

# **IMPACT OF COVID-19 ON INDIAN ECONOMY**

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## **Abstract**

Covid-19 pandemic is affecting the Indian economy in various ways. It mainly affects on the social and economical health of the country. With a view to control the spread of Covid-19 pandemic, the government of India followed various announcements and policies. Such as lock down, social distancing, restriction on mobility of people, closure of non-essential commodities and businesses etc. All such approaches of the government of India created both positive and negative impact on the lives of people and overall on the economy of the country. Due to loss of job and production, the demand-supply chain was disrupted. And thus, the growth rate of the economy and various important sectors have been affected. The current paper is an attempt to discuss various impacts of Covid-19 pandemic on Indian economy and measures taken by the government of India to reduce its impact on the economy. The data used for the study is secondary in nature and the suitable statistical tools and techniques are applied for analysis.

## **Introduction**

A sudden attack on the well going economy of India in terms of Covid-19 has been noted, which has paused normal social and economical life. The pandemic has severe impact on the government policies, budget and various sectors of the economy. In India, the number of cases increased gradually in the initial stage and thereafter it increased rapidly. So, to control the spread of Covid-19, the government of India imposed lockdown, social distancing, restriction on mobility of people, closure of non-essential commodities and various businesses etc. It has become the great challenge for the government of India, as it has very badly affected the GDP of the country in terms of loss of job, closure of production etc. that disrupted the demand-supply chain. Various fiscal and monetary measures have been declared by the government of India and the RBI to support businesses, households, financial institutions etc.

## **Literature Review**

- The Hindu (2020): Indian Growth rate for financial year 2020-2021 was expected very low by various credit rating agencies and the world bank. The expected growth rate was even lower than the economic reforms.
- Bloom et al. (2005) in their study about the possible impact of an Avian Flue Pandemic on the economy of Asia found that GDP of Asia was declined in 2006 due to psychological impact of the pandemic.
- Sharma (2020) in her research article stated that due to the pandemic the unemployment rate was increased and millions of people lost their jobs and livelihoods.
- Sengupta (2020) stated that impact of Covid-19 pandemic was clearly appeared on the GDP, which was noted the lowest, the rate of unemployment was increased and private sector remained stagnant that lead cut off purchasing power of the consumer.
- ILO (2020): Covid-19 pandemic has been declared as the global disease. The pandemic has created the worst impact on economy of the country. The rate of employment was dropped badly. In the core sectors of an economy, economic activities become very slow or stagnant.
- IMF in its latest estimate in June 2020 projected that the global economy may shirk by 4.9 per cent, almost three times more than GFC, and the Indian economy is likely to witness 4.5 per cent negative growth for the 2020.

## **RESEARCH METHODOLOGY**

The current paper is purely based on the secondary data available on various websites, newspapers, research articles, magazines, various reports, journals etc. To know the impact of Covid-19 Pandemic on the growth of real GVA regression analysis is used.

## **OBJECTIVES**

- To study the impact of Covid-19 on Indian economy
- To study the impact of Covid-19 on various sectors of the economy

