

## **ECONOMIC IMPACT OF COVID 19 IN INDIA**

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### **ABSTRACT**

*The present pandemic situation has adverse deep impact on Indian business. Domestically the impact of the coronavirus pandemic COVID-19 could lead to slow down in domestic demand. This will result in erosion off purchasing power do too job losses or pay cuts and slow- down effect deferred demand will have a longer-lasting impact on different sectors especially where demand is discretionary in nature. India's real GDP depleted to its bottom in over six years during for Q 2019-2020. India's growth for next year 2020-2021 is for-casted in between of 5.3% to 5.7%. The COVID 19, or corona virus, pandemic as revealed many weaknesses in the global system. Despite our accumulated experience in crises management, this virus has been able to isolate us all in our homes. COVID 19 has caused severe description for the Indian economy. The current corona virus pandemic could lead to a 4% permanent loss to real Indian gross domestic product (GDP). It is estimated for India's gross domestic product (GDP) growth rate to 1.9% for 2020-2021 this will be the lowest after India recorded growth rate at 1.1% in 1991-1992 the COVID 19 has disrupted major sectors, it's clearly evident that various sectors tourism and aviation, telecom, auto sector, transportation are most impacted sectors that are facing negative repercussions of the present disaster. In the given situation, with all retail sectors shutting down their business the lively hood of the workers are at optimum risk. The government of many countries as given support to the employers to pay salaries to their employees. The present study is under taken to study the impact of COVID 19 in various sectors considering the data which are secondary in nature, different appropriate statistical tools and techniques are applied for analysis and conclusions. On the basis of finding recommendations are suggested to over these adverse situation.*

**Keywords:** *Tourism and aviation, Telecom, Auto, GDP.*

## **INTRODUCTION**

The outbreak of COVID-19 has enormously impacted nations, especially the nationwide lockdowns which have brought social and economic life to a standstill. A world that 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. A 2019 joint report from the WHO and the world bank estimated the impact of such a pandemic at 2.2% to 4.8% of global GDP. That prediction seems to have come true, as we see the world getting engulfed by this crisis. On March 24, 2020, Prime Minister Narendra Modi, imposed a nationwide lockdown that remained in effect until May 31, unlike other countries (such as Germany, Italy, and Thailand), the lockdown in India did not help in containing the spread of coronavirus. Infection cases kept on increasing despite India being in lockdown. Except for some essential services and activities, the rest of India's \$2.9 trillion economies remained shuttered during the lockdown period. Economic activity came to a grinding halt in the country. The lockdown had devastating impacts on an already slowing economy and people's livelihoods as shops, eateries, factories, transport, services, and business establishments were shuttered. As per official data released by the Ministry of Statistics and Program Implementation, the Indian economy contracted by 23.9% in the April-June quarter of this fiscal year. This is the worst decline ever recorded since India started compiling GDP statistics quarterly in 1996. India's GDP contraction was worse than any of the world's biggest economies. Except for China, most major economies witnessed GDP contraction in the April-June quarter of 2020, but India posted the steepest quarterly decline, far worse than the US (9.1%) and Italy (17.7%), two countries severely hit by the coronavirus pandemic. We also keep in mind that GDP calculations in India do not fully capture the economic activity in the informal sector, which accounts for more than 50% of gross value added. As informal sectors of the economy have been worst hit by the pandemic, India's GDP contraction during April-June could well be above 35% if informal sectors are considered. For the Indian economy, private consumption and investment are the two biggest engines for growth. During the first quarter of 2020, private consumption accounting for 59% of India's GDP declined by 27%, while investments by private businesses fell by 47%.

## **OBJECTIVES OF STUDY**

1. To understand impact of Covid-19 on overall Indian Economy
2. To understand impact of Covid-19 on different sectors
3. To find out the challenges for different sectors in Indian economy
4. To understand the students preception towards economic impact of COVID 19

## **RESEARCH METHOLOLOGY**

The current study is based on primary data and required data were collected from websites, convenient sampling was used in the study. Sample of 200 response were selected for the study and the primary data were collected from google questionnaires only. Secondary sources have been used to collect information about COVID 19 and Indian economy through journals, articles, research reports and government documents were reviewed to get the insight of the previous intervention that the stakeholders and policymakers have already in place. To analyse the questionnaire results tools of simple percentage analysis, regression and nonparametric (chi-square) test have been used and the pilot survey was conducted.

### ➤ **Data collection:-**

#### **1) Primary data**

The primary data that is collected by researchers directly from main sources through interviews, surveys. It is collected from the source where the data originally originates from and are regarded as the best kind of data in research.

#### **2) Secondary data**

The secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. It is collected from the books and internet.

