



## Impact of Covid-19 on Indian Economy.

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The confirmed cases of the COVID-19 pandemic are continually rising all over India, with an average rate of growth of 23%. The government fears that India is approaching the exponential part of the epidemic curve where there will be a sharp rise in the numbers. Hence, adverse measures like the 'Janata Curfew', the 21-day lockdown of the country, and closing of businesses except for the essential services to contain the spread, were necessary. The economic effects of these measures and the COVID-19 pandemic, in general, are going to be widespread and far worse.

The economy of India is characterized as a middle-income developing market economy. It is the world's fifth-largest economy by nominal GDP and the third largest by purchasing power parity (PPP). According to the International Monetary Fund (IMF), on a per capita income basis, India ranked 142nd by GDP (nominal) and 124th by GDP (PPP) in 2020. This was the Indian Economy ranking just before the Covid virus pandemic hit the Indian market and dropped it to another level. India's growth downgraded to 5.3% in 2020 due to downside risks of Covid-19, the slowest in 11 years.

The long-term growth perspective of the Indian economy remains positive due to its young population and corresponding low dependency ratio, healthy savings and investment rates, and is increasing globalization in India and integration into the global economy.

The economy slowed in due to shocks of "demonetization" in 2016 and introduction of "Goods and Services Tax" in 2017 and "covid-19 pandemic" in 2020.

Though the impact of corona virus 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.

India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of statistics. The Chief Economic Advisor to the Government of India said that this drop is mainly due to the corona virus pandemic effect on the Indian economy. Notably India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook".

According to an economist, 'The supply side contagion effect' will impact manufacturing, agriculture and the pharmaceutical industry. Corona virus has brought various segments to stand still. Sectors like tourism, aviation, hospitality and trade will face the first set of challenges; other sectors too will face the cyclic effect. As per reports, there has been 20 per cent reduction in domestic travel and about 75% reduction in international travel bookings. Hotel booking rates have also declined from 70% to 20%. There has been a down of 30-35% in the restaurant business. Sales of poultry sector have also come down by 80% losing business of approximately Rs 1,500 - 2000 Crores daily. An attempt is made to analyze the impact and possible solutions for some key sectors.

### **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 number 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**

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 labor 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 enough 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 labor force shortage could be the differentiating factors in such a desperate time.

### **OIL&GAS**

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 tax 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.

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.

The COVID has disrupted major sectors, it is clear that various sectors tourism, telecom, auto-sector, transportation are most impacted sectors that are facing negative repercussion of the present disaster.

The present pandemic situation has adverse deep impact on Indian business. Domestically the impact of the corona virus pandemic has led to the slowdown in domestic demand. This will result in the erosion of purchasing power due to job losses or pay cuts and slowdown effect of deferred by demand will have 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 4Q 2019-20/India's growth for next year 2020-2021 is forecasted in between of 5.3% to 5.7%. The COVID -19 pandemic has revealed much weakness in the global system. Despite our accumulated experiences in crises management of this virus has been able to isolate us all in our homes. It is estimated for India's GDP growth rate to 1.9% for 2020-21. This will be the lowest after India recorded growth rate at 1.1% in 1992. Based on findings and recommendations it is therefore a necessity to overcome these adverse situations.

The outbreak of COVID -19 brought social and economic life to a standstill. In this study the focus was on assessing the impact on affected sectors like tourism, retail, capital markets, MSMEs and Oil International and internal mobility is restricted, and the revenues generated by travel and tourism, which contribute 9.2% of the GDP will take major toll on the GDP growth rate Aviation revenues will come down by USD 1.56 billion.

Oil has plummeted to 18 years low 22 per barrel in March and foreign portfolio investors have withdrawn huge amounts from India about USD 571.4 million, while lower oil prices will shrink the current account deficit reverse capital flows will expand it. Rupee is continuously depreciating. MSMEs will undergo a severe cash

crunch. The crises witnessed a horrifying mass exodus of such floating population of migrants on foot amidst countrywide lockdowns.

March 12, 2020 was the day that the world saw WHO declare the COVID-19 pandemic and till this day this deadly outbreak is ruling all over the world. This bio-weapon has been travelling from the Wuhan province of China to all over the world dramatically impacting the population, health system, markets and the whole economy globally.

The various lockdown all over the world completely took the world by a standstill pressing a pause button for everything including the fiercely big economy of India. Everything was put to a halt be it personal vehicle, public transport, industries, small business corporate sector. Even often so much the situation is still unclear.

This unprecedented event is impacting the economy of our country massively and many measures have been taken to help the people in terms of health care and security, huge amount of funds were collected fanatically but due to the prolonged country lockdown the impact of all this led to the downfall of our economy in ways unknown.

According to the ministry of statistics the growth rate of India went down to 3.1% due to COVID-19 as stated by the chief Economic advisor of GOI. Many employees have been laid off others given a sharp salary cut mainly impacted the services and manufacturing sectors. COVID-19 is changing the world we live in for the worst and almost all parts of the world are stuck with hung economics and people lockdown in their homes. This pandemic is not only taking a toll out of health care system and people lives but also its impacting world economics and resulting in job losses, business disruptions and making us head towards one of the worst times ever for people on earth. Almost all the industries are undergoing massive decline in their business and the impact is that much gigantic of this pandemic that they are projecting worse times ahead.

### **RECOMMENDATIONS:**

Here are a few recommendations to deal with the economic crises:

1. Govt should announce economic package to turn the economy. There is for shift towards localization.
2. More power to Digital India technology should be enabled in all the sectors.
3. Improvisation in supply chain network is a must.
4. Policies will need to evolve faster than market and policymakers will have to be more responsive, inclusive and agile
5. To increase liquidity and increase consumer's confidence the government of India should provide a pay roll tax holidays for a quarter to help support demands in these stressful times.

6. Post Covid with de-risking strategies many countries will shift their business from China to other countries like India so there will be ample of great opportunities for India to stand back up again.

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