



IMPACT OF COVID-19 PANDEMIC ON INDIAN ECONOMY: AN ANALYSIS

Dr. Adepu Venkata Ramana,
Assistant Professor of Economics,
Government Degree College, Thorrur,
District Mahabubabad, Telangana State, India

Abstract: The outbreak of Covid-19 pandemic in China in 2019 is such one type of worst impact on world after influenza in the decade of 1911-20. The socio-economic conditions of every country and every person are affected by covid-19. The lockdown imposed by almost all countries in the world to prevent the virus spread, worsened the daily life of human beings.. There is decline in growth rate, production, employment opportunities, business transactions and increase in inflation etc. are economically impacted aspects. Due to the Covid-19 pandemic, the Governments have to take various measures like lockdown, diverting the funds to increase the health facilities, medicines and vaccines, support the front warriors financially and morally. The world economic growth rate declined as well as of India. This article is intended to understand the Covid-19 pandemic origin, spread worldwide, to assess the impact on Indian Economy and to know the sectoral changes in India during the Covid-19 pandemic. As per the data revealed by the Ministry of Statistics, India's growth rate was fallen to 3.1 percent in the Quarter 4 of the 2020 Financial Year. The unemployment has risen to 26% in April, from 6.7% in March 2020. The Indian economy was likely to lose \$4.5 billion every day during the first phase of lockdown period from 25 March to 14 April 2020. The economic loss expected to almost \$2.8 trillion in the country during complete lockdown period. The area sown under Kharif and Rabi crops and the production of wheat and rice has been steadily increasing over the years. The area sown under food grains in the Kharif cycle of 2021-22 was higher (743 Lakh Hectars) than in the previous year (732 Lakh Hectars). During the first lockdown period in March 2020, the industrial output declined in core industry and indices. All the sectors in Services registered negative growth in the covid-19 period. The negative growth is very high in respect to Trade, hotels, transport, communication and services related to broadcasting with -18.2 in 2020-21. Anyhow, the Covid-19 made learnt new things in all sectors of economy viz. work from home, online payments, increased use of technology, health awareness, telemedicine, social distance, online teaching and learning.

Index Terms: Covid-19, Indian Economy, Agriculture, Industries, Services

1. INTRODUCTION: There is proverb that History Repeats. The outbreak of Covid-19 pandemic in China in 2019 is such one type of worst impact on world after influenza in 1911-20 decade. After 100 years almost such type of pandemic reoccurred. It is a biggest blow to world economy after the great economic depression, 1929-30. It has an impact on world in all aspects that the modern world history may be written as world before covid-19 and after. The countries irrespective of developed and under developed suffered a lot with the pandemic. Even the advanced countries with well equipped health facilities are also unable to control and cope with up in facing the pandemic. In this case the situation of middle income and poor countries is worse in the battle against the covid-19. The socio-economic conditions of every country and every person are affected by covid-19. The lockdown imposed by almost all countries in the world to prevent the virus spread, worsened the daily life of human beings. Of course, like the two sides of coin, covid-19 has impact of positive as well as negative on the world. There is decline in growth rate, production, employment opportunities, business transactions and increase in inflation etc. are economically impacted aspects. There are anxiety, loneliness, quarrels in the families, decrease the human relations etc., found in social impact. In health sector, practicing experimental methods on patients, costly treatment in hospitals, following the indigenous treatments other than Allopathy i.e. Ayurvedic, Naturopathy, Unani, Siddha, Homoeopathy are utilized by the public, research and development of medicine and vaccines, Awareness on health issues also enhanced in the country. The social media plays vital role in spreading the positive and negative information worldwide such a speed than the virus spread. In India also, covid-19 has impact in all the above aspects. Repeated waves of infection, supply-chain disruptions and, more recently, inflation have created particularly challenging times for policy-making. The Government of India's immediate response was a bunch of safety to cushion the impact on vulnerable sections of society and economic sector (Economic Survey 2021-22). The Government of India has taken many precautions and economy boosting activities to minimise the impact of Covid-19 on Indian Economy.