## **Impact on Financial Market –**

Greater uncertainty about the future course and repercussion of Covid-19 has also made the financial market extremely volatile, leading to huge crashes and wealth erosion, which in turn is impacting consumption levels. One of the major slides in the domestic equity markets was seen on March 12, when following the trend of the global equity markets, both the BSE Sensex and NSE Nifty crashed by more than 8% in a single day. The BSE Sensex dropped over 2,919 points – its biggest one-day fall in absolute terms while the NSE Nifty dropped by 868 points. An estimated Rs 10 lakh crore of market cap was reportedly wiped off due to this single day fall. The fall has continued till date as investors resorted to relentless selling amid rising cases of coronavirus. On March 19, Indian equity markets again plunged to new low. Sensex closed 581 points lower at 28,288 and Nifty fell 205 points to end at 8,263. With equity markets likely to remain volatile in future as well, further wealth erosion of investors is expected.

### **Impact on International Trade**

China has been a major market for many Indian products like sea food, petrochemicals, gems and jewellery etc. The outbreak of coronavirus has adversely impacted exports of these items to China. For instance, the fisheries sector is anticipated to incur a loss of more than Rs 1,300 crore due to fall in exports. Similarly, India exports 36% of its diamonds to China. The cancellation of four major trade events between February and April is likely to cause an estimated loss of Rs 8,000-10,000 crore in terms of business opportunity for Jaipur alone. India also exports 34% of its petrochemicals to China. Due to exports restrictions to China, petrochemical products are expected to see a price reduction.

### **India's Growth Projections Revised Down**

Given the challenges that the businesses and people are facing currently, the Indian economy is most likely to experience a lower growth during the last quarter of the current fiscal. In case the spread of corona virus continues, growth may remain subdued in the first quarter of FY 20-21 as well. Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both global and the Indian economy.

### **Need for Policy Intervention**

There is an urgent need to take immediate steps to not only contain the spread of the virus but also to address the key pain areas of the industry which can help in minimising the impact of the outbreak on the Indian economy and businesses. A combination of monetary, fiscal and financial market measures is needed to help the businesses and people cope with the crisis. Therefore, to be able to frame correct actions and policy measures, it is important to understand clearly the specific problems that people and businesses are facing currently. This alone can enable government to take appropriate measures.

## **Sectoral Impact and Losses**

### **Sectors witnessing demand slowdown due to outbreak of Coronavirus**

#### **Agriculture & Food Processing**

Agriculture and allied activities sector is likely to be adversely hit by the Coronavirus scare. In fact, the poultry sector is already being affected severely. The poultry sector which is the fastest growing sub sector of India agriculture eco-system and where the country has created a foothold at the global level (India is the third largest producer of eggs and fifth largest producer of broilers) is already facing losses to the tune of 150-200 crore each day. The social media has been spreading misinformation by correlating Coronavirus infection to consumption of meat and poultry products. This has caused enormous destruction in demand for poultry products and the prices realized by farmers have crashed to Rs 10-15 per kg – whilst the production cost of about Rs 70 - 80 per kg. Furthermore, the prices of several commodities including soybean, maize and chana have fallen. Once the rabi crop will start arriving in the market from second week of April, mandis are going to see large gatherings of farmers. There is a need to ensure preventive measures to avoid the spread of virus in rural areas.

#### **Aviation**

Aviation is amongst the worst affected sector amidst the Covid-19 crisis that has taken the scale of a pandemic. According to the International Air Transport Association, airlines globally can lose in passenger revenues of up to US\$ 113 billion due to this crisis. Airfares have also come under pressure<sup>7</sup> due to nearly 30% drop in bookings to virus affected destinations. As a result, airfares to such destinations have fallen by 20-30%. Domestic traffic growth is also gradually being affected with domestic travellers postponing or cancelling their travel plans. Some companies have reported more than 30% drop in domestic travel this summer compared with last year. Airfare in the popular domestic routes have been reduced by 20-25% and airfares

are expected to remain subdued for the summer season as well. According to the data available with the Ministry of Civil Aviation, nearly 585 international flights have been cancelled to-and-from India between February 1 and March 6 because of the outbreak of coronavirus. Cash reserves of airline companies are running low and many are almost at the brink of bankruptcy. Moreover, the crisis could lead to loss of many jobs. Already, some airlines have asked many of their staff/employees to go on leave without pay. The airline industry needs an urgent bailout from the Government.

### **Education**

Schools As the covid-19 disease spreads wide across the country, the State governments have ordered closure of schools and educational institutes until March 31 st, 2020, which may even be extended in case the disease is not contained. In some place, examinations have also been postponed. The closure of educational institutions has hampered the studies of children. As such, the schools may increasingly turn to online mode of teaching during this transitory phase.