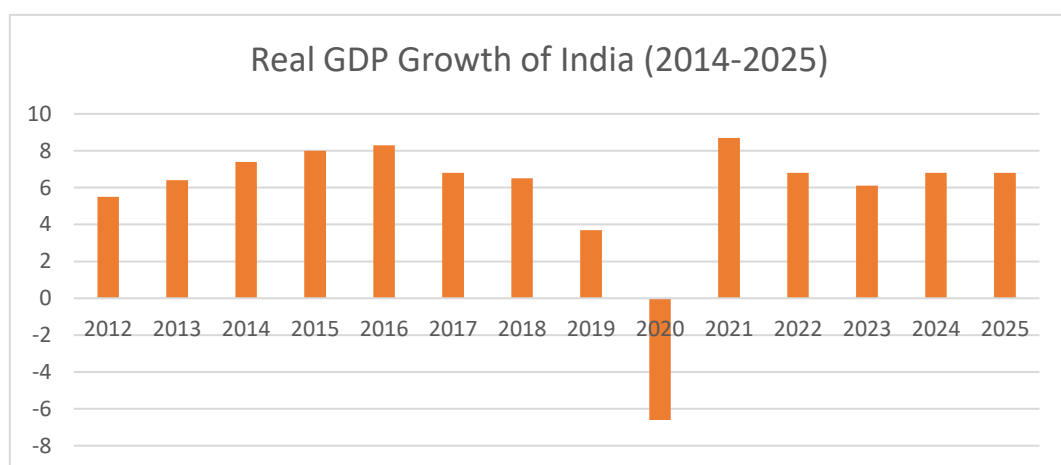
# IMPACT OF COVID-19 ON INDIAN ECONOMY

In India, the real GDP of the nation is believed to have been degraded from the past 6 years till the third quarter of the financial year 2019-2020. Also, the outbreak of the COVID-19 pandemic has further added to the problems in the economy of India. The outbreak of the COVID-19 pandemic has forced India to impose a country wide lockdown which has resulted in shutting down almost all of the sectors of the nation which has further escalated the economic and sustainable problem for India. According to MoSPI, 2020, there are three major factors that are essential contributors to the GDP of India. Because of the lockdown caused due to the COVID-19 pandemic, these factors are drastically affected leading to disruption in the real GDP of India. India's gross domestic product (GDP) growth for fiscal 2021 was pegged at 6% by the Reserve Bank of India (RBI) on February 6 and by CRISIL at 5.2%. CRISIL has since revised it lower to 3.5%, while the RBI in its monetary policy meeting in March, decided not to provide an outlook on GDP growth.

Real GDP growth (Annual percent change)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
India	5.5	6.4	7.4	8	8.3	6.8	6.5	3.7	-6.6	8.7	6.8	6.1	6.8	6.8
Advanced economies	1.2	1.4	2	2.3	1.8	2.5	2.3	1.7	-4.4	5.2	2.4	1.1	1.6	1.9
Emerging market and developing economies	5.4	5	4.7	4.3	4.4	4.8	4.6	3.6	-1.9	6.6	3.7	3.7	4.3	4.3
World	3.5	3.4	3.5	3.4	3.3	3.8	3.6	2.8	-3	6	3.2	2.7	3.2	3.4

Source:-

[https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IND](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IND)