2. REVIEW LITERATURE: The Covid-19 pandemic is causing unprecedented disruptions to economic activities across countries worldwide, and India is no exception. The complete lockdown and presently the ongoing partial lockdowns have both demand-side and supply-side effects on the Indian economy. On the supply side, the restrictions of movement of goods, services and personnel affect the production networks (Sahoo and Ashwani, 2020). The impact of the virus spread to lead to a huge loss as international trade is mostly affected. The Indian growth model generally depends on the export-led-growth (Mishra, 2019). It can be noticed sever impact on Indian Economy due to the lock down. It is expected to plunge in a range of 13-32 per cent under

optimistic and pessimistic scenarios, respectively on the international trade (WTO, 2020). McKibbin and Fernando (2020) used the Computable General Equilibrium (CGE) modeling and explained that global GDP would be reduced by around US\$ 2.4 trillion in 2020 under a low-end pandemic taking in to consideration the Hong Kong Flu as a reference point. Ozili and Arun (2020) revealed the spillover effects of Covid-19 and opined that the lockdown and social distancing measure of virus controlling led to the shutdown of financial markets, corporate offices, businesses, industries and events which in turn may have significant impact on the economy. International Labour Organization (ILO) estimated the total value added of industrial enterprises in China declined by 13.5% during the first 2 months of 2020 (National Bureau of Statistics of China, 2020). There are numerous projections and estimations by institutions and research scholars impact of Covid-19 pandemic on the economic aspects. In its latest estimations in June 2020, IMF projected that the global economy may shirk by 4.9% to almost three times more than Global Financial Crisis and the Indian economy is likely to witness 4.5% negative growth for the 2020.

3. STATEMENT OF THE PROBLEM: Due to the Covid-19 pandemic, the Governments have to take various measures like lockdown, diverting the funds to increase the health facilities, medicines and vaccines, support the front warriors financially and morally. The economic activities are almost minimized due to lockdown which leads to low production, shut down of marginal firms, removal of employees from work. The world economic growth rate declined as well as of India. As the world economies connected with foreign trade, the Globalization acted as medium of worsening the economies of various countries in the pandemic period. In India also the covid-19 pandemic brought changes in all sectors of economy. The agriculture, industry and services sectors in India are adversely affected by Covid-19 pandemic. The long march of migrant labours in India from the place of work to their home places during lockdown, in which time of transport system and the toll of deaths in the journey, shows the severity of the Covid-19 pandemic. The decline of the stocks of food and related items, increase in rate of inflation, non availability of works to do, no wages etc. deeply worsened the state of poor people in country. In this back drop, it is oblige to study the sectoral changes and impact of Covid-19 pandemic on Indian Economy.

4. OBJECTIVES: This article is intended

- To understand the Covid-19 pandemic origin, spread worldwide
- To assess the impact on Indian Economy
- To know the sectoral changes in India during the Covid-19 pandemic

