

“Impact of Covid-19 on Indian Economy: Potential Effects, Challenges and New Changes”

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Abstract

The rapid outbreak of the coronavirus (COVID-19) presents an alarming health crisis that the world is fighting with. The impacts of the COVID-19 pandemic are unfolding in real time. This has led to a significant impact on the economies of various countries and international financial markets. The rate of contagion and patterns of transmission is increasing at a lightning rate. Many safety measures has been put in place which contain the awareness about spread of the virus also require social distancing as well as public alarm. The COVID-19 pandemic has set foot in India as across the globe and impacted the country's economy across industries and business formats. This research is an exploratory study conducted to analyse the impact of pandemic on Indian Economy. The researcher also strives to study the challenges that can be arised due to pandemic and what new changes India will face after COVID-19

KEYWORDS: COVID-19, Pandemic, Economic effects

INTRODUCTION:

Controlling the spread of COVID 19 to reduce the effects of infection on a population is an important mandate of public health. The increasing number of coronavirus cases has become a crucial concern for people in India, and across the world. COVID 19 pandemic is having a severe impact on world economy. It is expected to cause 3% change (i.e., a contraction) in global output in 2020, which is much worse than 2008-09 financial crises. The COVID-19 pandemic has set foot in India as across the globe and is likely to impact the country's economy across industries and business formats. Coronavirus outbreak was first reported in Wuhan, China on December 2019. According to the survey, COVID-19 is having a 'deep impact' on Indian businesses, over the coming month's jobs are at high risk because firms are looking for some reduction in manpower. Further, it is added that already COVID-19 crisis has caused an unprecedented collapse in economic activities over the last few weeks. The trade impact of the coronavirus pandemic for India is estimated to be nearly about 348 million dollars and thus the country figures among the best 15 economies which are most affected as slowdown of producing in China disrupts world trade, consistent with UN report. Whereas according to Asian Development Bank (ADB) the Covid-19 outbreak could cost the Indian economy between \$387 million and \$29.9 billion in personal consumption losses (<https://www.livemint.com/>). The Organisation for Economic Co-operation and Development (OECD) has slashed India's growth forecast for 2020-21 by 110 basis points (bps) to 5.1%. According to Christopher Wood, Global Head of Equity Strategy, Lockdown in countries like India and Indonesia are more disastrous for human welfare and economies since there is no help for small

businesses nor are there unemployment benefits.

REVIEW OF LITERATURE:

- 1. Rekha Rani (March 2020)** studied the impact of Coronavirus on Indian Economy. The coronavirus outbreak might cost the global economy \$1-2 trillion in 2020, according to the UN Conference on Trade and Development. Here discussed some sectors of Indian economy which show slowdown. It is estimated that GDP growth could drop to 2.5 % due to lockdown in the country.
- 2. RJ Barro, JF Ursúa, J Weng (March 2020)** studied The Coronavirus and the Great Influenza Pandemic: Lessons from the "Spanish Flu" for the Coronavirus's Potential Effects on Mortality and Economic Activity. The spread of the new coronavirus (COVID-19) in early 2020 led worldwide to declines in stock prices, increases in stock-price volatility, decreases in nominal interest rates, and likely to contractions of real economic activity, as reflected in real GDP. A great deal of uncertainty attaches to the eventual scale of the pandemic, gauged by the number of persons ultimately infected and killed. Also uncertain are the full global economic implications of the pandemic and associated policy responses

OBJECTIVES OF THE STUDY:

- 1.** To examine the impact of an outbreak of COVID 19 on various sectors of Indian Economy.
- 2.** To examine challenges arise due to COVID-19
- 3.** To analyze the positive changes that will occur due to COVID-19

LIMITATIONS OF THE STUDY:

This research is subject to certain limitations. Time constraint and Lockdown are the two major limitations. This research paper does not explore all sector of Indian Economy.

