic demand. The economic

shock will have impact on both formal and informal sectors.

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. The quarterly GDP growth has consistently fallen since Q4 of FY18. If there is a deviation in Q4 of FY19, as shown in the graph below, it is because the National Statistical Office (NSO) revised its data on February 28, 2020, drastically cutting down growth rates in the first three-quarters of FY19 (from 8% to 7.1% for Quarter 1; from 7% to 6.2% in Quarter 2 and 6.6% to 5.6% in Quarter 3. Referring to the recent happenings and data, the unorganized sector excluding this 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 corona virus 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.

### **Objectives Of The Study**

To study the Economy of India during Pandemic COVID-19.

### **Research Methodology**

The present study is based on the collection of data from secondary sources. Secondary data is obtained from the internet, various published and unpublished records, magazines and journals.

### **Impacts**

The trade impact of the corona virus epidemic for India is estimated to be about 348 million dollars and the country figures among the top 15 economies most affected as slowdown of manufacturing in China disrupts world trade, according to a UN report. Whereas according to Asian Development Bank (ADB) the Covid-19 outbreak could cost the Indian economy between \$387 million and \$29.9 billion in personal consumption losses . For India, the trade impact is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, 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. China has seen a dramatic reduction in its manufacturing Purchasing Managers Index (PMI) to 37.5, its lowest reading since 2004. This drop implies a 2 percent reduction in output on an annual basis. This has come as a direct consequence of the spread of corona virus (COVID-19). When we see the China's Share in total import to India, India's total electronic imports account for 45% of China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases from the world come from China. For automotive parts and fertilizers China's share in India's import is more than 25%. Around 65 to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India.

### **Sector-Wise Impact On Indian Industry**

- **Raw materials and spare parts:** Nearly 55% of electronics imported by India originate from China. These imports have already slid down to 40% in light of the corona virus outbreak and subsequent lockdown. As a countermeasure, India is considering the promotion of indigenous production in a bid to reduce dependency on a single market. Additionally, China is India's third largest export partner for export of raw materials like organic chemicals, mineral fuels, cotton, etc.; and a lockdown of the countries is likely to lead to a substantial trade deficit for India.
- **Chemical Industry:** Some chemical plants have been shut down in China. So there will be restrictions on Shipments/logistics. It was found that 20% of the production has been impacted due to the disruption in raw material supply. China is a major supplier of Indigo that is required for denim. Business in India is likely to get affected so people securing their supplies. However, it is an opportunity. US and EU will try and diversify their markets.
- **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 product 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. 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
- **Tourism:** Corona is also beginning to have an impact on the tourism business as many countries have banned travelers from China and other countries affected by the Corona virus. Due to this a large number of people have started canceling their journey for the coming months. This has been revealed in a survey of local circle.41 percent of the people surveyed said that they are worried about summer vacation because of Corona crisis, while 72 percent are cautious about it. At the same time, 16 per cent of the people believe that in the current circumstances they should not travel because it can affect the virus. Three percent people have no concern about the virus. According to a press release issued by the Ministry of Health, "Any visas and e-visas issued to citizens of Italy, Iran, South Korea and Japan have been issued on or before 3 March 2020 and those who have not yet entered India All visas are suspended with immediate effect. According to the International Air Transport Association (IATA), the aviation industry is expected to lose at least \$ 63 billion in passenger business. This estimate does not include the loss of freight trade.
- **Pharmaceuticals:** Due to the havoc of Corona, there is a shortage of medicines in medical stores. Chemists in all cities are ordering sanitizers and masks, but they have not been able to get delivery of goods for a week. Now that many Indians are collecting medicines, sanitizers and masks, these goods are being sold at a price higher than the maximum retail price. According to Trade India.com, the largest Indian company in the wholesale online business, the demand for sanitizers and masks has increased by 316 per cent in the last three months. Trade India COO Sandeep Chhetri told the BBC, "India's manufacturing industry has increased its production manifold to meet this demand. Demand

for such other personal protective products is also increasing in India and in the rest of the world. The manufacturing sector is also trying to take advantage of this. However, in view of the scarcity of mask and hand sanitizer and black market in view of Corona virus, the Central Government has declared them as 'essential items'. These products will remain 'essential commodities' till June so that their black market can be curbed and available at affordable prices.

- **Auto Industry:** Its impact on Indian companies will vary and depend upon the extent of the business with China. China's business no doubt is affected. However, current levels of the inventory seem to be sufficient for the Indian industry. If the shutdown in China continues then it is expected to result in an 8-10% contraction of Indian auto manufacturing in 2020.
- **Electronics Industry:** The major supplier is China in electronics being a final product or raw material used in the electronic industry. India's electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.
- **Foreign Trade:** China has been India's largest source of imports since 2004-05, shows data from the Centre for Monitoring Indian Economy (CMIE) database. In 2018-19, the latest period for which annual data is available, it had a share of 13.7% in India's total imports. Any major disruption in the Chinese economy can disrupt these imports and hence both production processes and supply of consumer goods in India.
- **Stock markets:** Impact of COVID-19 on National Stock Exchange of India NIFTY 50 (1 Jan 2020 to 19 May 2020). "The NIFTY 50 is NSE's benchmark broad based stock market index for the Indian equity market."