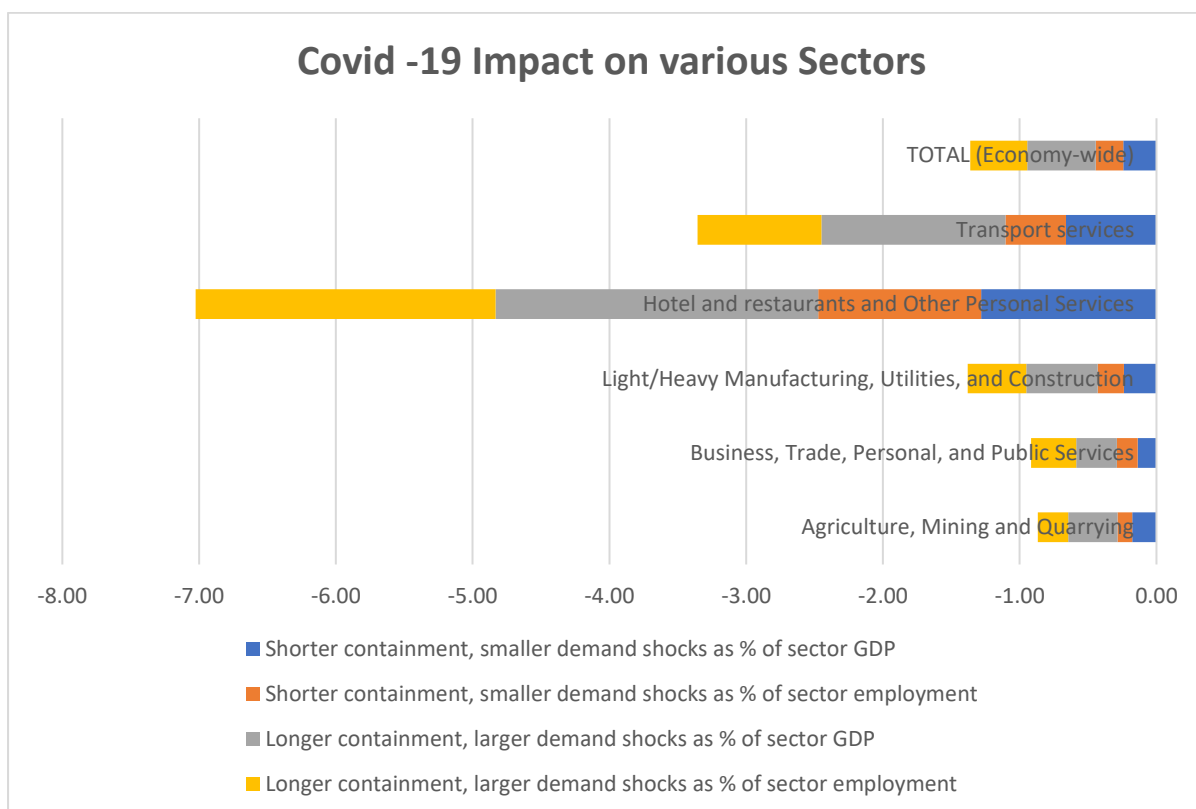
## **SECTOR WISE IMPACT OF COVID-19**

Each and every sector of the economy has experienced the impact of Covid-19 at various levels. Here some of them are discussed in brief:

- *Agriculture and Allied Sector:* Agriculture production was not much affected by the impact of Covid-19, as harvesting of rabi crops and sowing of kharif crops was almost completed by the end of April 2020. However, the production in allied sectors like poultry, fisheries etc. had declined, which brought decline in demand of such products. Disruption in supply chain of agricultural commodities had increased prices of agricultural products.
- *International Trade:* In terms of international trade, India is closely associated with China. The trade impact for India is estimated to be the most for the chemical sector, textiles and apparel, automotive sector, electrical machinery, leather products, metals, wood products etc. According to UNCTAD, Covid-19 could impact on India's international trade about US \$ 348 million.
- *Manufacturing and Production:* As a result of lockdown, the manufacturing and production sector has to pay an extreme price. Many giant units have slowed down or stopped their production. A number of employees have lost their job or got cut off their salaries. A large number of workforces became migrants.
- *Tourism-Hotel-Hospitality Industry:* In India, many tourist places depend on tourism for their livelihood. Due to lockdown, social distance, restriction on mobility of people etc. have impacted tourism, hotel and hospitality industry very badly. A large number of travel plans, meetings, conferences, exhibitions etc. have been cancelled. Almost 90% bookings of hotels, flights, cruises etc. have been cancelled. As per the Indian Association of Tour operators, this sector may have loss of about ₹.8500 crore.
- *Aviation Industry:* Aviation industry is tremendously affected by the Covid-19 pandemic. As per the estimation of the International Air Transport Association, globally the passenger revenue loss could be of US \$ 113 billion. Ticket bookings dropped about 30%. Hence, air fares were declined by 20-30%. As per the data of the Ministry of Civil Aviation, almost 585 international flights have been cancelled. Some airlines have decreased the number of employees.
- *Stock Market:* The equity market has been started falling downwards. The BSE, S&P Sensex have started losing 23% of its value. In financial year 2020, the Sensex fell by 22 and mid-cap index by 26.5. Price to earnings ratio also declined. Crash in the equity market is sign of emerging depression crisis in the economy.

Sector	Shorter containment, smaller demand shocks		Longer containment, larger demand shocks		ADDITIONAL Impact if significant outbreak occurs	
	<i>as % of sector GDP</i>	<i>as % of sector employment</i>	<i>as % of sector GDP</i>	<i>as % of sector employment</i>	<i>as % of sector GDP</i>	<i>as % of sector employment</i>
Agriculture, Mining and Quarrying	-0.18	-0.11	-0.36	-0.22	-1.71 to -4.36	-1.79 to -4.55
Business, Trade, Personal, and Public Services	-0.14	-0.15	-0.30	-0.33	-1.72 to -4.7	-1.69 to -4.58
Light/Heavy Manufacturing, Utilities, and Construction	-0.24	-0.19	-0.52	-0.43	-1.55 to -4.52	-1.62 to -4.68
Hotel and restaurants and Other Personal Services	-1.28	-1.19	-2.36	-2.19	-1.62 to -4.25	-1.64 to -4.29
Transport services	-0.66	-0.44	-1.35	-0.91	-1.66 to -4.44	-1.68 to -4.5
<b>TOTAL (Economy-wide)</b>	<b>-0.24</b>	<b>-0.20</b>	<b>-0.50</b>	<b>-0.42</b>	<b>-1.67 to -4.57</b>	<b>-1.72 to -4.57</b>

