

IMPACT OF COVID-19 ON INDIAN ECONOMY

Dr. Mrs. S. S. Kadam, Asst. Professor, D. R. K. College of Commerce, Kolhapur.

Abstract: The outbreak of the covid -19 pandemic is an unprecedented shock to the Indian economy. The Indian economy has been slow down over the past few quarters. In the third quarter of the current fiscal, the economy grew at a six years low rate of 4.7%. The Government announced a various measures to tackle the situation from food security, extra funds for health care, sector related incentives, tax deadline incentives etc. Lockdown and social distancing have resulted in an immediate supply shock, followed by a demand shock. Economic activity has been completely slowed down except the essential service and there is great uncertainty relating to the spread of the pandemic and relaxation of lockdown across the world and within India and state level. The outbreak has presented challenges for the impact on Indian economy on various sectors like impact on demand and supply, financial market, International market, agriculture, textile, automotive, hotels and restaurants, entertainment and sports, E-commerce, chemicals etc. The main aim of this paper is to study the impact of covid -19 on various sectors in Indian economy.

Keywords: Indian economy, pandemic, Social distancing, Demand, Supply, Uncertainty, Various Sectors.

Introduction : The outbreak of the covid-19 pandemic is an unprecedented shock to the Indian economy. With the prolonged country wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. Lockdown and social distancing have resulted in an immediate supply shock, followed by a demand shock. Economic activity has been completely stalled except the essential services and there is great uncertainty relating to the spread of the pandemic of relaxation of lockdown across the world and within India at the state level. This uncertainty affected on global trade and supply chains. In India large share of workforce employed in informal services and the unorganized sector, an extended lockdown is likely to result in a life-threatening situation of its own. Covid -19 lockdown has put more strain on an economy that was already declining growth and increased joblessness. More than 75% of India's substantial maximum numbers of migrant workers have lost their jobs.

According to a survey by the Federation of Indian Chambers of Commerce and Industry (FICCI) the immediate impact of covid -19 reveals that besides the direct impact on demand and supply of goods and services. Business are also facing reduced cash flows due to slowing economic activity which in turn is having an impact on all payments including to those for employees, interest, loan payments and taxes. On March 24th 2020 the finance minister extended the filling dates of ITR, GST, Linking of PAN, Aadhar card and other reliefs for the big and small enterprises. The finance ministry is already working on economic package to mitigate the impact of Corona Virus on the Indian economy.

Objective of the Study : 1) To study the impact of covid -19 on various sectors of the Indian economy.

Research Methodology: The present study is based on secondary data which is collected from various publications, journals, magazines, reference books, internet etc.

The Corona Virus crisis impacts each and every sector in the economy. Some of the following sectors are taken for study.

1) Agricultural and Food Processing :

Agricultural and allied activities sector is likely to be adversely hit by the Corona Virus. The poultry sector which is the fastest growing subsector of Indian agricultural and where the country has created a foothold at the global level. India is the third largest producer

of eggs and fifth largest producer of broilers is already facing losses to the tune of 150-200 crore each day. The social media has been spreading misinformation by correlating Corona Virus infection to consumption of meat and poultry product. This one of the cause of demand is decreased for poultry products.

A study during the first two weeks of May by the Public Health Foundation of India, Harvard T H Chan School of Public Health and the Centre for Sustainable Agriculture found that "10% of farmers could not harvest their crop in the past month and 60% of those who did harvest reported a yield loss" and that a majority of farmers are facing difficulty for the next season. Due to logistical problems, the lockdown tea estates were unable to harvest the first flush. The impact of this on the second flush is not known. Tea exports could drop up to 8% as a result. During the lockdown, food wastage increased due to affected supply chains, it is affecting for small farmers.

From 20 April, under new lockdown guidelines to reopen the economy and relax the lockdown, agricultural businesses such as dairy, tea, coffee, and rubber plantations, as well as associated shops and industries etc and government also helps to the farmers under the PM-KISAN scheme.

2) Textile : Impact of covid 19 and lockdown in India had an impact on textile sector. Mainly India has depends upon China for raw materials of textile, including synthetic fabric, synthetic yarn, buttons, zippers and hangers etc. India also exports cotton yarn to China in bulk quantity and poor demand in China has caused cotton prices to come down in India.

3) Automotive : This sector was already witnessing a sluggish demand for the last one year, again in present situation has further aggravated the problem and compounded the situation with an acute liquidity crunch. 27% of India's automotive parts imports from China. China it is one of the major auto hub; the supply chain of the automotive sector has been hit significantly.