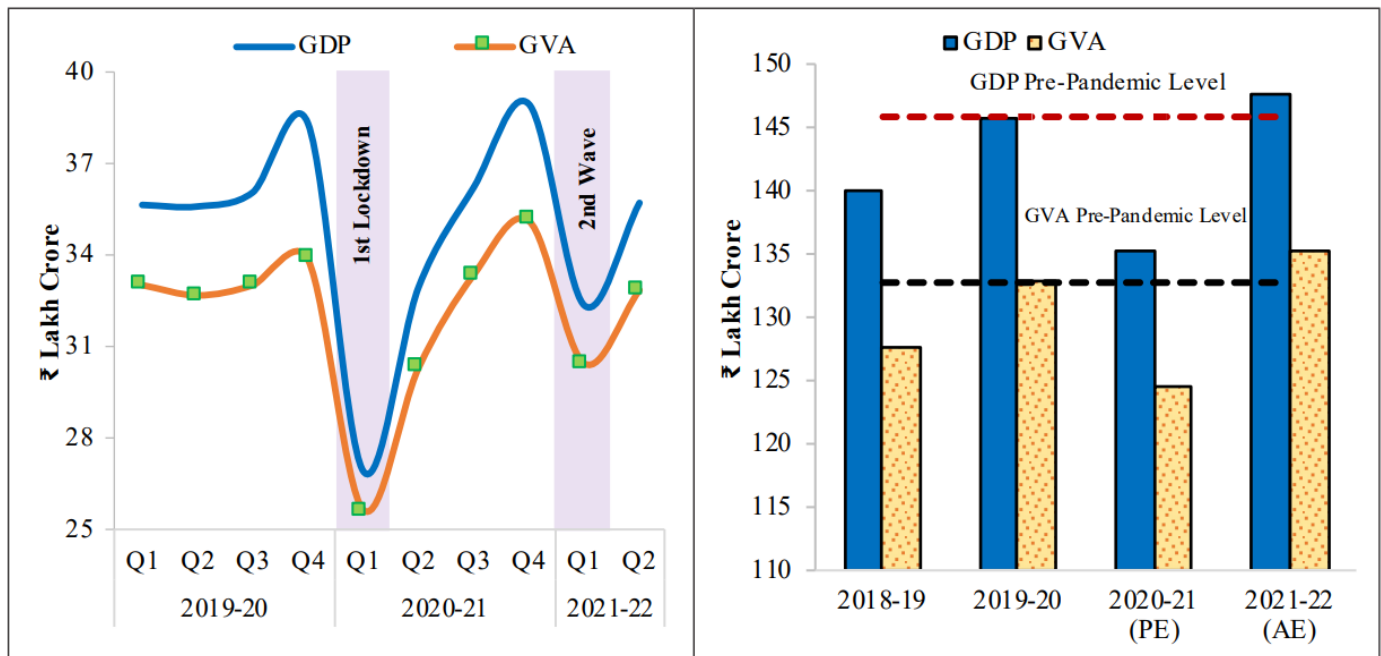
5. METHODOLOGY: The present study is based on the secondary data collected from various Journals, Text Books, News Papers, Reports and Websites etc. And, different published and unpublished data of Public and Private Institutions are also referred. The data analyzed and assessed the impact of Covid-19 pandemic on Indian Economy.

6. COVID-19: Covid-19 is a contagious disease caused by a newly discovered corona virus (Novel Corona Virus) called SARS-CoV-2. The first case of Novel Corona Virus (Covid-19) was reported in the month of December, 2019 in Wuhan province, China. Then it has very fast spread all over the countries in the world. The people affected by the novel corona virus would develop mild to moderate respiratory illness depending upon their immunity power and health status. In general, children and older people are more vulnerable to covid-19 as they have low immunity power. People with reported health problems such as heart disease, diabetes, chronic respiratory disease like pneumonia and cancer are also more vulnerable to be attacked by corona virus. The symptoms of Novel Corona Virus are cough, fever, shortness of breath or difficulty in breathing, muscle or body aches, sore throat, loss of taste or smell, diarrhea, headache, fatigue, runny nose and nausea or vomiting etc. Though, the 98% of the Covid-19 positive cases are reported recovery, many are losing their life to the virus due various causes. There is still no perfect vaccine for corona virus, people are advised to maintain social distancing, frequent washing of hands and wearing of the face mask to prevent them from the virus infection and spreading (World Health Organization, 2020). These precautions only protect the people from Covid-19 pandemic.

7. IMPACT ON INDIAN ECONOMY: The Lockdown has put an immediate end to almost all economic activities nationwide. The fluctuations of demand and supply, taken place during the lockdown, are continuing though the lockdown has been lifted. It will take time to the Indian Economy to return to its normal state. As per the data revealed by the Ministry of Statistics, India's growth rate was fallen to 3.1 percent in the Quarter 4 of the 2020 FY. The unemployment has also risen to 26% in April 2020 from 6.7% in March 2020. Almost 140 million people lost their employment during the lockdown period and others got salaries cut. The Indian economy was likely to lose \$4.5 billion every day during the first phase of lockdown period from 25 March to 14 April 2020. The economic loss expected to almost \$2.8 trillion in the country during complete lockdown period.

