



The Impact Of Covid-19 On Indian Economy

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Abstract

The first two new coronavirus waves wreaked havoc on the country in a variety of ways. The world's first pandemic of this millennium claimed thousands of lives and left the economy in shambles. Only a few countries have successfully dealt with the catastrophe. India was one of the first countries to implement a defence policy based on a standstill. Lockdowns and social isolation were not enough to solve the problem. India's budget deficit and mortality rate were unfathomable, and the economy was severely harmed, resulting in one of the world's worst recessions. The administration quickly enacted the necessary steps and budgetary policies, and it was able to recover from the crisis. Despite the changes, there are some that can help the service sector continue to function. The devised brain needs paradigm restructuring. With that, the nation will prepare better for the epidemic situation arriving.

Keywords: India, Covid-19, Recession, Restructuring, Service sector

Introduction

The COVID-19 epidemic caught everyone off guard. None of the country's residents anticipated the anguish it would bring. No country, not even the first world, was prepared for such a pandemic. Nations have predicted that they will be assaulted by natural and man-made calamities, but nothing of the sort has happened. The speed with which the mutation occurred was incredible. This resulted in the loss of human life and a global economic downturn. The commercial and economic downturn was sparked by the closure of international borders and the statewide lockdown.

The severe impact on airlines, travel, and tourism has devastated countries that rely on tourism as a key source of revenue. Isolation and self-discipline collided with social living and lifestyle. The Indian economy is based on services. Citizens of a country only require services when they leave their houses and request comfort, joy, and luxury above and beyond the norm. This impact on one industry began to spread to other industries. The varied economic sectors were handicapped by the vicious chain of hardship (Verma, 2020). The astounding truth that came from this was the World Health Organization's (WHO) prediction of the phenomena months before it peaked. The inability of the world's health sector and the unpreparedness that took place were notified by them. Even the World Bank estimated the impact in advance and quoted that from 2.2% to 4.8% of the world's GDP will suffer.

COVID-19 is expected to cost emerging economies trillions of dollars as a result of the lockdown measures, according to the International Monetary Fund (IMF). According to the Economic Times on March 23rd, 2020, India will suffer a pandemic of \$120 billion, or 4% of GDP. The manufacturing and service sectors are affected differently by lockdown and isolation. The service industries of hospitality, real estate, tour & travel, and education have all come to a halt. On the other side, industries such as healthcare, information technology, and entertainment have become more active than before. The business world and the economy took some time to figure out what changes had been demanded by the outside business world.

The "new normal" refers to the industry's ability to shift in order to function. In order to exist, every industry must find a way to function and adapt to the environment. Luxury goods were so affected that, for the first time in India, luxury car manufacturers offered home delivery on digital verification and registration. The government needed to save money while surviving and recuperating from the pandemic, therefore social isolation and lockdowns were discovered to be cost-effective. Isolation and quarantine were both utilised to contain the spread of illness and conserve resources for those who were in need.

Methodology

The research conducted prior to this study on similar grounds has utilised simulation models. Martin Carlson (2014) assessed the impact of an epidemic called the Spanish flu that took place in 1918. The study was conducted on the Swedish economy and was based on the neo-classical model. The model is an extended version of the standard ethos of difference-in-differences. This estimator was designed to investigate differences in flu-related mortality rates across the country. The Oxford Economic Forecasting (OEF) Global model was recommended by the Asian Development Bank to check the macroeconomic impact of avian flu on the Asian economies.

This model's major goal is to alter the supply and demand equilibrium following a shock in order to analyse economic performance (Bloom et. al, 2005). The economic impact of a pandemic is evaluated

in two ways: the first is the lost income that the country has suffered as a result of higher morbidity or mortality rates. Second, there is the cost of medical treatment that the country will have to pay in order to return to normal (Lee and McKibbin, 2004). In a pandemic condition, the influence is transferable in a global economic system because India's economy is now genuinely global. The supply chain and markets are interconnected; the flow of funds in the form of investments is hampered in a global economy, which causes the distress to spread to every corner of the world. The novel coronavirus is still under research and the perfect cure that can eliminate the virus is still not found. Estimation of the actual cost of the COVID-19 virus cannot be ascertained due to this (Biswas et al., 2021).