4) Hotels and Restaurants : In this situation demand has declined substantially with owners of Hotels and Restaurants struggling to recover the fixed cost, pre-lockdown, hotel occupancy rates of 70 percent declined to 20 percent with restaurants losing 30 to 35 percent of their business.

5) Chemicals : In the lockdown situation reduced production of organic and inorganic chemicals across India, because dependence on China for active ingredients and shortage of essential chemicals, to reduced the production of chemicals. That is the impact of chemicals.

6) Pharmaceuticals : As per Trade Promotion Council of India, the country imports around 85 percent of its total requirement of active pharmaceutical ingredients from China. Dependencies on China have impacted manufacturing operations in India. However demand for essential medicines and safety equipment has gone up. Government has restricted the export of certain medicines and pharmacy products and is monitoring the overall inventory on regular basis.

6) E-commerce : So many e-commerce players are unable to service existing orders and are not accepting new orders, even when there is a rush in demand for home delivery. However, companies are trying to service essential items on priority basis. Stay-at-home orders will eventually be lifted state by state, but in the interim, there are millions of consumers creating and reinforcing new online buying behaviors and habits. In many families, online grocery, apparel, and entertainment shopping will replace store and mall visits permanently until a vaccine is available.

Consumers are more motivated than ever to stay home and shop online, creating the ideal market conditions to fast-track, test, and launch new experience-driven mobile apps, sites, and touch points across their platform.

7) Impact of Demand : In the present crisis impact of demand side Tourism, Hospitality and Aviation are among the worst affected sectors that are facing the maximum problems closing the Cinema theatres, shopping complex has affected the retail sectors. Due to job losses and decline in income levels of people particularly the daily wage earners, it impacted in several sectors including retail, construction and entertainment etc. Travel restriction has severely impacted the transport sector. These are the problems affected on demand.

8) Impact of Supply : On the supply side, shutdown the factories and some sectors like automobiles, pharmaceuticals, electronics, chemical product etc. are facing raw material and component shortage. This is hampering business sentiment and affecting investment and production schedules of companies.

9) Impact on International Market : China has been major market for many Indian products like sea food, petrochemicals, jewellery etc. The outbreak of Corona Virus has adversely impacted exports of their items to China. The fisheries sector is anticipated to incur a loss of more than Rs. 1300 crore due to fall in exports. Similarly India export 36% of its diamonds, 34% of its petrochemicals to China. Due to export restrictions to China, petrochemicals products are expected to see a price reduction

10) Shipping Industry : Corona Virus outbreak has impacted the businesses of Cargo movement services providers. As per the service, per day per ship has declined by more than 75-80% in dry bulk trade.

Conclusion : There is an urgent need to take immediate steps to not only contain the spread of the virus but also to address the key pain areas of the industry which can help in minimizing the impact of the outbreak on the Indian economy and businesses. So, it is very necessary to measures to combat the economic impact from the rapidly spreading Corona Virus, the Government policy makers would need to implement a substantial targeted fiscal, broader monetary stimulus, and policy rate to help normalize the economic situation. A combination of monetary, fiscal and financial market measures is needed to help the business and people and various sectors of the economy. Therefore it is very necessary to prepare a correct framework of actions and policy measures.

References :

- 1) Dev and Sengupta (2020), Covid-19 : Impact on the Indian Economy, Indira Gandhi Institute of Development Research, Mumbai, 1-42.
- 2) https://en.wikipedia.org/wiki/Economic_impact_of_the_covid-19_pandemic_in_India#Agriculture
- 3) <https://home.kpmg/content/dam/kpmg/in/pdf>
- 4) https://time.com/5818819/imb-coronavirus-economic_collapse.
- 5) <https://www.eepcindia.org>
- 6) <https://www.fergusson.edu>.
- 7) <https://www.ficci.in/publication.asp> FCCI (2020), Covid-19, Impact on Indian Industry Issues and Suggestions, 23rd March, 2020.
- 8) <https://www.forbes.com/sites/louiscolumbus/2020/04/28/how-covid-19-is-transforming-e-commerce/#217aa7fc3544>
- 9) <https://www.researchgate.net/publication>.
- 10) <https://www.researchgate.net>
KPMG (2020), Potential Impact of Covid-19 on the Indian economy, April 2020.