



Covid-19 and Its Impact on Indian Economy

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Abstract

COVID-19 is a disease caused by a new strain of Coronavirus. CO stands for corona, VI for virus and D for disease. This research paper focuses on impact of the outbreak of pandemic Covid-19 on Indian Economy. Covid-19 makes adverse impact on many sectors of Indian Economy. This paper depicts the impact of Covid-19 on different sectors of Indian Economy. This paper also furnishes the policy framework of government in this regard. This paper also gives a light on those sectors which see a boost due to outbreak of covid-19.

Key Words: Covid-19, Indian Economy, Pandemic

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1. INTRODUCTION

The global economy is expected to shrink by over 3% in 2020 – the steepest slowdown since the Great Depression of the 1930s. -----**IMF Report**

Coronavirus was first reported in Wuhan, China, in December 2019. Let us first consider what Coronavirus is??? COVID is a large group of viruses that creates illness. It ranges from the common cold to more severe diseases like Severe Acute Respiratory Syndrome and Middle East Respiratory Syndrome. The new Coronavirus is a special kind of virus that has not been identified in humans so far.

I have been pondering many questions in my mind like will COVID-19 change the way world works, will things go back to normal as before COVID-19, what will be the fundamental change take place in common public, business people, industrialists, and economies. The next few months will be very crucial. We have to alter the concept of normal in this pandemic.

In this research paper, I will explore and describe the impact of Covid-19 on the Indian economy. If past trends of similar infections are analyzed, it can be helpful to bring any conclusion as to what we should do to move forward. How can we overcome this pandemic? Either through mass vaccination or social distancing. What type of life are we expecting in the time of Covid-19?

In simple words, I can express that liquidity is expected to reduce as the borrowing cost in real terms will be increased. Though, RBI is continuously making an effort to soften interest rates. Commercial banks and financial institutions are tensed due to the fear of insolvency, NPAs and bankruptcies increase very much. The focus and stress of government will be to meet out the hyper demand for necessity goods. In contrast, business owner of luxurious and comforts goods will stress on covering their outstanding money amount due from debtors. Mergers and partnerships will not take place in this pandemic period when everyone is bearing enormous losses.

2. OBJECTIVE OF RESEARCH

1. To focus on the impact of a pandemic on different sectors of the economy.
2. To reflect the need for policy intervention.

3. RESEARCH METHODOLOGY

This part of the research furnishes the research methodology used in this study. This study considers December 2019 to May 2020 as its study period. The review uses secondary data. The data is collected through various magazines, newspapers, and government websites for this study. This study focuses on descriptive research design. The sample design chooses for this study is illustrative.

4. IMPACT OF PANDEMIC ON INDIAN ECONOMY

This pandemic has created new issues for the Indian economy that leads to a severe disastrous impact on the demand and supply side.

Impact on Demand Front: Aviation, Hospitality, and Tourism are the worst sufferers sectors that are bearing the maximum brunt of the present pandemic Covid-19. Due to the lockdown effect, the closing of shopping malls and cinema theatres has severely affected the retail sector by reducing the consumption of essentials and entertainment purposes items. There is a decline in the level of income, particularly daily wage earners due to slow economic activities in many sectors like retails, constructions, transport, and entertainment, etc. that ultimately leads to fall in consumption front. There is a postponement of buying decisions by consumers due to

widespread fear and panic. The transportation sector is severely affected due to the lockdown effect, which causes a restriction in traveling as all schools, colleges, universities, and private firms are opting for work from home culture approach. Hotels and restaurants are seen as significant sufferers as there is the cancellation of leisure trips, business trips, conferences, seminars, workshops, internships, etc.

Impact on Financial Market: Financial market is seen extremely volatile that leads to colossal wealth erosion, huge crashes due to uncertain conditions regarding future prediction, and results of Covid-19. The wreck of the stock market is responsible for declining consumption levels. March 12, 2020, was the black day as there were significant slides in domestic equity markets. Both BSE and NSE slipped more than 8% in a single day. There was 2919 points drop in the BSE Sensex, and 868 points fall in NSE Nifty. This drop has regularly taken place till date as stock investors resorted to continuous selling amid increasing cases of Covid-19. Indian stock markets again jumped to a new low level on March 19, 2020. BSE Sensex closed 581 points low at 28,288, and NSE Nifty closed 205 points lower at 8236. Volatility and wealth erosion of investors are expected in equity markets during Covid19.