The basis for any country's economic projections is epidemiological forecasting of any disease. Projections are difficult to make in the case of the new coronavirus. Because the disease's future and spread are unpredictable, simulation models are difficult to utilise. The focus of this study is on the evaluation of damage that has been sourced by Covid-19.

Implication of covid-19 pandemic in India to different sectors

Impact on GDP growth rate

The United Nations has repeatedly warned inhabitants of the country about the pandemic's spread. With two waves of the virus, the occurrence has lasted two years. The death rate was even lower the second time the industries disembarked than the first. The current scenario is awaiting the arrival of the third wave. The country's GDP has taken the brunt of the blow. According to Macrotrends, the corporation reported that growth was -7.96 percent, resulting in a 12-percentage-point disparity, one of the largest in the Indian economy's history. During this time, many surveys were undertaken. According to a survey performed by KPMG India, the epidemic would be under control by 2019-2020, with 5.5 to 5.7 percent growth. This figure was calculated because India was one of the few countries in the world to respond rapidly to the outbreak and appear to be in control. In the second scenario, where India was able to contain the epidemic but growth was slowed by the global recession, the business forecasted 4 to 4.5 percent growth (KPMG, 2020). Goldman Sachs, like KPMG, witnessed a 1.6 percent drop in its stock after India instituted a 21-day lockdown in the initial phase (Goldman Sachs, 2020). Each lockout can deduct 15-20 basis points from annual growth, according to Motilal Oswal Research, depending on the number of days of lockdown (Oswal, 2020). A 400-point estimate was given to Goldman Sachs. Former Finance Minister Yashwant Sinha estimated that the lockdown would stifle growth by 1% to 2%.

Table 1 – Sector-wise Growth Chart**GDP and GVA at constant prices percentage**

Sectors	2018-2019	2019-2020	2020 -2021
Agriculture	2.56	4.31	3.63
Industry Sector	5.31	-1.23	-6.96
Mining and quarrying	0.28	-2.54	-8.53
Manufacturing	5.28	-2.44	-7.15
Electric, gas, Water Supply & Other Utility	8.01	2.05	1.90
Construction	6.34	0.98	-8.61
Services	7.20	7.19	-8.36
Trade, Hotels, communication and services	7.14	6.40	-18.20
Financial, Real Estate and Professional	7.16	7.27	-1.50
Public Administration, Defense and other	7.39	8.29	-4.62
GVA at basic price	5.904.14	4.14	-6.16
GDP growth rate (Actual)	6.53	4.04	-7.96

Source: Statistic Times 2021

Impact on Service Sector

The Indian service industry has contributed the most to the country's GDP. The Indian economy has transitioned from an agricultural to a service-based one. The service sector accounts for more than half of the country's GDP. Agriculture contributes 0.19 percent of GDP, manufacturing and industry contribute 25.93 percent, and the service sector contributes 53.89 percent. Tourism and hospitality, financial services, aviation, transportation, communication, defence, and many other industries are all part of the service sector. Not all service industries have been hit hard. There were other services, such as healthcare, that shone like a beacon of hope in the midst of adversity and thrived. Tourism

and hospitality were struck the hardest, with everyone being advised to stay inside and unnecessary travel being prohibited (Chaudhary et al., 2021).

Tourism is a significant contributor to the economy. The contribution sector is predicted to account for 9.2% of GDP. India's tourist industry is growing and prospering. International travellers who visit India make a significant contribution. Simultaneously, the sector will lose millions of jobs and prospects. On a number of levels, the prediction proved right. According to the FICCI-Yes Bank research 'India Inbound Tourism: Unlocking the Opportunities,' India is a tourism powerhouse and the world's largest market for travellers seeking variety. In 2018, the sector earned \$247.3 billion in revenue while also creating 2.7 crore jobs for the country's population (JaganMohan, 2020). The sector's growth was predicted to be greater. In 2017, the number of foreign tourists arriving in India crossed the 1 crore mark, and this made Indian tourism promote itself more. The estimated growth by 2029 was the generation of 5.3 million jobs in the sector. This is double the amount present. The pandemic has caused world tourism to come to a standstill. Every year, new variant and new norms to fight the pandemic are hitting the hospitality and tourism sectors hard.