Figure 1 reveals the Gross Domestic Output's fluctuations during Covid-19 period. It can be seen the 'V' shaped growth rate in GDP. The GDP has declined in First Quarter of 2020-21 due to Lockdown and then recovered. Again in First Quarter of 2021-22 GDP declined. It has been staging a sustained recovery since the second half of 2020-21 in Indian Economy. Though the second wave of the Covid-19 pandemic in April - June 2021 was more severe from a health point of view, the economic impact was muted compared to the national lockdown of the previous year. Advance estimates suggest that GDP will register an expansion of 9.2 per cent in 2021-22. It shows that the level of real economic output will surpass the pre-Covid level of 2019-20 (Economic Survey, 2021-22).

Figure 1: Gross Domestic Output (Constant Prices, Base Year: 2011-12)



Source: Economic Survey 2021-22

Table 1: Annual Growth of GVA at constant (2011-12) prices (per cent)

Sectors	2019-20 (1st Revised Estimates)	2020-21 (Provisional Estimates)	2021-22 (1st Advance Estimates)	Recovery over 2019-20.
1. Agriculture & Allied Sectors	4.3	3.6	3.9	107.7
2. Industry	-1.2	-7.0	11.8	104.1
Mining and Quarrying	-2.5	-8.5	14.3	104.6
Manufacturing	-2.4	-7.2	12.5	104.4
Electricity, Gas, Water Supply & Other Utility Services	2.1	1.9	8.5	110.5
Construction	1.0	-8.6	10.7	101.2
3. Services	7.2	-8.4	8.2	99.2
Trade, Hotels, Transport, Communication & Services related to Broadcasting.	6.4	-18.2	11.9	91.5
Financial, Real Estate and Professional Services	7.3	-1.5	4.0	102.5
Public Administration, Defence & Other Services	8.3	-4.6	10.7	105.6
GVA at basic price	4.1	-6.2	8.6	101.9