Impact on Supply Front: If I focus on the supply front, delay in the supply chain of goods from China due to the shutdown of factories has adversely affected many Indian manufacturing sectors, which depend on China for their raw material and final products. The problem of a shortage of raw material is faced by some crucial areas like electronics, automobiles, chemical products, and pharmaceuticals, etc. Business sentiments, investment, and production schedules of firms get hampered due to the spread of Covid-19. Exports of India have affected adversely due to the slowdown in manufacturing activity in China and other markets like Asia, the US, and Europe.

Impact on International Trade: China has been a game-changer for Indian markets dealing in many commodities like gems and jewelry, seafood, petrochemicals, etc. The outbreak of Covid-19 had made a negative impact on the exports of China. For example, the fishing sector is predicted to bear a loss of more than 1300 crores due to a reduction in exports. Even India exports 36 percent of its diamond to China. Jaipur incurred significant losses of 8000-10000 crores due to the cancellation of four major trade events between February and April. India exports 34 percent of its petrochemicals to China. Because of export restrictions to China, petrochemical commodities are expected to furnish a reduction in prices. Due to Covid-19, the impact on India's trade is about US dollar 348 million as per the report of UNCTAD. As a result of a manufacturing slowdown in China that is adversely affecting world trade, India has become the top 15 economies that are adversely affected. If I talk of India, the overall impact on business is given below:

Chemical Sectors	129 Million Dollars
Textiles and Apparel	064 Million Dollars
Automobile Sector	034 Million Dollars
Metals and Metal Goods	027 Million Dollars
Wood Products and Furniture	015 Million Dollars
Electrical Machinery	012 Million Dollars
Leather Goods	013 Million Dollars

Source: Report of UNCTAD, 2020

Let's have a definite look of Covid-19 on some sectors of an economy-

1. Digital and Internet economy forms a new platform that is playing vital role everywhere which are described below: Online Education and online skills, webinars, conferences,

training programs, etc.; Online groceries, essential goods; Sudden increase in digital content like PPTs, PDFs, audio and video lectures, etc

2. Fast Moving Consumer Goods and the Retail sector will boost up immensely
3. With continuous fear of Covid-19, food outlets, chain stores, malls catering to low consumer demand, so digital platform to purchase the goods will lead a shoot up
4. Firms selling chemicals will feel a big jump due to increased consumer demand for sanitizers, drugs, disinfectants, and medicines, etc.
5. Pharmaceuticals firms are set to observe growth prospects shortly.

Many lives will be lost, and millions more get adversely affected. There is an immediate need for introspection within countries to make realignment of businesses. It's a common saying when life offers you a lemon, make it lemonade. The same is required to be followed in this situation of Covid-19. There may be a silver lining in this too. We all may have to wait patiently for the rain clouds to depart. If we look deeply, so we find that China is coming back to normal even though it too has faced the wrath of Covid-19. China is still a dominant exporter of raw material and final products.

In this scenario of COVID 19, Technology will now come on the frontline need in most corporations, whether it is the corporate world or education field or purchasing of online products, etc. Before Covid-19, Technology was taken as a support function tool as a means to get an end. *Work from home culture will be the new normal. Many corporations had realized that employees working from home are equally efficient and productive as compared to when they were working from the coming to their departments. I suppose it will reduce infrastructural costs.*

Cities now are more focusing on sustainable development models. Environment, social, and governance will be a new way forward by non- environmentally friendly business units. Extra mediators are given a backward push with the introduction of new and compact value chains. It will help to improve the efficiency and productivity of labor. The best strategy to survive in this Covid-19 is to focus on sales without profit by business owners. The survival of business will become a new standard and more essential than claiming massive valuation based on sales growth.

Data and data analysis will become an original path to explore in this Covid-19. Everything in this new ordinary world is based on data, so misuse of data through artificial intelligence will become a popular trend. We are well known that government and private entities are not very prompt and efficient in rolling out contact tracing tools that have poor implementation and pose severe privacy and data security problems. As per my common understanding, data can play a lead role in eliminating the impact of any viral news, information, etc. like any protests, false charges to someone, misinformation, diseases...Data and IT security will lead to a significant aspect for the industrial units and business owners. It will become a tough task for traditional businesses to survive in the present era without access to information that ultimately will become a lifeline.

