

## Impact of Covid-19 in the Indian Context

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### Abstract

The comprehensive number of cases and deaths recorded by COVID-19 is 32,795,818 till 26<sup>th</sup> September '20 globally and specifically in India the total cases are 59,08,748. Fear abounds regarding the Novel Coronavirus pandemic and the consequences. There are increasing numbers of confirmed deaths. These numbers are expected to gush when oblique costs due to lost productivity and comorbidities are taken into consideration. The economic implications are thus detrimental not only to public health systems but to trade and travel, food and agriculture industries, various market types and retail chains, among others. If no pertinent vaccine is used and if the epidemiological process is not completely known, it will be very difficult to stop the spread of this virus. The decline in manufacturing sector and how unemployment in India is rising are seen here. Our result suggests that lockdown will have a huge impact in Indian economy. The non-performing assets of banks will increase as unemployment increases, including retail loans. The paper also shows some of the remedial measures that must be taken care of so that there is a boost in the economy as soon as the lockdown gets over. But, there are no situations where the lockdown stops suddenly and it has to be done in stages by keeping a balance between Covid 19 hotspots and economic needs. Life itself is less relevant without livelihoods. Just as the right antidote to sickness is a healthy body, the right antidote to Covid-19 in the medium term is a healthy economy.

**Key Words:** COVID-19, Pandemic, WHO, Unemployment, Lockdown

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## **1. Introduction**

The Indian economy has been hit hard by the growing Coronavirus pandemic-driven global crisis. The entire world is passing through great unpredictability. There are two prime challenges that the Indian economy is facing at this juncture. First is to save the country from the spread of COVID-19, which is a health emergency. Second is to save the economy from the unfolding economic uncertainty due to the dual effects of the Coronavirus pandemic and the global and national lockdown. Study is intended to focus on significant impact of Covid-19 a global pandemic situation in Indian economy. As a result, we see a fall in global trade, capital flows and disbursements, disturbance in supply chains, shrinkage in outputs, massive rise in unemployment and then rise in poverty. The Indian economy consists of various segments like, Railways, IT Sector and Software Services, Travels and Tourism Sector, E-commerce Sector, Automobiles Sector, Restaurants Industry and many other Industries having vital role in Indian economy.

On 11<sup>th</sup> March'20 the World Health Organization (WHO) declared COVID-19 a pandemic which means a global disease threatening the whole planet. COVID-19 is an infectious disease caused by coronavirus. Coronaviruses (CoV) are a large family of viruses that cause illness ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). They include fever, dry cough, shortness of breath and breathing difficulties, tiredness with possible symptoms of aches and pains, nasal congestion, runny nose, sore throat or diarrhea. The keyword in the ongoing corona episode is social distancing. The virus spreads through person-to-person contact. Kristalina Georgieva, Managing Director of the International Monetary Fund (IMF), said that since the great depression of the 1930s the world has been experiencing the toughest global downturn (PTI, 2020). The aim of this paper is to analyze the difference between the pre pandemic and the post pandemic situation of the manpower in India. The biggest impact would be on the lives of the bottom 80 per cent of the population. These people are mainly agricultural labourers and the urban informal sector workers.

## **2. The Objective of the Study:**

The primary aim of the paper is to critically analyse the severe impact of covid-19 on the Indian Economy and to provide a reasonable solution for the betterment.

## **3. Hypothesis:**

H0: There is no significant effect of Covid-19 in the Indian Context.

H1: There is a significant effect of Covid-19 in the Indian Context.

## **4. Methodology:**

The study design is qualitative and explanatory. The instrument used for the sourcing of data in the study is the secondary source. The secondary source of data are not of the researcher but already existing literature. Secondary data consists information obtained from textbooks, newspapers, journals, internet sources and government publications.

## **5. Scope of Research:**

- a. Future outlook of the impact of Lockdown on different sectors of economy.