RESEARCH METHODOLOGY:

For this paper, the author studied articles in newspapers and research articles published in Journals. Some of the relevant articles and research papers were reviewed and has been presented above. To make this study author has used published source of data collection such as books, journals, research articles, WHO reports, report issued by KPMG and websites

METHOD OF DATA COLLECTION:

The study is based on secondary data which is collected from various sources like websites, e-book, news channel, news articles and journals

WHAT IS COVID-19:

Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered virus which is called as coronavirus. Most people infected with the COVID-19 virus will experience respiratory illness and recover without requiring special treatment. Old people having age of 60 plus and those with undergoing medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness. The best way to prevent or to slow down transmission is be well informed about the COVID-19 virus, it causes and how it spreads. One can remain protected from infection by washing hands or using an alcohol based rub frequently and not touching your face, wearing mask and covering nose. The COVID-19 virus spreads mainly through discharge from the nose when an infected person coughs or sneezes, droplets of saliva or so it's important that you also practice respiratory etiquette (for example, by coughing into a flexed elbow). At this time, there are no specific vaccines or treatments available for COVID-19. However, there are many ongoing clinical trials evaluating potential treatments by which problem can be tackled.

IMPACT OF COVID-19 ON INDIAN ECONOMY:

CARE Ratings had launched its Survey on 'Impact of the Corona Virus on the India Economy' and reached bend to experts in various fields CEOs, CFOs, investors, analysts, economists and other stakeholders and gathered their views on the likely impact of the pandemic of coronavirus, which has led to disruptions in the global supply chains hampering the global economic growth. The Coronavirus outbreak is having a negative impact on the various sectors of the economy. Given below are some sectors of Indian economy which shows slowdown.

Aviation and Tourism:

India's tourism and aviation sector has been the first industry to be hit. There is a large scale cancellation of bookings. As of March 6, Indian private carriers had cancelled 93 international flights and global airlines 492 flights, according to data shared by the government in the Lok Sabha. As per International Air Transport Association (IATA), 2020 global loss for the passenger business is estimated between USD 63 billion (11 percent) and USD 114 billion (19 percent). On account of COVID-19 Indian tourism and hospitality industry is staring at a potential job loss of around 38 million which is around 70 percent of total workforce.

Apparel and Textiles:

Indian Textiles and Apparels (T&A) industry, accounts for about 4% of the worldwide T&A market. The T&A industry is one among the largest and the most vital and therefore the most important sectors for the Indian economy in terms of output, exchange earnings and employment. The pandemic has affected the majority of India's export market (the US and EU together constitute for approximately, 60% of the total apparel exports from India in value terms), causing order cancellations/deferral of order

leading to inventory build-up and expectation of slower realization of export receivables leading to higher working capital requirements.

Education and Skilling:

The 2019–20 coronavirus pandemic has affected educational systems worldwide, leading to approximately total closures of colleges, institutions, universities, schools, etc. As of 26 April 2020, approximately 1.723 billion learners have been affected due to school closures in response to the pandemic. According to UNESCO monitoring, 189 countries have implemented nationwide closures and 5 have implemented local closures, impacting about 98.4 percent of the world's student population. The challenge in country like India is the additional economic burden facing the parents in the absence of school provided mid-day meals.

Food and Agriculture:

COVID-19 is disrupting some activities in agriculture and logistic chains. Preliminary reports show that the non-availability of migrant labor is interrupting some harvesting activities, particularly in northwest India where wheat and pulses are being harvested. There are disruptions in supply chains because of transportation problems and other issues. Prices have declined for wheat, vegetables, and other crops, yet consumers are often paying more. Due to fake propaganda, poultry sector (eggs and chicken) is heavily impacted. Bricks and Mortar grocery retail chain and shops are operating on alternate days and due to shortage of labour the operation is affected. Online food delivery of groceries and essentials has not impacted largely.

Pharmaceuticals:

India's Pharmaceutical industry has deep linkages to China- the supply chain of raw materials of drugs has taken a hit. Active Pharmaceutical Ingredients (APIs), also called bulk drugs, are significant ingredients in the manufacture of drugs. The Hubei province of China, the epicentre of the coronavirus, is that the hub of the API manufacturing industry. India's manufacturers rely heavily on imports of their APIs from China. As a result of the lockdowns and closures, slowed production of APIs resulted in less availability and higher costs for the materials required for generics production. As per the current data, cost of paracetamol has gone up from Rs 250-300 kg to 400-450 kg. Similarly, the prices of vitamins and penicillin have also increased tremendously.