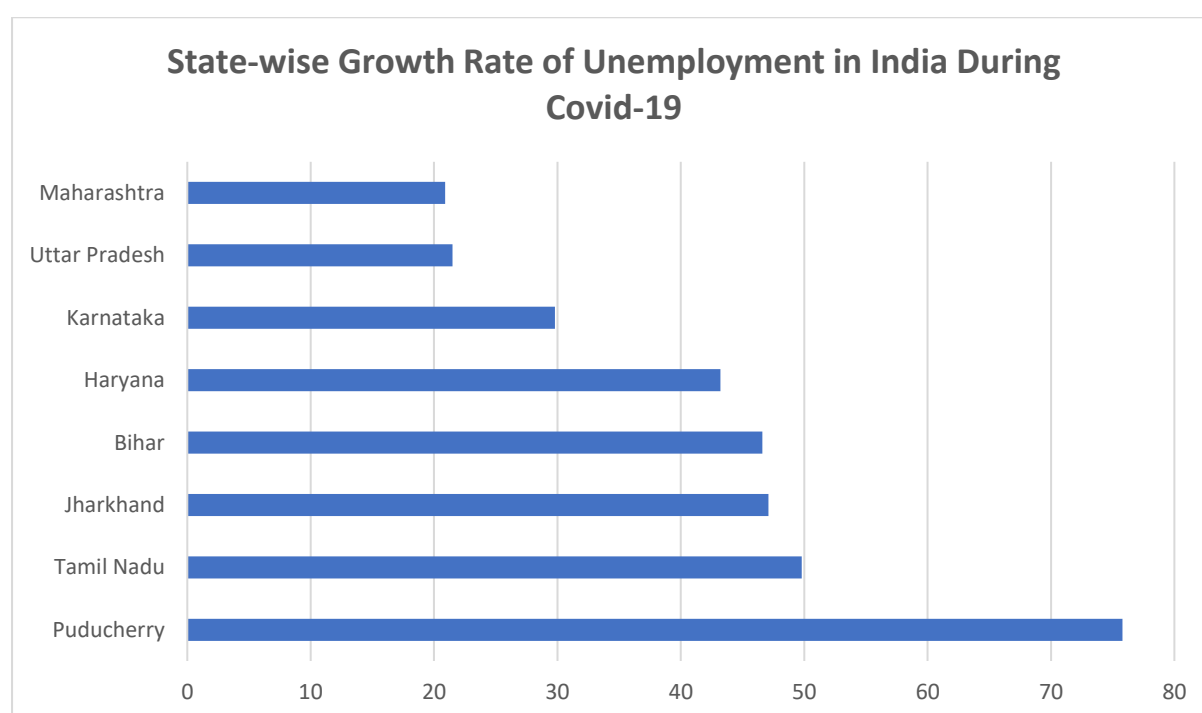
Source:- <https://data.adb.org/dataset/covid-19-economic-impact-assessment-template>



## **Unemployment in India during Covid-19**

In April 2020, the International Labour Organisation (ILO) estimated that nearly 2.5 crore jobs could be lost worldwide due to the COVID-19 pandemic in 2020. Further, it observed that more than 40 crore informal workers in India may get pushed into deeper poverty due to the pandemic. During the lockdown, severe restrictions were placed on the movement of individuals and economic activities were significantly halted barring the activities related to essential goods and services. Unemployment rate in urban areas rose to **20.9%** during the April-June quarter of 2020, more than double the unemployment rate in the same quarter the previous year (**8.9%**)

