



## AN IMPACT OF COVID-19 ON INDIAN ECONOMY-A BRIEF VIEW OF SELECTED SECTORS

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### ABSTRACT

*It is imperative that society preserve both lives and livelihoods. The corona virus outbreak labeled as Pandemic by the World Health Organization (WHO) on Wednesday 11 March 2020, is a new public health crisis threatening the world with the emergence. WHO proposed calling the disease "2019-nCoV acute respiratory disease?" It is the first human catastrophe affecting a number of people all over the world. It is caused by Severe Acute Respiratory Syndrome Corona virus 2 (SARS-CoV-2). It is believed that the virus originated in bats and was transmitted to humans in Wuhan, Hubei province, China in December 2019.*

*The only methods to prevent the disease are quarantining, social distancing. And follow the government instructions. The study covers the impact of COVID-19 on various sectors of Indian economy. A descriptive type of research and exploratory research design has been taken for the study. Having considered the implications of the pandemic, the study also recommends the socio-economic and political measures to combat the situation that would help us revive in the post Covid-19 World.*

**KEY WORDS-** COVID-19, Economy, WHO, Pandemic, Impact

### INTRODUCTION

Coronavirus pandemic was first testified in Wuhan, China in Dec. 2019. It is a large family of viruses that causes illness. This novel virus has not been recognized in humans so far. It has already been spread to more than 175 countries in the world.

The global economy is suffering the risk of global recession as most of the nations have declared lock down due to COVID 19. Countries that are experiencing COVID-19 have adopted different approaches to slow the spread of the virus. Some have tested extensively, carried out contact tracing, limited travel and large gatherings encouraged physical distancing, and quarantined citizens. Others have implemented full lockdowns in cities with high infection rates and partial lockdowns in other regions, with strict protocols in place to prevent infections.

Coronavirus will impact our economic growth which will directly reflect in our GDP. According to Arun Singh, Chief Economist Dun & Bradstreet this lockdown will decrease in GDP growth rate which is expected to moderate further from earlier estimate of 5% for FY 20 and it will also be uncertain in FY 21.

### CURRENT SCENARIO OF INDIAN ECONOMY

India is one of the fastest-growing economies in the world. In 2017, as per data of World Bank, India stood on 6<sup>th</sup> rank in largest economy with a GDP of USD 2.59 trillion. Our country is now suffering due to this global crisis. This epidemic hit our economy which is seen in our third-quarter GDP growth rate for 2019-201. As per recent data by NSO our economy raised at 4.7% during the third quarter. It is all-time lowest in the last six years.

**Table 1.1 Quarterly GDP growth rate at 2011-12 prices (%)**

Year	Q-1	Q-2	Q-3	Q-4
2015-16	7.59	8.03	7.2	9.09
2016-17	9.37	8.87	7.55	7.04
2017-18	5.99	6.77	7.69	8.13
2018-19	7.95	7	6.58	5.83
2019-20	5.01	4.55	NA	NA

Sources: - Ministry of statistic and programme implementation, 29 NOV 2019



The Government has declared a 21 days lockdown to protect the people and also break the chain of this virus for spreading. The complete lockdown has brought most of the sectors (Except essential services. Public Administration and Défense) to a cessation. It also impacts our GDP growth rate. Private consumption, investment, and external trade which are major contributors to GDP will have a significant impact due to COVID 19.

Moody’s Investors Service said Covid-19 will likely depress global growth in 2020 below 2.5%, the recessionary threshold for the global economy. The Revised Budget Estimates for the financial year 2019-20 in terms of fiscal deficit was Rs. 7.6 trillion which will further balloon amidst COVID-19 shock in the month of March 2020. Moreover, the economic impact of COVID-19 will be visible on the Budget Estimates of fiscal deficit for the year 2020-21 which was approximated to Rs. 7.9 trillion.

It is reported by the United Nations Economic Commission for Africa (ECA), COVID-19 has peeled of USD 29 Billion from African economies and it is estimated that this crisis will wipe off 1.4 percent of the USD 2.1 Trillion cumulative GDP of Africa as more than ten countries within Africa have done total or partial shut- down in almost all sectors which have led many activities to be suspended (Kassema, 2020). It is expected by the World Trade

Organization (WTO) that global trade will fall up to 32% this year due to the coronavirus pandemic. (Fernandes, 2020). COVID-19 can affect the global economy through the impact on production, supply chain, and market disruption and financial impact on firms and the financial sector. According to the World Bank, Korea, Japan, and other Asian countries will likely experience slow growth in the first half of 2020 because of production slowdown in China. It is known that small and medium-sized firms may have greater difficulty surviving the disruption caused by COVID-19.

The purpose of this research paper is to analyze the impact of coronavirus on various sectors of the Indian economy. The approach is guided by a Qualitative research method in order to gain insight into economic implications due to coronavirus. The content analysis method is adopted by using the literature of peer-reviewed journals of social sciences and medicine, periodicals released by international and national organizations, to rationalize the approach of study.

### SECTOR WISE IMPLICATION

The Covid-19 pandemic has been a huge blow to India, especially since many sectors were already facing a crisis when the virus storm hit.