### **Private security services**

The Indian personal security market was estimated at INR 57,000 crore (~USD 8.8 billion) in 2016 and is likely to touch INR 99,000 crore (~USD 15.2 billion) by 2020 and INR 1.5 lakh crores (~USD 23.1 billion) by 2022 (as per latest industry estimates). The private security industry is amongst the largest employers in India. The total employees in the sector today stand at approximately 8.5 million securing thousands of establishments across the country. At a time when a virulent pandemic has sneaked into India, Private Security Industry is playing a very critical role in managing the establishments with adequate controls, restricted movements and temperature checks. In order to be able to continue to provide this vital support, the Government needs to take certain urgent measures.

### **Retail**

The outbreak of Coronavirus is having a severe impact on people, economy and business. As responsible corporates, all retail players are adopting necessary preventive actions to ensure safety of their employees and customers. The end objective is to ensure easy and uninterrupted availability of essential food and grocery products at affordable prices so that people don't panic. During these critical times, it is imperative for all stakeholders to come together. Given the widespread effect of COVID, business across sectors is looking gloomy, impacting

economy at large. Shutting down of malls has severely hurt business for all retailers. This could lead to major job losses as companies won't be able to sustain this for too long.

## **FINDINGS**

- 1) Mid and longterm strategies are required to stabilize and motivate the economy during this recession.
- 2) Instand support measures have to be initiated and adopted for those who can drop through the cracks.
- 3) The COVID 19 pandemic affects the manufacturing and the service sectors- hospitality, hotels, education, media and others.
- 4) There are many people who are losing their jobs and incomes in the formal and inform in the society.
- 5) Global economic recession and increase in poverty level in society. This may lead to financial crises such as a decline in monitory value, share market values and purchasing power of people.
- 6) Some people may face various kinds of stress social stigma and depression condition due to malfunction of social system.
- 7) COVID 19 have a big impact on the countries GDP. It has been lower than the average GDP.
- 8) Possible social conflicts or conflicts of interests in the subsystem and this may lead towards the social system some institutions and organisations may not possess sufficient capacities to find remedial solutions to fill the gaps and issues.
- 9) The pandemic situation will directly influence the sustainable development goals (SDGs) defined to be achieved by 2030.
- 10) Certain social classes may display their egoistic ideologies at the time of accumulating primary or essential goods and services. This may cause some negative attitudes amongst other social classes by creating conflict of interests.

## **SUGGESTIONS**

- 1) There is a need to reduce the cost of funds through a reduction in policy rates.
- 2) There is a need to increase credit limits for all banking accounts by 25 percent.

- 3) There is a need to raise expenditure on public health to maintain adequate supplies to manage the problem of COVID-19: medicines, medical kits for the medical professionals, masks, gloves, more health clinics, more hospitals, etc
- 4) Government and RBI should direct all banks not to reduce and eliminate the offering of loans under project delays situation because of Covid-19.
- 5) Government and RBI should direct all banks not to reduce and eliminate the offering of loans under project delays situation because of Covid-19.
- 6) There is a need to provide reasonable and more straight forward terms for credit to those sections of businesses that are adversely affected and to those who will stop production activities due to lockdown decisions of government
- 7) There is a need to provide income support to low-income families through Direct Benefit Transfer. PM Kisan Yojana is already doing it or farm households. Farmers should be supported by giving Minimum Support Prices for their harvests. There is a need to provide relief programs to those farmers who have lost their output due to unseasonal rains and weather harshness.
- 8) Ensure liquidity to surplus levels and give individual liquidity facilities to those banks, companies, NBFCs that are bearing financial strain because of risk factors in the financial market or due to massive demand shock.
- 9) There are large numbers of people who will lose their jobs in many sectors like the retail, hospitality, travel and construction industry, etc., so the government is required to provide some incentives to employers to keep the five workers until coronavirus problem.
- 10) Shipments from China have started to arrive though the ships are not being allowed to unload their products in India due to fear of Covid-19. The government should find ways to facilitate the safe and fast unloading of shipments in India. Work out a mechanism to reduce quarantine delays at ports.

## **CONCLUSION**

The Covid-19 pandemic had not only created fear of getting affected among people but also affected their day-to-day living. The pandemic duration and magnitude depend on how quickly the virus could spread, the time taken to find a vaccine, and how effective the Indian government measures would be to improve the economic health. This chapter discussed the

impact in general to some important economic indicators and also covered the sectoral impact of India. The lockdown restrictions are removed one by one part to boost the economy and pick up the level of economic activity. The Indian government announced and brought into action many relief measures and policies to revive and recover the economic losses incurred because of the lockdown. It is suggested for the Indian government to analyse economic reform measures in long term. Also, companies in every sector are taking serious measures and optimizing their work procedures to cope up with the situation. However, there is much hope that soon vaccination would be developed and the people of all the countries can get back to normal life. Yet the Covid-19 pandemic crisis had provided an opportunity to India as an economy to learn, adapt, and recover from these kinds of unique circumstances.

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