



HOW CAN INDIA CONTAIN THE ECONOMIC IMPACT OF COVID-19?

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ABSTRACT –

This Article talks about “How can India contain the Economic Impact of Covid-19”. The outbreak of the pandemic Covid-19 is an unprecedented shock to the Indian Economy. This article is divided into three parts. In the first part there is a brief “Introduction about Covid- 19 and how it has affected Indian Economy”.

In the second part of the article we have assessed “What are the impacts of Corona outbreak on various sectors such as – Aviation Sector, Retailers, Education and Educational Institutions, Automobiles Sector, Realty Sector”.

In the third part of the article there is a brief conclusion about the Covid- 19 impacts on Indian Economy and how the countries have witnessed major transformations such as – better health care services, maintaining hygiene and sanitization, social distancing etc.

Keywords - Covid-19, pandemic, Indian Economy.

INTRODUCTION –

The entire world is facing humanity’s biggest crisis since World War II. Almost every country has been affected by the devastating Corona virus disease (COVID-19). An outbreak from China has reached everywhere. Undoubtedly, the Corona virus has put the world economy at a major risk. The Economic Impact of the Pandemic Corona Virus in India has been largely disruptive. The World Bank had initially downgraded India's growth for fiscal year 2021 with the lowest figures India has seen in the three decades since economic liberalization in the 1990s. After the announcement of the economic package in mid-May, India's GDP estimates were downgraded to even more negative figures, signalling towards a deep recession. On 26thMay, CRISIL has announced that this will be India's worst recession since independence.

Within a month of the Pandemic in India, unemployment rose from 6.7% on 15th March to 26% on 19th April. During the lockdown, an estimated 140 million people lost employment. The Indian economy was expected to lose over ₹32,000 crores (US\$4.5 billion) every day during the initial 21-days of complete lockdown, which was declared on 25th March, following the corona virus outbreak. The workers in the informal sectors and the daily wage groups are at the highest risk. A large number of farmers around the country who grow perishable goods are also facing uncertainty as well as various businesses such as hotels and airlines are also at the high risk and are cutting salaries and laying off their employees.

The Government of India has announced various measures to tackle the pandemic situation of our country, from food security and extra funds for healthcare, to sector related incentives and tax deadline extensions. On 26th March a number of economic relief measures for the poor were announced totalling over ₹170,000 crores. On 3rd April the central government released more funds to the states for tackling the corona virus totalling to ₹28,379 crores. The World Bank and Asian Development Bank have approved support to India to tackle the corona virus pandemic.

IMPACT OF PANDEMIC CORONA VIRUS ON AVIATION SECTOR –

Among the various sectors to be hit by the fast-spreading corona virus one such sector is the “Aviation Sector”, both globally and in India. Different countries are taking their own measures for the survival of the Aviation Sector, which is on the brink of collapse. In India, the impact of the COVID -19 virus was felt even before the government announced that all the domestic operations will be suspended. The cutback in flights had a torrent effect as the number of people at the airports to carry out functions like aircraft, security, check-in, apart from them various other employees employed in the various eating and shopping areas at the airport also got much affected. As things stand today, all domestic and international flights are banned. Also further, there is no clarity on whether the ban on the domestic as well as International flights will be extended by leaving the Indian aviation sector staring at a very bleak future.

According to Lewis Burroughs, Head of Aviation India, ICF, in the current unfolding scenario, it is extremely difficult to quantify the true impact of Covid-19. Lewis Burroughs said, “Nobody has ever experienced anything of this scale in the Aviation industry. The situation is rapidly changing.” He also added that, “What we say today is likely to be entirely outdated by tomorrow. We have likely never seen any shock to this extent in past. The entire industry in India is on hold, which is unprecedented.” Lewis Burroughs believes that the Aviation industry will see a couple of poor quarters as a direct impact of this grounding. According to “Spice Jet” officials, the airline will look at all important measures, including rationalisation of services, optimal utilisation of assets and tighter cost control, to ensure continuity in services once flight operations will restart.