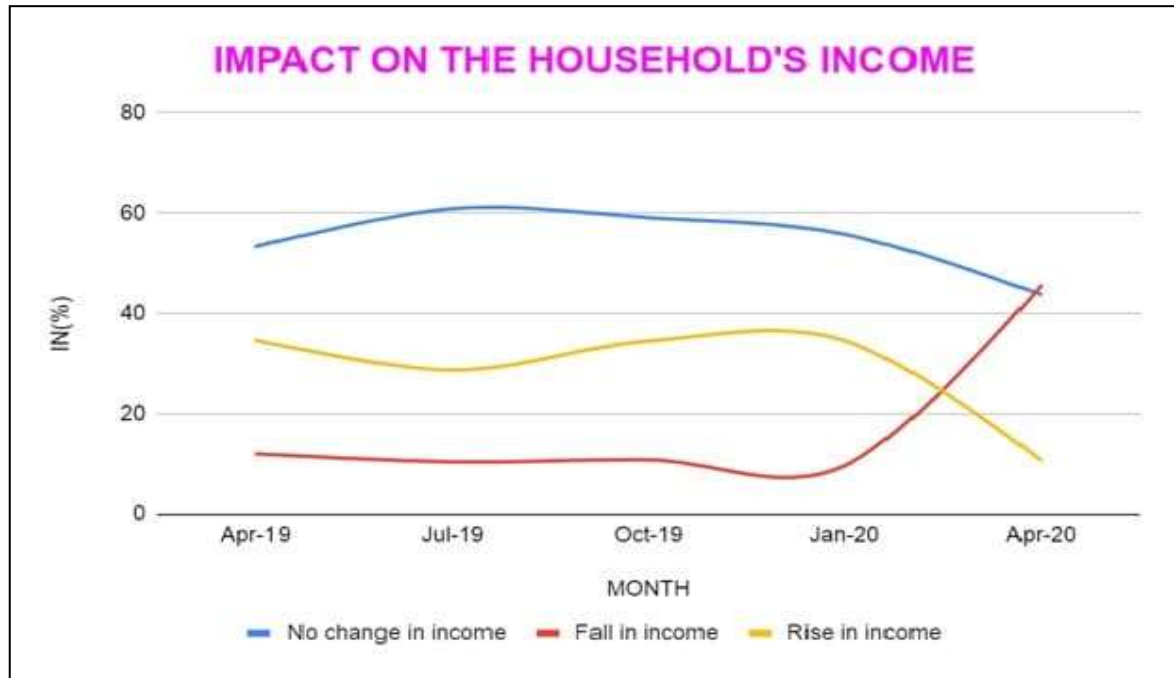
On 23 March 2020, stock markets in India post worst losses in history. SENSEX fell 4000 points (13.15%) and NSE NIFTY fell 1150 points (12.98%). However, on 25 March, one day after a complete 21-day lock-down was announced by the Prime Minister, SENSEX posted its biggest gains in 11 years, adding a value of Rs4.7 lakh crore (US\$66 billion) crore for investors. On 8 April, following positive indication from the Wall Street that the pandemic may have reached its peak in the US, the stock markets in India rose steeply once again. By 29 April, Nifty held the 9500 mark.

### **Impact On Household's Income**

The nationwide lockdown, much to expectations, has hit household's income. All kinds of households--whether based on primary, secondary and tertiary activity or region-wise rural as well as urban--have received a blow. The CMIE provides a quarterly estimate of proportions of households classified under 'no change in income', 'fall in income' and 'rise in income'. The figure below shows that there is a steep rise in proportions of households reporting 'fall in income' after January 2020. The proportion has increased from a mere 12 percent in April 2019 to a whopping 48 percent by April 2020.

In 'no change in income' category, there were 53.3 percent households in April 2019 but after two quarters, the proportion rose to 60.9 percent in July 2019. In pre-lockdown January 2020, it was 55.8 percent, but in post-lockdown period-April 2020 it declined steeply to about 44 percent. Similarly, in post-

lockdown period, the proportions of households reporting 'rise in income' have come down drastically to 11 percent, as opposed to 35 percent in April 2019. This simple statistic reveals the impact of halting of economic activities and the consequent loss of livelihoods to millions of households in India.



## Health Hazards, Economic Risks

COVID-19 has posed serious challenges for the Indian economy--both in terms of health hazards and economic risks. With lockdown extended further till 17 May, its implications would be grave, given the large size of population and heavy dependence of workers in the informal economy. Due to uncertainties, measuring the full impact of this crisis is not possible now. Its impact will begin to show only in times to come. Nonetheless, preparedness in terms of policy responses is imperative in order to contain the spread of virus and further economic slowdown as well.

Most of the measures taken by the government, such as targeted cash transfers and tax benefits, exclude the vast army of informal economy workers. In such a case, only a universal self-targeting welfare scheme is the effective measure. The idea of Universal Basic Income and a national-level Employment Guarantee Scheme on the lines of the already successful MGNREGA, need to be pushed by the government in order to respond effectively to the pandemic costs bearing upon the poor and the marginalized.

## Conclusion

Based on the above description, it can be said that the Corona virus epidemic is ruining India's economy with the whole world in the form of a circumcision epidemic, which is impacting various sectors of the economy, which causes India's GDP Getting affected. 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, since its economy has already been ailing and in a deep-seated slowdown for several quarters, much before the COVID-19 outbreak became known. The Prime Minister of India has already spoken of setting up an

Economic Task Force to devise policy measures to tackle the economic challenges arising from COVID 19, as also on the stability of Indian economy. However, the concrete plans would have to be kept in place to support the economy and its recovery.

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