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ECONOMICIMPACT OF COVID – 19 ON INDIAN ECONOMY

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ABSTRACT

The outbreak of corona virus across nations, which is speculated to be originated in china has cease economic activities globally. Restriction on transport and communication among countries further aggravated in slowing down the economic activities. Production is shrinking mainly in those industries which dependent upon inputs from china. Impact of this virus differs from nation to nation. Pre- corona, India's GDP was growing at very low rate of 4.5% and it is expected to be as low as 3% post- corona. Fiscal deficit is deteriorating, which is expected to be increase from 3.8% to 4.6%. At the same time public debt is also deteriorating. Indian economy is expected to face recession which is identified by negative growth rate in two successive quarters. Financial help from international institution is not even an option seeing global scenario. Active and effective monetary and fiscal policy and its implementation by government will help the economy to counter the pandemic. This paper tries to demonstrate the prospects and possible impact of the virus on the Indian economy.

KEY WORDS- economic activities, GDP, fiscal deficit, recession.

INTRODUCTION

As per the official data released by the ministry of statistics and program implementation, the Indian economy contracted by 7.3% in the April-June quarter of this fiscal year. This is the worst decline ever observed since the ministry had started compiling GDP stats quarterly in 1996. In 2020, an estimated 10 million migrant workers returned to their native places after the imposition of the lockdown. But what was surprising being the fact that neither the state government nor the central government had any data regarding the migrant workers who lost their jobs and their lives during the lockdown.

The government extended their help to migrant workers who returned to their native places during the second wave of the corona, apart from just setting up a digital-centralized database system. The second wave of Covid-19 has brutally exposed and worsened existing vulnerabilities in the Indian economy. India's $2.9 trillion economy remains shuttered during the lockdown period, except for some essential services and activities. As shops, eateries, factories, transport services, business establishments were shuttered, the lockdown had a devastating impact on slowing down the economy. The informal sectors of the economy have been worst hit by the global epidemic. India's GDP contraction during April-June could well be above 8% if the informal sectors are considered. Private consumption and investments are the two biggest engines of India's economic growth. All the major sectors of the economy were badly hit except agriculture. The Indian economy was facing headwinds much before the arrival of the second wave. Coupled with the humanitarian crisis and silent treatment of the government, the covid-19 has exposed and worsened existing inequalities in the Indian economy. The contraction of the economy would continue in the next 4 quarters and a recession is inevitable. Everyone agrees that the Indian economy is heading for its full-year contraction. The surveys conducted by the Centre For Monitoring Indian Economy shows a steep rise in unemployment rates, in the range of 7.9% to 12% during the April-June quarter of 2021. The economy is having a knock-on effect with MSMEs shutting their businesses. Millions of jobs have been lost permanently and have dampened consumption. The government should be ready to spend billions of dollars to fight the health crisis and fast-track the economic recovery from the covid-19 instigated recession. The most effective way out of this emergency is that the government should inject billions of dollars into the economy.

OBJECTIVES

- To analyses the economic impact of covid 19 on Indian economy.
- To study the impact of covid 19 on different sectors of Indian Economy.

METHODOLOGY

The present study is exploratory in nature and based on the collection of data from secondary sources. Secondary data is obtained from various published and unpublished records, books, magazines and journals and websites of the Reserve Bank of India, NSSO etc. have also been preferred.

DISCUSSION

AGRICULTURE AND SUPPLY CHAIN

COVID-19 affects several practices in agriculture and supply chains. Initial reports reveal that certain harvest practices are affected by the lack of availability of migrant workers, notably in north-western India, where wheat and pulse were cultivated. There will be difficulties in the supply chain because of transport problems and other concerns. The prices of wheat, vegetables and other crops have decreased, but buyers still pay more. News reports indicate that the closing of hotels, restaurants, sweets and tea shops during the lockdown is already undermining the sales of dairy, whereas chicken farmers were severely affected by rumors, especially on social media that chicken is the transmitter of COVID-19.

IMPACT ON COVID-19 – MEDICAL INDUSTRY IN INDIA

The COVID-19 pandemic has arisen as a global health outbreak without precedent. While the level of implications remains to be measured, the effect on the global exchange in the near and in the distance future is apparent. The worldwide medicines supply chain will probably be disrupted, and the effect on global availability to medicine, notably in low- and medium-income countries (LMICs), will face profound effects. During 2018–2019, India supplied around $19 billion in medicines to more than 200 countries, from the highly controlled marketplaces of North America and European countries with minimal resources in the medical industry, including sub-Saharan Africa (SSA). The Indian Ministry of Medicine estimated that formulation and biologics contain 77% of all Indian sales, and that Indian companies offer 20% of global generic supplies. Indian companies hit 40% generic competition in the USA and a quarter of that in Europe.

Indian companies supply around 70% of their large quantities of medicines from China, where the manufacturing of active pharmaceutical ingredients (APIs) and supply chain service have been affected by the current COVID-19 epidemic. The Indian Government has limited export of 26 large quantities of medicine and their formulas.

PETROL AND OIL

The domestic requirements for petrol, diesel, gasoline and shipping fuel have all contracted 10% during the March, 2020 the first such decrease in many years as the COVID-19 outbreak significantly restrict public activities and slow down the economic growth. Sales have dropped at gas pumps and compressed natural gas service stations from several states, indicating that March-April might turn to be the worst month in many years for fuel consumption, despite a drop in fuel prices (Choudhary, 2020). By decreasing, gross margins might have influenced the profits of oil producers and distributors who are already facing substantial market losses this half as a consequence of the oil price drop. The total demand for liquid fuels has reduced around 10%–11% (Choudhary, 2020). Owing to limitations on movement and travel warnings, sale prices decreased over 10%, and bunker fuel sales are down to 10% approximately.