IMPACT OF PANDEMIC CORONA VIRUS ON RETAILERS –

The Covid-19 is humanity's biggest disruptor of life and businesses. In this context the online and multi-channel impact were being seen across the world on physical retailers including malls. The corona scare might become a game changer with regard to retail across the world. In short we can say that, the future is not easy to predict. The impact of Pandemic Corona Virus on the key segments of Indian retail would be as follows:-

- 1) **Kirana stores or the small standalone stores** - The impact on the small standalone stores might be minimal and could even be positive to some extent. Their business model has a tight OPEX and has a core base of regular buyers. If the supply is sustained then these stores might even see a growth in the patronage. Supply chain constraints might also not hit them really hard as the manufacturers always focus on distribution to this segment as it constitutes a significant majority of the retail sector. The only downside these small standalone stores might face is of a cash-flow crunch. *Kirana* stores are often known to offer rotational credit. Even if they reduce this during pandemic period, their cash flow might be affected because many of them have to go and pick up the stocks by paying cash.
- 2) **Mass merchandise stores** - Supermarkets might have a comparatively lesser impact because these super markets largely sell essential commodities. However, hypermarkets might face the impact of this shutdown because most of them are in malls. The hypermarkets have much higher inventory levels, which is going to be a major serious issue of facing the impact of this pandemic. In the food segment, many products which have shorter shelf life like juices, dairy products are going to expire and might have to be written off. Returning such stocks to the vendors appears improbable. Their profitability would also be worst hit because of the higher margin categories, like apparels would not sell in the lockdown and we can say that it might have lower sales even after the lockdown. The inventory of various other categories in a hypermarket would have to be liquidated through massive discounts to clear their stock.
- 3) **Consumer durables & IT product stores** - The Consumer durables and IT product stores would also be hit hard. First is the loss of the sale from the high demand of seasonal categories like air-conditioners in summer. Next loss would be the supply chain bottlenecks because of the disruption from Chinese vendors that the manufacturers would face. Last but not the least is the shopper behaviour of postponing high ticket purchases in a period of uncertainty and gloom.
- 4) **Apparel and other lifestyle stores** - One of the biggest challenges that they are going to face would be excess stocks. The existing stocks from the previous season plus the new summer lines would put tremendous pressure on these businesses. Physical stores would surely have to liquidate stocks of the previous season to create space for the fresh stocks for the customers. End-of-season sales and massive other discounts might have a very limited effect this time because of the current situation in all over the world. If the next season lines are sourced from China, the retailers might have some relief as the orders might not have been placed or the stocks might not have been sent by the vendor. Apparel as a category might escape such a situation to some extent as a lot of products are being sourced from other countries like Bangladesh and Taiwan. Discount formats might benefit them as they

would be able to source inventory at throwaway prices as their shoppers are drawn by low prices and not the latest fashion or latest trends.

- 5) **Online Retail** - Online retail is not a single segment. The online retail is mostly affected by the various categories and segments that would apply to the different retailers as discussed above. Medium and small-scale enterprises are being hit hard by this crisis and lockdown. They form a significant chunk of the vendor base for various non-food categories. Their business impact would trickle down to the online retailer.

IMPACT OF PANDEMIC CORONA VIRUS ON EDUCATION AND EDUCATIONAL INSTITUTION-

The structure of schooling and learning which also includes teaching and assessment methodologies was the first to be affected by these closures. Only few private schools could adopt online teaching methods. On the other hand, the low-income private and government school counterparts have completely shut down for not having access to e-learning solutions.

The pandemic has disrupted the higher education sector as well, which is clearly a critical determinant of a country's economic future. A large number of Indian students enrol in universities abroad, especially in countries which are worst affected by the pandemic like, US, UK, Australia and China. Many such students have now been barred from leaving their countries for moving to other countries for further education. It is expected, if the situation persists then in the long run there will be a decline in the demand for international higher education. Recent graduates in India are fearing withdrawal of job offers from corporate companies because of the current pandemic situation. The world is facing the biggest public health risk which is leading to one of the largest reorganization of the world order. By the end of March 2020, the epidemic had spread to almost 185 countries and ultimately resulted in the closure of over 90 percent of all schools, colleges and universities. The Covid-19 pandemic has had a major impact on education in both dimensions negative as well as positive.