The aviation sector in India has also been harmed as a result of the new regulations, which have limited inbound tourism. Furthermore, inbound travel has conditional approaches to businesses, which has demotivated tourists. India's contribution to the aviation sector was \$72 billion dollars, and the industry came to a halt. This industry has lost jobs all throughout the world. The tourism and travel industries were severely harmed, and funding and promotion are urgently needed to help them recover.

The impact wasn't solely on the high end jobs in the service sector. The service sector that provides services needs low end labor. The labour market and jobs were also hampered. In one of their reports on the coronavirus, the International Labor Organization referred to it as "the worst ever global crisis since World War II." According to the ILO, approximately 40 crore of India's population was in a disaster and on the verge of poverty. Labour was at its worst in the northern region of the country.

There have been instances where migrant workers have been unable to maintain their physical well-being. As a result, they intended to return home, which was the only way they could think of to survive at the time. Thousands of people began to migrate to northern India, and the Indian government was forced to act in the midst of a lockdown to assure the safe return of the migrant workers. During the initial lockdown, 92.5 percent of labourers lost their jobs, which lasted anything from one week to a month. This portion of India is fully reliant on daily wages, as their survival is powered by current income and expenditure rather than savings. Even missing a single day of work can jeopardise one's chances of surviving (Arumugam and Kanagavalli, 2020). Between the 27th and 29th of March, Jan Sahas conducted a survey of 3196 migrant workers. According to the data, 80 percent of the workers believed they would run out of food before the lockdown was lifted. A dread of food spurred the urge to return to one's native place. According to the poll, 55 percent of respondents, or the majority, were earning the bare minimum in the range of INR 200 to 400, with 39 percent earning between INR 400

and 600. The rest scored in the 600s or higher. 49.5 percent stated they were on the verge of running out of rations and that this was the main reason for their move, while 29.3 percent said they just had enough for two weeks.