- b. Projections of unemployment from 2016-2020.
- c. Changes in household incomes, 2019-2020

## 6. Background:

Our honorable PM Narendra Modi announced as 'Janta Curfew' on 22<sup>nd</sup> March'20, Sunday, followed by a complete 21 day lock down from 24<sup>th</sup> March'20 across India .Realizing no fall in the death rate, the lockdown period got extended till 3<sup>rd</sup> of May and further till 17<sup>th</sup> of May. Just a little over one-fourth (27.7%) of the overall working age population (15-59 years) of 1003 million, or 285 million jobs, worked after the lockdown in a few days (the last number before lockdown was 44 million, according to the Center for Monitoring the Indian Economy (CMIE report). The CMIE analysis reveals that unemployment has hiked dramatically whereas employment has fallen significantly in March 2020. In March 2020, the unemployment rate stood at 8.7%, just above the projected state unemployment level for 2017-18 at a height of 45 years of 6.1%. After September 2016, this is the largest unemployment rate. The unemployed people have also gone up from 32 million to 38 million during the same period. The situation became further worse as we moved into the lockdown period in the last week of March and the unemployment rate soared to 23.8%. The International Monetary Fund (IMF) and the World Trade Organization (WTO) have already made dire forecasts for 2020. In its baseline scenario, the IMF expects that the global GDP will shrink by 3% . However IMF also suggests that there is significant uncertainty about the spread and containment of the worldwide epidemic, and under more adverse scenarios, the global growth may dive by -6% to -11%.

## 7. Impact of Lock down

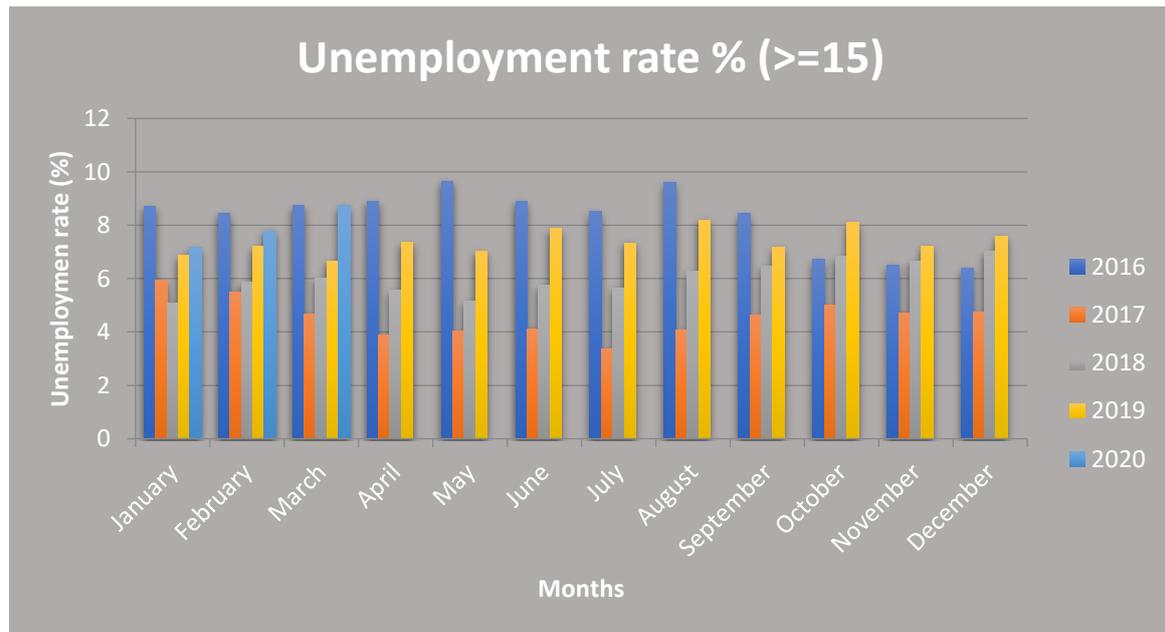
### (a) Rise in unemployment

India's unemployment rate is now at a record peak of 27.1%, according to the Centre for Monitoring the Indian Economy (CMIE).The new data shows India's unemployment figures are 4 times that of the US. The country has been in lockdown since 25 March'20 to reduce Covid-19 infections, causing mass layoffs and heavy job losses. Unemployment hit 23.5% in April, a sharp peak from 8.7% in March. This is directly related to the lockdown, which brought most economic activity, except essential services such as hospitals, pharmacies and food supplies - to a standstill. Large companies across various sectors - media, aviation, retail, hospitality, automobiles - have announced massive layoffs in recent weeks. And experts predict that many small and medium businesses are likely to shut shop altogether. At the national stage the influence of the corona pandemic could have a longer-term effect on some other industries, especially if demand is at a discretionary point, resulting in stagnation in domestic needs, deterioration purchasing power due to losses at employment or wage cutting and the trickle-down consequences of demand deferment. The below chart shows the rise of the unemployment in the time of Covid - 19, in comparison to the previous years.