INFORMATION TECHNOLOGY

The COVID-19 outbreak has severely affected the global economy, hampering industries across various fields around the world. The transmission of the diseases has forced countries into lockdown, anticipating the economy of a deflation. As the virus influences most of the developed countries dramatically, its effect on India is comparatively smaller than others but has a more significant impact on the businesses and economy of the country. Nearly 55% of electronics are manufactured in China; these have already slipped to 40%, in response to the coronavirus outbreak and subsequent quarantine (Kumar, 2020). The IT industry has been India's dominant sector in economic development in the past few years. It performs a crucial role in satisfying the country's middle-class dream of achievements and idealistic professions. According to the industry professionals, competitors in India's IT services might face a considerable slowdown in growth throughout this financial year because of the COVID-19 outbreak. This study indicates that leading software exporters such as TATA Consultancy Services (TCS), Hindustan Computers Limited (HCL) and Infosys will be influenced by reduced technology investment from shareholders in the USA and Europe during the global lockdown.

MANUFACTURING INDUSTRY

COVID-19 has already incurred a substantial impact on Indian enterprises, and that employment is at significant risk over upcoming weeks, as companies are looking to decrease the workforce. Further, in recent times, the COVID-19 situation had already triggered an unexpected drop in financial activities. The present situation shows a significant level of impact on their business, as nearly 72% of the participants (Goyal, 2020). In addition, 70% of the analyzed companies are expecting a declining sale in the financial year (2020–2021).

In terms of trade (import), China is the second largest importer and exporter. The report says that 13% of global exports and 11% of global imports. It has a significant influence on the Indian business sectors. In imports, the dependence of India on China is large. Top 20 goods imports by India from the world, China has large shares on it. India contributes around 45% of China's cumulative electronic products. Roughly 1/3 of machinery equipment and almost 2/5 of the organic compounds that India collects from the country come from China.

TOURISM SECTOR:

The hospitality sector is linked to the tourism sector. The sector that employs millions of Indians started bouncing back after the first wave, but the second wave of covid was back for the devastation! The tourism sector contributes nearly 7% to India's annual GDP.

It comprises hotels, homestays, motels and more. The restrictions due to the second wave have crippled the tourism sector, which was already struggling to recover from the initial loss suffered by the businesses in 2020.

AVIATION AND TRAVEL SECTOR:

Aviation and other sector establishments faced a massive struggle during the second wave of the pandemic. The larger travel sector is also taking a hit as people are scared to step out of their homes. For airlines and the broader travel sector, its recovery will depend on whether people in future will opt for such services. At present, the outlook for the aviation and broader travel sector does not look good.

FISCAL DEFICIT:

The Covid-19 pandemic has not affected our fiscal deficit and disinvestment target much. In this year's union budget, Finance minister Nirmala Sitharaman announced a fiscal deficit target of 6.8% for 2021 to 2022. India's fiscal deficit for 2020-21 zoomed to 9.5% of GDP as against 3.5% projected earlier. Our finance minister has promised to achieve a fiscal deficit of 4.5% of GDP by 2025-26 by increasing the steaming tax revenues through increased tax compliance as well as asset monetization over the years. According to the medium-term fiscal policy statement that the government had presented in February 2020, the fiscal deficit for 2021-22 and 2022-23 was at 3.3% and 3.1% respectively.

CONCULSION

This paper dealt with the impact of the Covid-19 pandemic on the Indian economy. The health crisis has been accompanied by an unprecedented economic crisis, where demand and supply have fallen autonomously and concurrently, even as they depress each other in feedback loops. The intensity of this crisis was exacerbated by the fact that the Indian economy was slowing down over a decade prior to the pandemic. As a result, India's capacity to deal with the pandemic stood seriously diminished in March 2020.

The pandemic-induced economic crisis after March 2020 affected all economic sectors. In agriculture, farmers were faced with broken supply chains, lack of market outlets, poor demand and falling output prices. Our analysis of market arrivals of 15 agricultural commodities between March and September 2020 brought home this reality in the countryside. In industry, micro and small enterprises were the most acutely affected. Surveys showed that about 35% of all MSMEs were likely to shut down permanently. The crisis also led to a major loss of employment; at least 13 million people disappeared from the labour force between February and October 2020.

Using a I-O framework, this paper attempted an original assessment of the extent of direct and indirect losses to the Indian economy. Based on four scenarios of losses centered on workdays lost, we estimated that India's GDP growth rate in 2020-2021 may range from -6% to -21%.
The government's economic response till August 2020 was supply-centered, and seriously deficient on the demand side. The extent of short-run and long-run employment losses demanded that the package focused on the generation of employment and raising aggregate demand. Yet, the financial allocation for employment generation was raised only marginally. In fact, on a year-on-year basis, the expenditure of the Union government declined by 0.6% between April and September 2020; the corresponding figure for April-September 2019 was +14.1%. The government was hesitant to expand budgetary spending because it feared a rise in fiscal deficit. Such fiscal conservatism is not new under India's neoliberal regime. However, India has remained steadfast in its adherence to fiscal conservatism even as advanced capitalist economies have shed the dogma of austerity while responding to the pandemic. We believe this is illustrative of a certain ideological orthodoxy that marks the present right-wing dispensation in India. Given this conjuncture, the chances of an early revival in the Indian economy appear dismal.

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