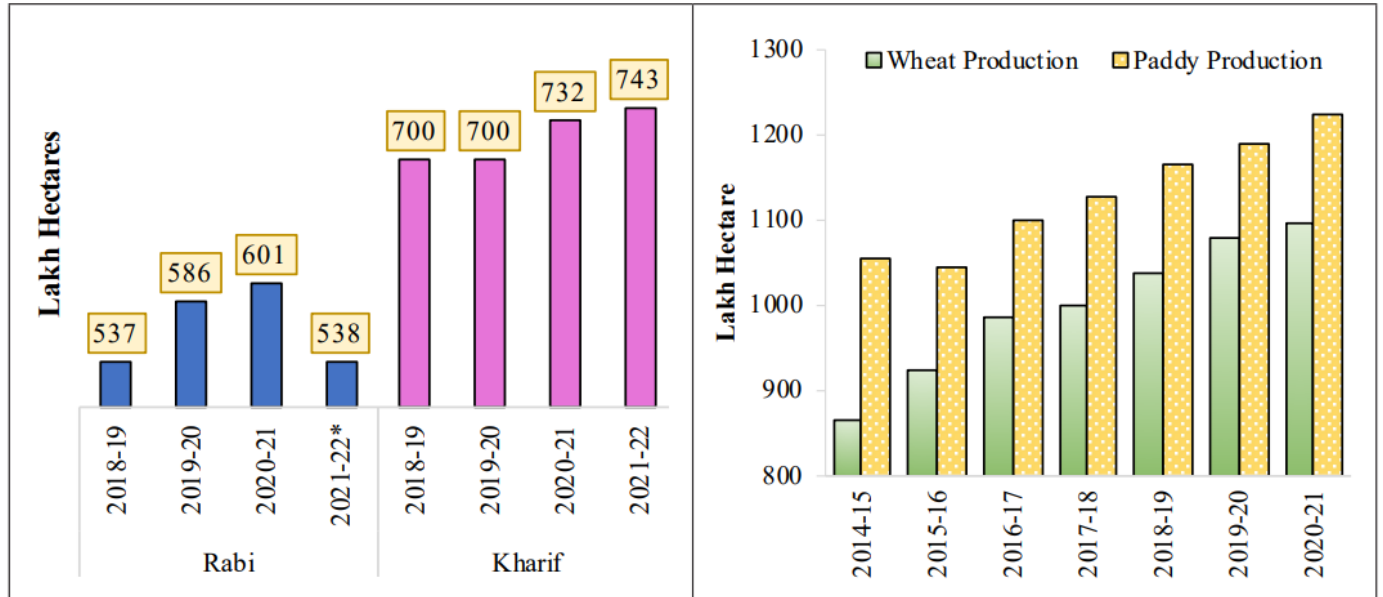
Source: NSO

The Table 1 shows the Annual Growth Rate of GVA at constant prices of 2011-12. Due to Covid-19 pandemic situation and lockdown, the Agricultural Sector and Allied Sectors recorded decline growth rate from 4.3 in 2019-20 to 3.6 in 2020-21 and slightly increased to 3.9 in 2021-22. The industrial Sector was already in minus growth rate -1.2 in 2019-20 to further more minus growth -7.0 in 2020-21. This sector recovered in 2021-22 with a growth rate of 11.8 recording the 104.1 recovery over 2019-20. The Mining & Quarrying and manufacturing recorded negative growth while Electricity, gas, water supply & other utility services and Construction recorded positive growth during the Covid-19 pandemic period. In the case of Service sector, there is decline in growth rate to -8.4 in 2020-21 compare to that of 7.2 in 2019-20. Again the services sector recovered with 8.2 in 2021-22. All the sectors in Services registered negative growth in the covid-19 period. The negative growth is very high in respect to Trade, hotels, transport, communication and services related to broadcasting with -18.2 in 2020-21. Financial, real estate & professional services and Public administration, defence and Other Services are also registered negative growth in 2020-21. Later the services sector recovered with a 99.2 recovery over 2019-20. The GVA is declined with -6.2 growth rate in 202-21 compared to that of 4.1 in 2019-20. And, it registered as growth rate 8.6 in 2021-22 with a recovery of 101.9 over 2019-20.

8. IMPACT ON AGRICULTURE SECTOR: The covid-19 pandemic shown adverse impact on Agriculture and Allied activities. Due to the shutdown of hotels, restaurants, tea stalls, and transport restrictions reduced the demand for fresh agricultural commodities. The farmers in general and the farmers producing perishable commodities such as fruits and vegetables in particular faced problems in marketing their produce as transport facilities are stopped. During the lockdown period, perishable agricultural commodities such as fruits and vegetables were become wasted. And, the farmers were unable to harvest and send those commodities to market. Most of the farmers sold their produce at low price to get some revenue in the local market. The wage rate has declined as migrant workers came from cities to rural areas. There is a notion that rural people would be get infection to the Covid-19 contacting the returned migrant workers. However, it is observed that the spread of the virus is not as fast as expected in the urban areas as the density of population is low in rural areas. When compared with urban people the ability of the rural people is low in meeting their health expenditure, hence, they lack in coping the virus infection. Enough vigilance should be given in containing the virus infection in the rural areas (Sahoo and Ashwani, 2020).