Months	2016(%)	2017(%)	2018(%)	2019(%)	2020(%) (Till April)
January	8.72	5.93	5.10	6.86	7.16

February	8.46	5.51	5.87	7.20	7.78
March	8.73	4.67	6.00	6.65	8.74
April	8.90	3.87	5.57	7.35	23.5
May	9.65	4.03	5.14	7.03	
June	8.91	4.12	5.75	7.87	
July	8.51	3.37	5.66	7.34	
August	9.59	4.07	6.27	8.19	
September	8.43	4.63	6.47	7.16	
October	6.71	5.00	6.83	8.10	
November	6.51	4.72	6.65	7.23	
December	6.40	4.74	7.02	7.60	

Table 1: CMIE Data



The rapid 9 million decreases in the population in the March Labor Participation Rate (LPR) occurred from 443 million in January 2020 to 434 million in March 2020. The population is made up of both the working and unemployed people who actively pursue jobs. From January-March,

the number of people working fell from 411 million to 396 million, while the number of unemployed increased from 32 million to 38 million.

In March, there was an unemployment rate of 8.7%. In 43 months, this is the maximum rate of unemployment. And, from September 2016 onwards. From the 7, 16% point of January 2020, the rate rising very steeply. From its low point of 3.4 percent in July 2017, the unemployment rate has gradually increasing

### (b) Fall in Industrial Production

The lock-down is excluded from power generation, steel processing, fertilizers, fuel, drugs, petroleum products and mining. Output in these sectors continues. Exceptions are made for full lockdowns and pursuant to guidelines provided by the Ministry of Health and Family Welfare, only selective relaxation was allowed during the lockdown 2.0 beginning midnight with the purpose of restarting the rural economy and providing earning opportunities to the daily-wage earning class including migrant labourers. Data are compiled as four month moving average.

Table 2: CMIE Data

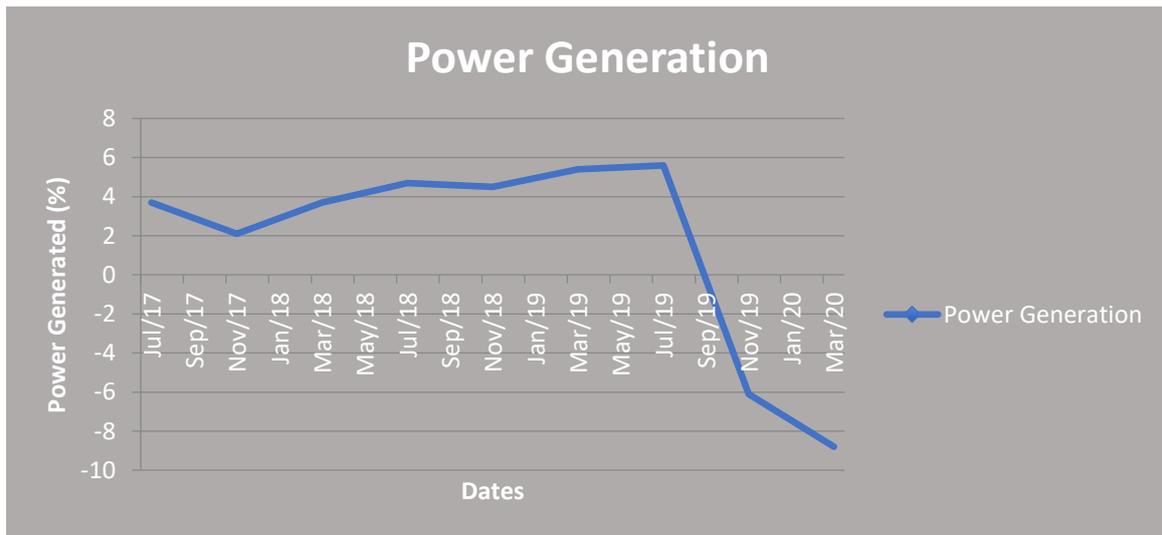
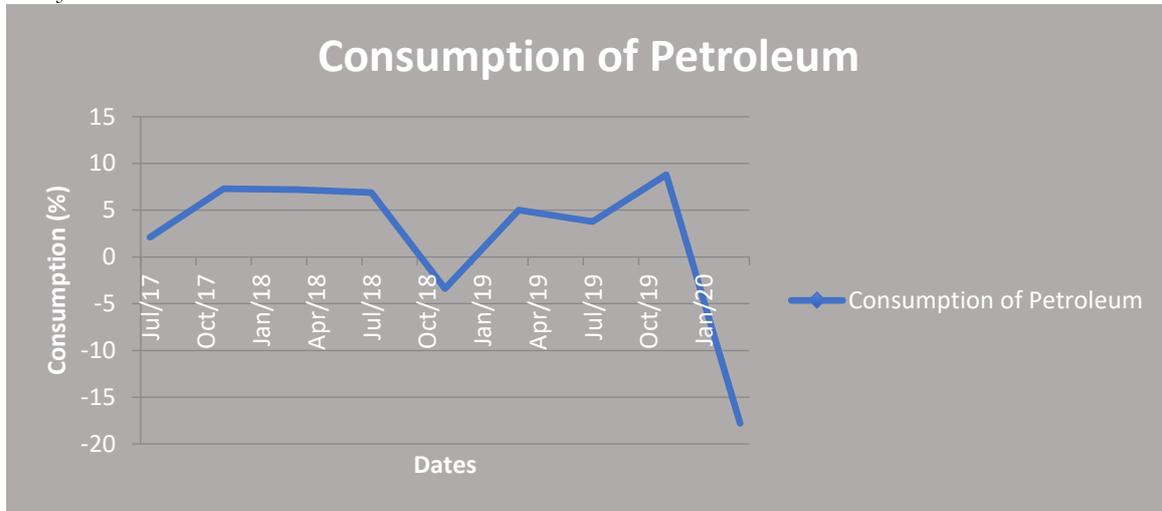
Consumption of Petroleum Y-o-Y( % change)