Four negative impacts of Covid-19 on Education are stated below-

- 1) **Sluggish cross-border movement of students** - Universities in many countries such as Australia, USA, New Zealand, UK, and Canada are highly dependent on the movement of students from other countries including, India and China. It is becoming clearer that this cross-border movement of students will put a stop for the next two or three years and will lead to a major financial risk for various universities in these countries who are already under financial pressure. Many parents will avoid sending students abroad for higher education due to the high risk of pandemic.
- 2) **Passive learning by students** - The sudden shift of students as well as teachers to online learning and teaching without any prior planning especially in countries like India where the backbone for online learning was not ready and the curriculum was not designed with such a format which has created the risk for most of our students for becoming them passive learners and the students seem to be losing interest due to low levels of attention span. Moreover, we may be leaving a large proportion of the student population untouched due to the digital divide that is a part of many developing nations including India.

- 3) **Unprepared teachers for online education-** Online learning is a special and new kind of methodology and not all teachers are good at it or at least not all of them were ready for this sudden transition from face to face learning and teaching to online learning and teaching. Though, most of the teachers are conducting the lectures on video platforms such as Zoom, Google Meet etc which may not be real online learning in the absence of that online platform which is specifically designed for the purpose. There is a risk that in such situations, learning outcomes may not be achieved and it may only be resulting in engaging the students.
- 4) **Changing format of student recruitment** -Universities and colleges globally is facing a major risk in the area of student recruitment and retention. The risk of losing students is already so high that they will need to re-look at their admission criteria, admission practices and overall recruitment process which will include new methods of outreach and application process.

Four positive impacts in education due to Covid-19 are stated below -

Any change which is so disruptive is also likely to bring some new opportunities that will transform the higher education system worldwide and especially in a country like India which is planning to bring a planned reform in this sector. Some of the positive impacts of Covid-19 in Education Sector are as follows-

- 1) **Rise in Blended Learning** -Universities and colleges will shift towards the model of blended learning where both, face to face learning as well as teaching and learning along with an online model will become a norm. This will require all teachers to become more technology savvy and go through some training to bring themselves to the level that would be required. New ways of delivery and assessments of learning and teaching outcomes will have to be adopted both by the teachers as well as the students which opens immense opportunities for a major transformation in the area of curriculum development and pedagogy.
- 2) **Learning management systems to be the new norm-** A great opportunity will open up for those companies who have been developing and strengthening learning management systems for universities and colleges. This has the potential to grow at a very fast pace but will have to be priced appropriately so that it can be used by the maximum institutions.
- 3) **Improvement in learning material** -There is a great opportunity for universities and colleges to start improving the quality of their learning material that is used in the teaching and learning process. Since blended learning will be the new format for learning and teaching then, there will be a push to find new ways for designing and delivering quality content especially because of the fact that the use of learning management systems will bring about more openness and transparency in the academics.
- 4) **Rise in collaborative work** -The teaching community to a large extent has been much insulated in a country like India. There is a new opportunity where collaborative teaching and learning can take new forms and can even be monetized. Faculty members or teachers can deliver online courses to even students from competing institutions. Collaborations can also happen among faculty members or teachers across the nation to benefit from each other. It is expected that there will be a massive rise in teleconferencing opportunities which might have a negative impact on the travel. A large number of academic meetings, conferences and seminars will move online and there is a

possibility that some new form of an online conferencing platform will emerge as a business model. There is one certainty that we can envisage, India is not only going through a reform in the higher education sector, but also it will go through a major transformation in general.