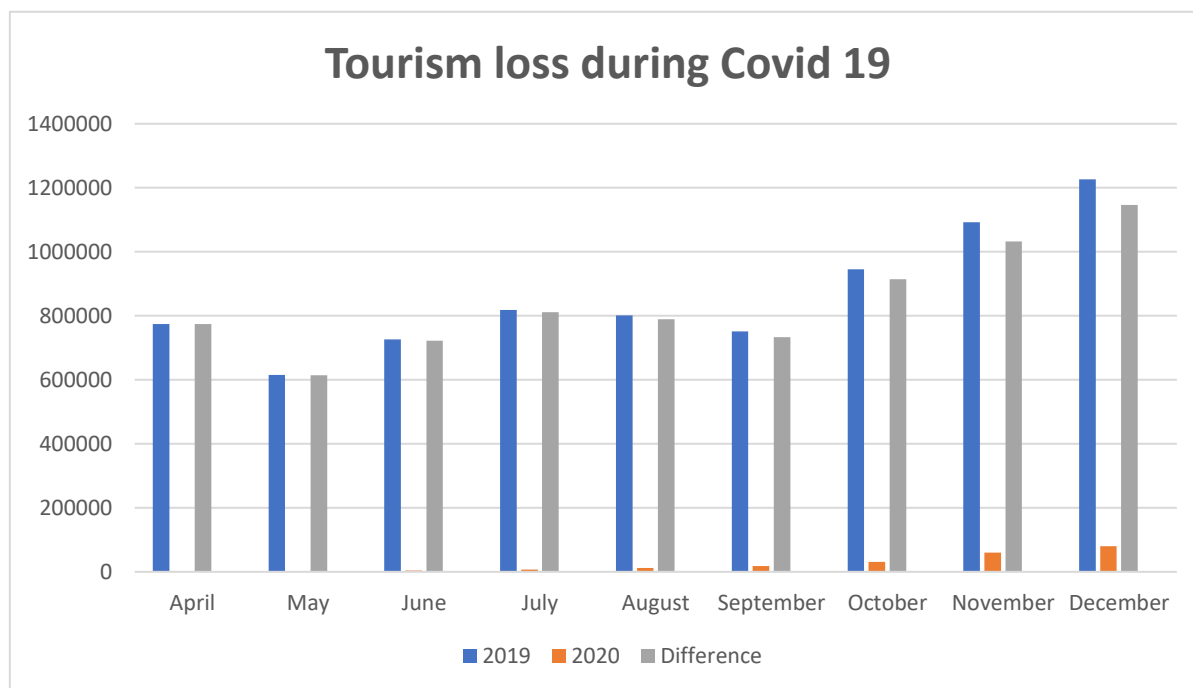
<b><i>State-wise Growth Rate of Unemployment in India During Covid-19</i></b>		
<b>S.no.</b>	<b>State</b>	<b>%</b>
1	Puducherry	75.8
2	Tamil Nadu	49.8
3	Jharkhand	47.1
4	Bihar	46.6
5	Haryana	43.2
6	Karnataka	29.8
7	Uttar Pradesh	21.5
8	Maharashtra	20.9



## Tourism loss during Covid 19

In Indian context the tourism sector has been badly affected due to COVID-19. If we compare two-year trends (2019–2020) the difference is visible. The tourism sector is most revenue generating sector but due pandemic effect it goes in negative figures. There is a fall in foreign tourists' arrival rate by 68% from February to March 2020 and hence fall in foreign exchange earnings (FEE) by 66.32%, which has a significant impact on the economy (Statista, [2020](#)).

Month	2019	2020	Difference	% Loss
April	774651	470	774181	99.94
May	615136	1329	613807	99.78
June	726446	4480	721966	99.38
July	818125	6503	811622	99.21
August	800837	11619	789218	98.55
September	751513	18469	733044	97.54
October	945017	30917	914100	96.73
November	1092440	60156	1032284	94.49
December	1226398	79910	1146488	93.48



## **Strategies & Conclusion**

**To reduce the losses due to Covid-19 pandemic, the government of India and the RBI have announced a number of plans and strategies. Some of them are mentioned below:**

- To promote or encourage the workforce 'Atmanirbhar Bharat Abhiyan' has been declared. Under this project various packages have been provided to uplift the lives of people.
- The credit limits for regular banking accounts have been increased.
- Credit facilities have been provided to affected sectors in friendly manner.
- A large number of people have lost their jobs, so to keep these employees the government insists the companies not to leave them and make their work in digital form.
- To support low-income groups financially, various packages have been declared.
- Terms and conditions to pay taxes have been made flexible.
- The government has allotted financial aid for aviation.

The situation of Covid-19 pandemic has badly affected on the various sectors of Indian economy. The core three sectors of the economy i.e., agriculture and allied sectors, industry and service sectors have been impacted at a great level. The growth rate of each and every sector and overall, the economy fell down. According to UN report, the Indian economy will be impacted by \$ 348 million. The figure may be more than the given as per the situation. A large number of people lost their jobs and became migrants. Hence, the rate of unemployment of the economy increased drastically. The government of India and the RBI are trying their level best to maintain the health of people and the economy. So various packages have been declared to push the economy. Outbreak of corona virus has pushed the entire world into state of ambiguity. The present depression is a total change the from recessions that we had faced in 2008. This has many consequences such as changed the mind set of people, challenge for the industry, shakeup the world economic order.

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