Dates	Consumption of Petroleum
Mar-17	-0.60
Jul-17	2.10
Nov-17	7.30
Mar-18	7.20
Jul-18	6.90
Nov-18	-3.40
Mar-19	5.00
Jul-19	3.80
Nov-19	8.80
Mar-20	-17.80

Table 3: CMIE Data

PowerGeneration Y-o-Y( % change)

Dates	Power Generation
Mar-17	5.80
Jul-17	3.70
Nov-17	2.10
Mar-18	3.70
Jul-18	4.70
Nov-18	4.50
Mar-19	5.40
Jul-19	5.60
Nov-19	-6.10
Mar-20	-8.80



Consumption of oil products fell 17.8% in March 2020 compared with a year earlier. This was the largest decline since monthly data on petroleum usage were released in 2004. So, in at least 16 years this would be the biggest fall. An extra 8% of IIP is needed for power production. In March 2020, electricity generation fell by 8.8 percent relative to March 2019. Each of the four months of September to December 2019 saw y-o-y decreases in the power production in view of sluggish economic activities until the lockout. March has even made a decline now. Therefore, the decline in power production was 5 of the 12 months of fiscal year 2019-20. Reports show that, on the first day of lock down, the average demand for energy dropped to 2.8 billion units from 3.5 billion units until locking on 25 March. That can be seen in the dropping of 8.8% in the whole month.