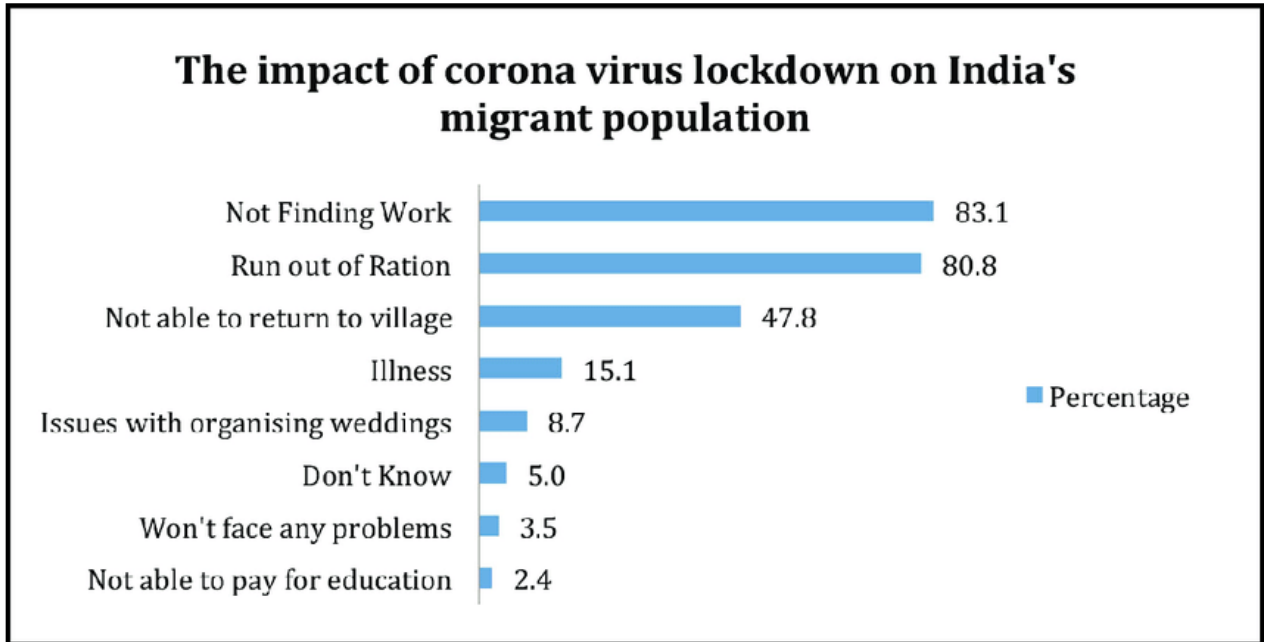


Fig (i) – Problems of Migrant Workers

Source: Jan SahasSurvey,2020

Impact on the Industry

The construction sector has been hit by coronavirus pandemic, which has caused financial hardship. The construction industry accounts for 8% of the country's gross domestic product. The devastating effect has had a devastating impact on India's 200 construction enterprises. In addition, the Indian government has approved approximately 12000 class-A contracting companies. Due to the pandemic, these companies and their contractors are impacted, and they were responsible for nearly 50 million labour's bread and butter. Over 5.2 crore people have been employed in the field. The everyday estimate of loss that took place to the construction was approximately INR 30,000 crores. Pandemic impacted the construction industry more than 30% and this resulted in negative growth rate. This has happened for the first time that construction sector has suffered such a mighty blow (Biswas et al.,2021). The sudden impact cause loss of jobs and raised the graph of Unemployment in India to all time high in five decades. Supply chain management was impacted this happened due to the lockdown and transportation problem (Kumar and Patnaik, 2020). The standstill made the labour migrate back to the natives. This in turn created shortage of labour for the industries of every kind. Following the norms set by the government of India based on guidelines provided to the world by WHO were again causing hindrance in work. Social distancing, limiting to the amount of labour that can be gathered. Contractual obligations were not getting fulfilled (Sharma and Harman, 2020).

Policy and program Implications for tackling the situation

Fiscal measures

The pandemic situation in India was expected to worsen faster than in any other country on the planet. The probable reasons were the high density of the population and a low level of resources. The government ensured that before reaching the correction point, the government should be able to prevent this from spreading. The initial monitoring measure announcing the 1700 crore package for healthcare bills, masks, sanitizers, testing kits, gloves, medicine, ICU beds, protective kits, quarantine dorms, and other medical equipment. The union budget announced post the development of vaccination by the finance minister, Nirmala Sitharaman, had 35000 crores spared for the purpose. Other than this, a relief package of 170 crore was given to the poor and vulnerable sections of society. The purpose was to make cash transfers to the needy to ensure the *Atmanirbhar Bharat* Scheme. Due to the pandemic, the healthcare budget has been hiked by 135%. According to a news article by the Times of India, it currently stands at INR 2,23,846 crores (Chaudhary et al., 2021).

Economic Inequity and Development

There is a report with the title "Income Inequalities in India" which was published by the Oxford Committee for Famine Relief. According to the report, the top one percent of the Indian population has four times the wealth as the bottom seventy percent, or 953 million people. According to the report, this inequality of wealth is the reason why, after every natural catastrophe or pandemic, there is a sudden drench for resources for a large part of the population (Balajee et al., 2020). similar cases they have found in a few developing nations. Since India is the biggest democracy in the world and also among the highest populated countries, the problem is bigger and needs a developmental paradigm restructuring.

Conclusion

The spiralling structure of the novel coronavirus is pervasive and has distorted the economies of the world. The nations that stood tall against the disease and did not pursue lockdowns as the economy would have suffered were the ones that fell first. The current downturn in the economy is proving that it is different from the past recessions that the world has encountered. This pandemic may have jolted the economy, but the conglomerates of the nation are yet to ascertain the magnitude of this pandemic. As we face two devastating waves and an economy that is both emerging and distorted, another wave with a new variant is expected. As the economy has gone back to normal for the sustenance of lives and livelihoods, it is complex to predict the future that brings uncertainty. Strict preventive measures are to be administered by the government in every sector to ensure that work can go back to normal. The economic recession is human-oriented; the fiscal deficit is only for

saving humanity and reducing mortality. The responsibility solely doesn't fall on the shoulders of the government. The alteration of social norms and behaviour of the general population is a much needed approach.

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