There is a shift from a heavy asset model to an asset-light model where economic activities will be undertaken through public trusts, real estate investment trusts, infrastructure investment trusts. The last two are innovative vehicles that allow developers to monetize revenue-generating real estate and infrastructure assets while enabling investors or unitholders to invest in these assets without actually owning them. Equity financing will become a popular tool instead of debt financing.

Indian economy stands to take advantage of a fall in crude oil prices, but the population in the age group of 15-35 years can create an issue of low consumer demand. These days the world

market is dominated and controlled by right-wing politicians who focused on Make Local, Consume Local. In the post-COVID-19 era, curtailment and reduction of trade restrictions and free markets can be seen and expected to bloom.

The success mantra in this Covid-19 period is "**You need to live, to be in the game.**" Those businesses that can have the capability to survive financially will be victorious in the coming times. Once the world overcomes with this pandemic, there will be an increase in the aviation sector, travel and tourism, hospitality, entertainment, and rental demand. Construction, cement, bricks, metals, cloths, cosmetics, waste management, hair salons, minerals, transportation will also seem to increase endlessly. On the other hand, a paper business can be wiped out from the world full as everyone has started to choose an environmentally friendly way to read and study. Electronic media will be the new normal after Covid-19.

5. GROWTH PROJECTIONS OF INDIA

The Indian economy is experiencing slow growth during the last quarter of the current fiscal. The outbreak of Covid-19 may lead to stagnant growth even in the first quarter of FY 2020-21. Many credit rating agencies have revisited and revised the growth path of India in particular reference to the impact of Covid-19 that create travel restrictions, supply chain disturbances, the decline in consumer demand, and investment rate.

The economic growth of India has been reduced by *Fitch Ratings* from 5.1% projected earlier to 4.9% for 2019-20. It did so because it predicts low domestic demand and supply chain disturbances because of Covid19, which badly makes an impact on manufacturing industries.

Standard and Poors have also lowered the economic growth of India from 5.7% projected earlier to 5.2% for 2020.

OECD has revisited and revised down forecast of economic growth of India to 5.1% for 2020-21 and 5.6% for 2021-22. *OECD* has also given a warning about global growth in 2020 could come down by 50 basis points as compared to what was projected in November last year.

Moody has also dropped the economic growth of India from 5.4% estimated earlier in February to 5.3% for 2020.

Indian economy can bear a considerable cost due to the outbreak of Covid-19, which ranges between US\$ 387 million and US\$ 29.9 billion in lower consumption demand predicted by the *Asian Development Bank*.

6. COVID-19 AND GLOBAL GROWTH

The global economy is growing at 3 percent in the year 2020, which depicts far worse situations if compared to the global financial crisis of 2008 as per the IMF Report. Many first countries are expected to shrink by the following percent in this year 2020.

<i>ITLAY</i>	<i>SPAIN</i>	<i>FRANCE</i>	<i>GERMANY</i>	<i>UK</i>	<i>US</i>	<i>JAPAN</i>
9.1%	8%	7.2%	7%	6.5%	5.9%	5.2%

Source: IMF Report

Developed countries have poorly affected, and they are seemed to grow by -6% in 2020 on the one hand, and the other hand, developing countries are seemed to shrink by -1%. The growth rate story will become worse if China is excluded from this list of countries because the growth rate is seemed to be -2.2% in this year of 2020. GDP figures for China reduced by 36.6% in the first quarter of 2020. On the contrary, output in South Korea dropped by 5.5% even though the country did not follow lockdown but practiced the methodology of aggressive testing,

quarantining, and contact tracing. If we are talking and focusing on Europe, the figures for GDP in France, Spain, and Italy dropped by 21.3%, 19.2%, and 17.5%.

7. NEED FOR RELEVANT POLICIES ON GOVERNMENT FRONT

There is an urgent need to form a combination of monetary, fiscal, and financial markets measures to help businesses and the common public to cope with this spread of virus and crisis environment. For framing appropriate action plans and policy, it is significant to know the specific issues that businesses and the public, in general, are facing recently. At this juncture, it is necessary to provide support to Indian industries and economies by the Indian Government and RBI.