Sector	Implications
MSME (Micro, Small and Medium Enterprise)	<ul style="list-style-type: none"> <li>The MSMEs are the backbone of all Indian sectors.</li> <li>MSMEs are engaged in two key drivers of the Indian economy i.e. Manufacturing and export</li> <li>Today, almost all MSMEs are out of action due to the lockdown, chocking all production activities at major firms across sectors and have no money to pay their employee.</li> <li>leaders of this sector have appealed to the government to increase its relief package, which contributes to over 30 percent of India’s GDP.</li> <li>“The government will also need to increase the insolvency limit for SMEs and MSMEs to 1 crore from 1 lakh.</li> <li>For bankruptcy protection and liquidity support, MSMEs could receive liquidity lines from their banks, refinanced by the Reserve Bank of India and a loan program for first-time borrowers could be administered through SIDBI.</li> </ul>
Tourism	<ul style="list-style-type: none"> <li>The travel &amp; tourism industry was one of the first sectors to be affected by the outbreak, and most likely will also be the hardest hit.</li> <li>Rajasthan, Kerala. Goa, Gujarat, and Maharashtra are the key states to visit for foreigners.</li> <li>Foreign tourist arrivals (FTA) in the month of March dropped 9.3 percent month-on-month and 7 percent year-on-year.</li> <li>In February 2020, there were 10.15 lakh FTAs, against 10.87 lakh in February 2019 and 11.18 lakh in January 2020.</li> <li>This shows the sharpest decrease since 2015 Due to COVID 19.</li> <li>Tour operators, travel agencies, and branded hotels from the organized sector may incur huge loss around Rs. 1.58 lakh crore.</li> <li>Apart from the organized sector, tourism also gives employment to small house stays and small Dhaba and hotel operators will also take a major hit.</li> </ul>
Pharma	<ul style="list-style-type: none"> <li>India is one of the top formulations of drug exporters in the world</li> <li>The U.S. and Europe are our largest consumers for Pharma.</li> <li>Since pandemic started in China, supply from their ingredients has much</li> </ul>



	<p>reduced.</p> <ul style="list-style-type: none"> <li>• there is a mixed gain and loss impact of COVID 19 on Pharma.</li> <li>• India imported around Rs 24,900 crore worth of bulk drugs in FY19, accounting for approximately 40 percent of the overall domestic consumption.</li> <li>• Local dyestuff units in India are heavily dependent on imports of several raw materials, including chemicals and intermediates, from China. Delayed shipments from China and a spike in raw material prices are affecting the dyes and dyestuff industry, especially in Gujarat.</li> </ul>
Information and Technology	<ul style="list-style-type: none"> <li>• The extended Lunar New Year holidays in China have adversely impacted the revenue and growth of domestic IT companies, operating out of China.</li> <li>• The global customers for Indian IT companies in China have started looking for other service providers in alternate locations such as Malaysia, Vietnam, etc.</li> <li>• IT companies are heavily dependent on manpower and are not able to operate due to restrictions in the movement of people arising from lockdown and quarantine issues.</li> </ul>
Auto	<ul style="list-style-type: none"> <li>• The Auto sector contributes 7.1% in GDP and also provides approximately 40 million employees in our country</li> <li>• As per the ET Auto report, the Indian auto sector earns gross revenue of around ₹ 2,000 crores each day and shutting down the production by the manufacturers will result in a revenue loss of up to ₹ 15,000 per day wherein the annual business of the sector stands at ₹ 7.8 lakh crore.</li> <li>• In passenger cars alone, the lockdown is estimated to have reduced production by ~240,000 units (~10% of total annual production).</li> <li>• After the lockdown is lifted, financial compulsions and low sentiment may drive roughly 35-40% of consumers to defer their vehicle purchase decisions for the next six months (until September 2020).</li> </ul>
Poultry	<ul style="list-style-type: none"> <li>• The poultry industry in different parts of the country has been hit hard amid rumors that the novel coronavirus can be transmitted through consumption of chicken, the prices of which have fallen considerably as a result.</li> <li>• People are avoiding consumption of meat, fish, chicken, and egg, etc</li> <li>• Due to the reduction in demand, the wholesale price of chicken had dropped by as much as 70 %. As a result, the chicken was now available at Rs 100-150 per kg in retail compared with Rs 180-200 earlier.</li> <li>• An official of a poultry feed company said that their sales have stalled, and they have stopped the purchase of maize and soybean and other items to prepare the chicken feed.</li> </ul>
Banking and Financial Institutions	<ul style="list-style-type: none"> <li>• The stock markets of the world crashed.</li> <li>• Investors started pulling out their money.</li> <li>• NBFCs of India are facing a liquidity squeeze post- IL&amp;FS crisis.</li> <li>• A Fitch report said, "The impact of the outbreak of the novel coronavirus raises further risks to economic growth and non-bank financial institutions' asset quality."</li> <li>• the economic slowdown due to the corona virus will also impact demand for loans which will dent further profits of NBFCs.</li> <li>• As per RBI's sectoral data, the loan outstanding against the trade (import and export industries) is the highest at Rs 5.19 lakh crore followed by MSMEs, where the outstanding loans are Rs 4.73 lakh crore.</li> <li>• For large corporations, banks could be allowed to restructure the debt on their balance sheets, and procedural requirements for raising capital could be made less onerous.</li> </ul>

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, the 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.



## CONCLUSION

The pandemic has paralyzed economies, compelling businesses to re-evaluate their strategies. Companies will need to build their financial muscle and focus on developing a lean structure to stir through the uncertain business environment. Job loss and salary cuts are likely in the high risk of aviation, tourism, and hospitality it will lead the economy towards unemployment. We cannot ignore the truth that the market will come back to India in the next 12 to 18 months. Several measures have already been announced to provide liquidity, limit the immediate Non-Performing Loan (NPL) impact, and ease personal distress for needy households in India. This amount to around 0.8 percent of GDP. Given that India's fiscal resources are constrained, the Reserve Bank of India may need to finance a portion of such incremental government spending. Price increases could, however, occur in some sectors, such as food, so appropriate steps would be needed to maintain harvests and keep the food supply chain operating smoothly. The government should stay of GST payment for some period to remove liquidity crises.

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