Figure 2 : Area Sown under Food Grains

Figure 3: Production of Wheat and Rice



Source: Economic Survey 2021-22

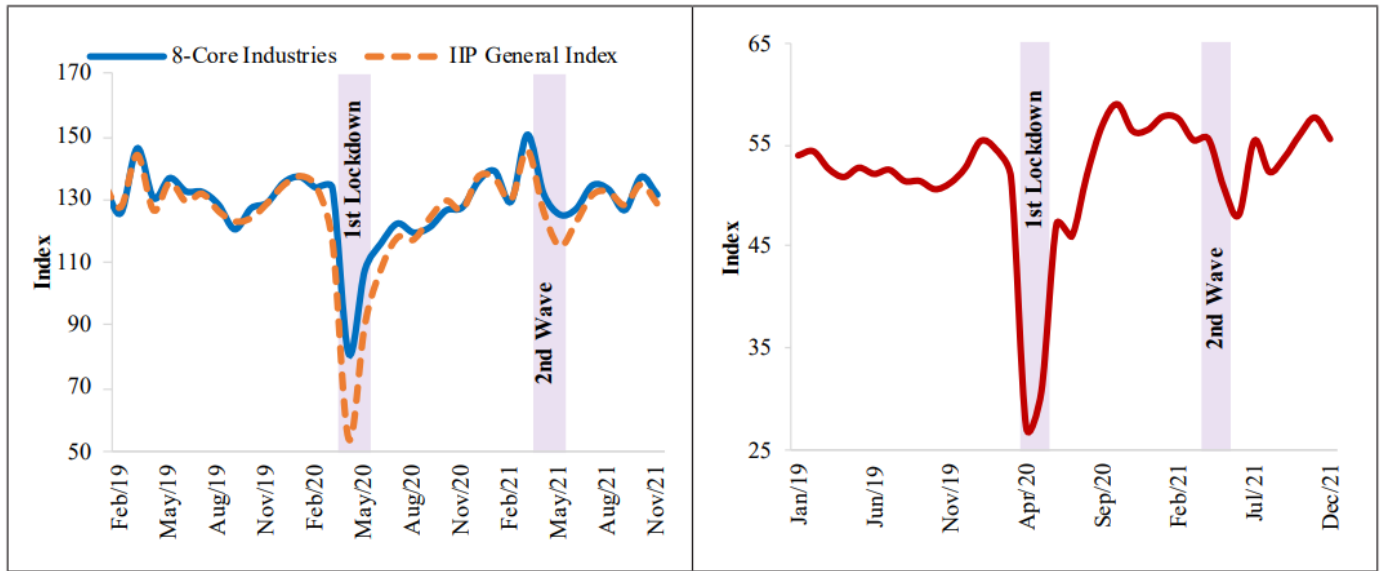
As shown in Figures 2 and 3 above, the area sown under Kharif and Rabi crops and the production of wheat and rice have been steadily growing over the years. The area sown under food grains in the Kharif cycle of 2021-22 was higher (743 Lakh Hectares) than in the previous year (732 Lakh Hectares). In the current year, food grains production for the Kharif season is estimated to post a record level of 150.5 million tonnes. The national wide policy of procurement of food grains under the central pool maintained its increasing trend in 2021-22 along with minimum support prices (MSP) which promises for national food security and farmers' incomes (Economic Survey, 2021-22).

The Government of India has taken a number of policy measures to protect the agriculture and allied sectors from the adverse impact of the Covid-19 pandemic situation and lockdown. Rs.1 lakh crore was allotted for the agriculture sector. Rs. 20,000 crores was allotted for the welfare of the fishermen. Rs.10,000 crores was allotted for the improvement of the micro food industries. Rs.15,000 crores was allotted for the development of animal husbandry. Rs.4,000 crores was allotted for the promotion of herbal cultivation. Rs.500 crores was allotted for the development of beekeeping with many other initiatives and Rs.500 crores was allotted to improve the marketing infrastructure for the fruits and vegetables. Government is continuously taking many initiatives to protect the agriculture sector. However, the steps taken by the Government is inadequate, Government should increase its spending for pandemic relief to meet the needs of the agriculture sector to ensure the higher growth rate of the agriculture sector in the coming period (Balamurugan P., 2021). Then only the Agriculture sector may fully recovered.

9. IMPACT ON INDUSTRIAL SECTOR: In the month of November, 2021, the Index of Industrial Production (IIP) and Core Industry indices have both followed a similar pattern and went past their pre-pandemic level for the corresponding month of 2019. Figure 4 shows the Industrial Output trends. During the first lockdown period in March 2020, the industrial output declined in core industry and indices. The Purchasing Managers' Index-Manufacturing, which is widely used, has remained in the expansionary zone (i.e. over 50) since January 2021 except for one month when the second wave had slowed down economic activity as shown in Figure 5 below.