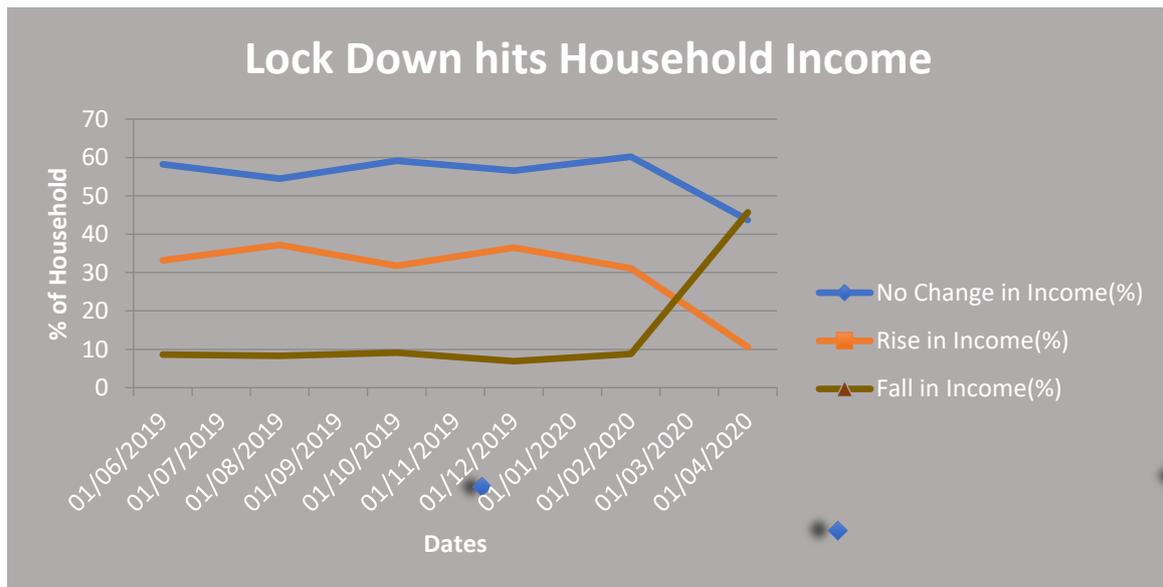
**(c) Lock down Hits Household Income**

The national lock-up suddenly and dramatically influenced the emotions of the family-its current existence and prospects. The index was 102.5 during the first week of March 2020. The number of successful cases rose to 96 at the end of the second week and the customer satisfaction index to 101.8. The number of cases rose to 329 during the 'Janta Curfew,' and the customer satisfaction index declined to 98, 8. This was the first year in which the index dropped below its 100th level. It was also the fourth week in a row of the index decline.

**% of Household Facing Change in Income**

Dates	No Change in Income (%)	Rise in Income (%)	Fall in Income (%)
28-04-2019	58.00	33.30	8.80
30-06-2019	58.20	33.20	8.60
25-08-2019	54.50	37.20	8.30
27-10-2019	59.10	31.80	9.10
29-12-2019	56.60	36.50	6.90
23-02-2020	60.20	31.10	8.80
12-04-2020	43.70	10.60	45.70

Table 4: CMIE Data



An index has been created by the Economic Outlook

Opinions regarding the future are focused on the graph of customer preferences. Firstly, the household's financial circumstances are predicted one year later. Just 10% of households planned to change their financial situations in a single year during the last week of March 2020. This figure dropped to less than 9 percent in the first quarter of April. Previously, this proportion was

between 33% and 25%. And equate this to 45% that claimed that, relative to the previous year, they're worse off. But most people are not looking forward to a year's rehabilitation.

The second view about the future is regarding business conditions a year later. Here, only 2 per cent of the households saw business conditions improving over the next one year and 59 per cent saw it worsening. This pessimism about the future of business in general is perhaps, feeding into their pessimism about their own well-being in the near future.

#### **8. Recommendations:**

Proper planning is needed to offset the impact of the outbreak of COVID-19 and the impact of lockdown. Stress should be laid on the revival of different sectors of economy with the help of the government. There should be proper channel of communication which will aid the economy to recover. Short term and long term plans should be laid. Proper corrective measures should be adopted to bridge the gap of allocation of the financial package by the government.

#### **9. Findings and Conclusion:**

PM Narendra Modi is facing immense pressure from several States and health departments in India to extend the lock to avoid infection. The IT industries are now in operation and the amount of citizens contaminated is increasing after they have begun their everyday jobs. There is no situation where the lockdown stops suddenly and it has to be done in stages by keeping a balance between Covid 19 hotspots and economic needs. (Jagannathan, 2020)

The main challenges for restarting business are:

- ✓ COVID-19 will remain around for a long period of time and create a high degree of uncertainty in all aspects of business. In particular, the need to avoid the further spread of COVID-19 in the workplace or through the movement of people and materials may result in further restrictions and a probable return to lockdown.
- ✓ When restrictions are lifted, the market is expected to be very tight and extremely cash-constrained. This is largely due to extreme uncertainties with regard to demand for MSMEs' products (and/or ability to deliver products to the market)
- ✓ Manpower will be a constraint, with MSMEs indicating that 30 to 70 per cent of their pre-COVID-19 workforce may have migrated back to their hometowns due to uncertainties and loss of income during the lockdown. It will be a challenge to convince staff to return or to hire new staff, and the staff turnover is expected to impact negatively on productivity and quality, adding further to financial concerns.
- ✓ Ensuring timely supplies of essential inputs without price increase is a matter of serious concern. Those MSMEs that are critically dependent on specialized parts from other states or from abroad express concerns about their vulnerability to supply shortages.

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