Media and Entertainment:

Big releases postponed, film, TV and web series shootings halted, theatres unable to screen movies, daily wage employees struggling for their next meal... the Rs 183 billion Indian film industry is going through its worst phase because of the lockdown necessitated by the coronavirus pandemic. During the lockdown period, TV, gaming, digital and OTT platforms are seeing consumption growth. On the other hand, outdoor

consumption models such as films, events, theme parks, are witnessing a dramatic fall with social distancing norms in place, news agency IANS reported.

Stock Market:

On 28th February, the Indian stock exchange registered one amongst of its worst crashes in a single day. Indian indices fell over 3.5%, marking the second biggest fall in Sensex history. The Sensex's worst fall in history was on 24th August, 2015, when the indices fell 1,624 points on the back of a slump in the Chinese markets and rising crude oil prices.

CHALLENGES:

Unemployment:

Pandemic will hit hard low-income people, especially informal workers within the hospitality, retail trade, and transport sectors who have limited or no access to healthcare or social safety nets. COVID-19 had created unemployment to a greater extent. Getting fresh job and employment after lockdown will be the greater challenge for many people. Creation of new JOB opportunities will be a major challenge which Indian economy will face.

Learning digital skills

During lockdown many business sector has opted digital platform for doing work. No doubt this will bring new change but on other hand it will create difficulties for those who are not updated with technology.

Slowdown in Domestic Demand:

Domestically, the impact of the coronavirus pandemic could lead to slowdown in domestic demand, erosion of purchasing power due to job losses or pay cuts and trickle-down effect of demand deferral will have a longer-lasting impact on some other sectors, especially where demand is discretionary in nature

BEYOND COVID-19: EMBRACING THE CHANGE

The increasing widespread of COVID-19 has transformed the world's hustle into varying degree of uncertainty. The collective experience of going through this common crisis will lead to questioning of fundamental assumptions and priorities which will be both challenge and an opportunity.

The shift towards localization:

Pandemic outbreak has given rise to geopolitical environment and global recessionary climate which leads to protectionism and risk aversion. This is expected to lead to more localization of supply chains, especially of essential commodities.

Digitalization gets push:

Many companies have opted online platform for working from home. While these trends were already in motion, they have now hit the fast forward button. Many educational institutions has opted the digital platform for conducting webinars, conferences, online lectures, training programme, etc. This will change the way we work on services, commercial real estate, e-commerce, etc.

Move towards variable cost models:

One of the biggest lessons, amongst others, is the importance of reducing overall business costs. One significant way to accomplish this is to convert fixed costs to variable costs wherever feasible.

More Saving Less Expenses:

Due Outbreak of COVID-19 people realize importance of saving. People will likely to continue to spend part of their income on essential commodities rather than doing unnecessary expenses. This in turn will lead to more investment opportunities.

Reorienting supply chains and manufacturing:

The COVID-19 pandemic is revealing how vulnerable global supply chains can be and will motivate companies to rethink their supply chain strategies. Specifically, a model in which businesses rely on a single supplier or a handful of suppliers concentrated in one country now appears particularly fragile.

Shift in Consumer Psychology:

The pandemic has instilled a shift in consumer psychology, and the outcome will be an altered behaviour towards the market, especially China and its products.

FINDINGS:

- The impacts of the COVID-19 pandemic have unfolded significant impact on the various sector of Indian economy like pharmaceuticals, food and agriculture, textiles and apparel and many more. It too have significant impact of financial sectors as well.
- With businesses disrupted due to the lockdown and its ripple effects, revenue will come under "heavy pressure"
- There are many challenges awaits for India after the post COVID world like unemployment, poverty, learning new digital skills, etc.

SUGGESTIONS

Outbreak of Pandemic COVID 19 is a challenge before India. This problem can be tackled by introducing new strategies and policies. More digital outlook can be adopted

in way of handling work. This pandemic will help businesses and economies to navigate new change in post COVID world.

CONCLUSION:

By the present study we conclude that Coronavirus have impacted many sector of Indian economy to a larger extend. COVID 19 has also introduced many challenges for society as well business environment which calls for practical approach from all the sectors of society. COVID-19 will spur rapid technology adoption, potentially changing the working world. Fear of contagion is leading many to abandon cash in favor of digital payments. Social distancing is prompting organizations to embrace video conferencing, virtual classrooms and telemedicine at an unprecedented scale.

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