IMPACT OF PANDEMIC CORONA VIRUS ON AUTOMOBILES SECTOR –

The automotive sector in India was already struggling in FY20 before the Covid-19 crisis. The situation was worsened by the onset of Covid-19 pandemic and the ongoing lockdowns across India and the rest of the world. These two years, FY20 and FY21 are challenging times for the Indian automotive sector on account of slow economic growth, negative consumer sentiment, liquidity crunch, low capacity utilisation, potential bankruptcies etc. Taking a cue from the Chinese automotive market it has been analysed that there will be significant changes in the buying behaviour of the consumers after the lockdown. Consumer preference will be more towards individual hygiene, health and cleanliness during travel. Post the pandemic, it has been expected that consumers will switch more towards the personal mobility. Shared mobility will take a backseat in the medium term. But with subdued sentiments and an aversion to higher discretionary spends like buying new vehicles, there is expected to be increased demand for used vehicles in the coming 3 – 6 months. Service based models such as pay-as-you-go, and lease rentals may also see uptake from Indian consumers.

Due to the pandemic Covid-19 and the onset lockdown throughout the country, automotive demand will be significantly impacted in FY21. At the same time, India has low levels of vehicle penetration and the demand is expected to rebound in FY22 positively. The Companies who will use this as an opportunity to restructure and rewire, will emerge as winners. Companies will also require greater situational leadership and creativity to deftly navigate the crisis. Deploying strategies identified in the three stages above along with building differentiated capabilities for the data driven, agile and future ready organisation will help create long term value for the Indian automotive players.

IMPACT OF PANDEMIC CORONA VIRUS ON REALTY SECTOR –

Due to the lockdown that has been announced on account of the COVID-19 outbreak, not only construction activities but also sales activities have come to a complete halt across the entire real estate sector. On several construction sites, workers have gone back to their home towns. **Sharad Mittal, CEO and head, Motilal Oswal Real Estate Funds** said, “Even after the lockdown, activity will only recommence gradually, which will ultimately delays the projects of anywhere between 4 to 6 months at least,” The ongoing Covid19 outbreak and its impact on economy have pushed sentiment in real estate to its all-time lowest level. A Knight Frank India survey showed that, both residential and commercial real estate sectors are expected to be hit in term of launches. Around 42% of the respondents believe that the coming six months will be one of the worst phases in terms of new supply additions across the major office markets in the country. More than half of respondents expect that leasing activity will remain well below par during this period. The residential sectors which already had major concerns of

weak demand will find it even difficult to launch new projects and complete the ongoing ones due to construction halts and shortage of labour.

Shishir Bajjal, CMD, Knight Frank India said, “The effects of Covid-19 has retracted the end-user confidence to its lowest levels ever, which will push any kind of real estate purchase decisions to the distant future. The already ailing real estate sector has been crippled with this pandemic, making it imperative for government support to bring it back on track.” **According to Niranjana Hiranandani, National President of NAREDCO**, “There will be a slowdown across the Realty industry post COVID-19 crisis. The Realty Sector is facing an acute working capital crisis which is essential to restart the business and keep it moving. People have pinned their hopes on government intervention to salvage the loss created by the crisis with its big fat fiscal stimulus to get the growth trajectory back on track soon.” The current lockdown has brought the Realty Sector to a standstill position and the recovery curve will surely depend on the fiscal stimulus rolled out by our government. **Sanjay Dutt, MD & CEO of Tata Realty & Infrastructure** said, “Gradual recovery will probably begin with the improvement on this pandemic and things will settle over a 12-24 months time horizon, we will see a long drawn extended U-shaped recovery for the residential segment but a faster V-shaped recovery for the office segment in our country.

CONCLUSION –

There are certain channels through which the COVID-19 outbreak may affect Indian economy of which the disruption of supply chains is the major one. Job loss will be another major concern with the slowdown in manufacturing and services activities. Workers are back to their home in faraway places because of the lockdown. Lack of orders will eventually lead to massive trade contraction. Moreover, fall in Indian rupee is not remote. Besides, fall in tourism and travel, disruption in air travel, contraction in outdoor entertainment industries and so on will be another major concern.

On the other hand, COVID-19 crisis will also lead to the major transformations like countries may experience better healthcare services. People have started following new social and behavioural norms like social distancing, wearing masks, maintaining hygiene and sanitization etc.