Figure 4: Industrial Output

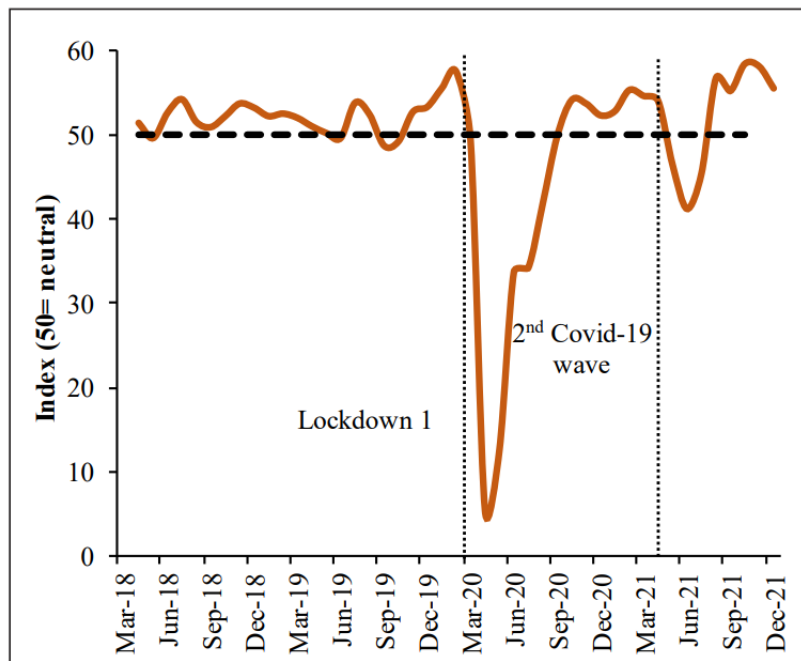
Figure 5: PMI Manufacturing



Source: Economic Survey

10. IMPACT ON SERVICE SECTOR: Services sector is accounting for more than half of the Indian economy’s GDP. It was the most impacted sector by the COVID-19 related restrictions, especially for activities that need human contact. Although, the service sector first contracted by 8.4 % in 2020-21, it is estimated to grow by 8.2% in 2021-22. It may be noted that there is a wide dispersion of performance by different sub-sectors in Services. Both the Finance and Real Estate and the Public Administration areas are recovered and now well above pre-COVID levels. However, segments like Travel, Trade and Hotels are yet to fully recover. It should be added that the stop-start nature of repeated pandemic waves makes it especially difficult for these sub-sectors to gather. There is increase in Services GVA with the trend in high frequency indicators such as Purchasing Managers Index (PMI) Services Index, freight and passenger traffic point to a pickup in economic momentum (Economic Survey, 2021-22). As shown in Figure 6, Services PMI Index shows a steep decline during First Quarter of 2020-21 FY due to lockdown and then recorded a recovery stage in remaining Quarters. And, in Second Quarter of 2021-22 FY also it is registered as light decline in Services PMI Index.

Figure 6: Services PMI Index



Source: Economic Survey 2021-22

11. CONCLUSION: The covid-19 pandemic originated in China and spread worldwide in a short period and shown adverse effect on almost all economies in the world. In India also we can see the changes in all sectors in economy due to covid-19 and lockdown to control the spread of virus. Among the three sectors in Indian Economy, only Agriculture and Allied sector registered slightly declined growth rate during Covid-19 pandemic period whereas other sectors i.e. Industrial and Services Sectors registered negative growth rate in its sub sectors also. Later in 2021-22, all the three sectors recovered over the situation in 2019-20. Anyhow, the Covid-19 made learnt new things in all sectors of economy viz. work from home, online payments, increased use of technology, health awareness, telemedicine, social distance, online teaching and learning.

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