1. There is a need to reduce the cost of funds through a reduction in policy rates.
2. There is a need to increase credit limits for all banking accounts by 25 percent.
3. There is a need to provide relaxation in the factory compliances to enable the industries to continue operation even in fewer laborers over longer work keeping in mind the healthier and safe environment. Social distancing is followed in this and can bring a positive outcome. If required, health concerns and lockdown decisions must be followed strictly.
4. There is a need to raise expenditure on public health to maintain adequate supplies to manage the problem of COVID-19: medicines, medical kits for the medical professionals, masks, gloves, more health clinics, more hospitals, etc.
5. Compliances under Companies Act: There is a need to extend the deadlines for declaration of financial results (May 31), filing of returns with ROC & others, etc.
6. There is a need to allow for 30-60 days grace period in utility, statutory, and GST payments for affected areas and industries without impacting credit history.
7. Government and RBI should direct all banks not to reduce and eliminate the offering of loans under project delays situation because of Covid-19.
8. All pending payments to vendors are required to be passed immediately by the government departments. GST refunds should be cleared at the earliest.
9. There is a need to provide reasonable and more straightforward terms for credit to those sections of businesses that are adversely affected and to those who will stop production activities due to lockdown decisions of government.
10. GST Returns/Procedures: The deadlines for paying taxes every month need (i.e., 20th) to be deferred, and filing of returns is expected to be extended. All show-cause notices/inquiries may be suspended, including those relating to excise.
11. There is a need to follow leniency in levying of penalties for late filings or payments like late filing of Bill of Entries, late filing of Import General Manifest (IGM), etc.
12. There is an urgent need to increase overdraft facilities to state governments from the RBI. It is required to pay the pending GST compensation immediately.
13. There is a need to provide income support to low-income families through Direct Benefit Transfer. PM Kisan Yojana is already doing it for farm households. Farmers should be supported by giving Minimum Support Prices for their harvests. There is a need to provide relief programs to those farmers who have lost their output due to unseasonal rains and weather harshness.
14. Ensure liquidity to surplus levels and give individual liquidity facilities to those banks, companies, NBFCs that are bearing financial strain because of risk factors in the financial market or due to massive demand shock.

15. Direct Taxes: Carry forward period of MAT may be increased from 15 to 17 years.
16. Personal Tax: Additional deduction facilities may be provided to salaried classes at a flat rate so that they can spend additional expenditure on the Corona preventive measures.
17. As we all know, there are large numbers of people who will lose their jobs in many sectors like the retail, hospitality, travel and construction industry, etc., so the government is required to provide some incentives to employers to keep the five workers until coronavirus problem.
18. There is a need to shut down shops in many cities, but there should be a proper time announcement to open these shops to ensure sufficient accessibility of essential goods to consumers.
19. Shipments from China have started to arrive though the ships are not being allowed to unload their products in India due to fear of Covid-19. The government should find ways to facilitate the safe and fast unloading of shipments in India. Work out a mechanism to reduce quarantine delays at ports.
20. Regular planning is needed for planning at the district level, so constant communication is required to be maintained. Any early discussion of planned measures and joint planning with industries will help to avoid shock to supply chains at a local level.
21. There are no guidelines, so far, for exchanging cash currency, which can be the main route of spreading of Coronavirus.
22. There is a problem of illiquidity in the corporate bond and commercial paper market. RBI needs to take steps either directly or through the commercial banking system to ensure a sufficient flow of funds in the market.
22. Other services: The governments imposed restrictions on the opening of malls, gyms, clubs, salons, restaurants, hotels, educational institutions, nonessential products shops, etc. There is a need to provide particular incentives to those people who are employed in these sectors as well as to the companies. But certain services like banking and hospitals are not under lockdown effect.
23. The employers need to pay salaries continuously for this period. These salaries are required to be adjusted either in overtime working or in working on Sunday. While changing, holidays of 10 days given to workers will not be taken into account.
24. Simple rules for the buy-backing of shares. There is a need to provide flexibility in minimum floor rule to give a boost in the primary market for QIPs (Qualified Institutional Placement)

8. CONCLUSION

This is high time to reset everything as the world has become standstill for a few months due to the outbreak of Covid-19. We all are allowed to rethink, redesign, and restructure everything. If we involve in doing the right things, we may be able to fix challenges in new platforms that can face and bear humankind's environmental damage, maybe it pollution, self-centered growth or inequality, or concentration of economic power and wealth....

I think the most significant point is that we must ensure and make the best of efforts that this black phase of life should never happen with all of us again. I am sure that humankind has never taken lessons and wisdom from history. Let's hope for the better, healthy, safe, prosperous, and, of course, sustainable future ahead.

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