



Corona and Indian Economy.

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Abstract

The main purpose of this is to know the impact of coronavirus on Indian economy. A new virus called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified as the cause of a disease outbreak that began in China in 2019. The disease is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. Public health groups, including the U.S. Centers for Disease Control and Prevention (CDC) and WHO, are monitoring the pandemic and posting updates on their websites. These groups have also issued recommendations for preventing the spread of the virus that causes COVID-19. The impact of the Covid-19 pandemic on the economy has been profound. It was on a fragile global economy that the pandemic first arrived in the early weeks of 2020. Strict lockdowns became necessary in almost all countries; in many countries, a second lockdown has been imposed to respond to the second wave in winter. Economic activities came to a halt. As factories and offices are temporarily closed, the production of goods and services declined. Supply chains were severely disrupted. Concurrently, autonomous to the supply shock, a shrinkage took place on the demand side. As economic units were shut down, people lost jobs and wages. Aggregate effective demand also fell. The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed.

Keywords: Coronavirus, India, Economy, Impact.

INTRODUCTION

A new virus called severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified as the cause of a disease outbreak that began in China in 2019. The disease is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. Public health groups, including the U.S. Centers for Disease Control and Prevention (CDC) and WHO, are monitoring the pandemic and posting updates on their websites. These groups have also issued recommendations for preventing the spread of the virus that causes COVID-19. The name "coronavirus" is derived from Latin corona, meaning "crown" or "wreath", itself a borrowing from Greek κορώνη korōnē, "garland,

wreath". The name was coined by June Almeida and David Tyrrell who first observed and studied human coronaviruses. The word was first used in print in 1968 by an informal group of virologists in the journal Nature to designate the new family of viruses. The name refers to the characteristic appearance of virions (the infective form of the virus) by electron microscopy, which have a fringe of large, bulbous surface projections creating an image reminiscent of the solar corona or halo. This morphology is created by the viral spike peplomers, which are proteins on the surface of the virus

Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus. Most people infected with the virus will experience mild to moderate respiratory illness and recover without requiring special treatment. However, some will become seriously ill and require medical attention. Older people and those with underlying medical conditions like cardiovascular disease, diabetes, chronic respiratory disease, or cancer are more likely to develop serious illness. Anyone can get sick with COVID-19 and become seriously ill or die at any age. The best way to prevent and slow down transmission is to be well informed about the disease and how the virus spreads. Protect yourself and others from infection by staying at least 1 metre apart from others, wearing a properly fitted mask, and washing your hands or using an alcohol-based rub frequently. Get vaccinated when it's your turn and follow local guidance. The virus can spread from an infected person's mouth or nose in small liquid particles when they cough, sneeze, speak, sing or breathe. These particles range from larger respiratory droplets to smaller aerosols. It is important to practice respiratory etiquette, for example by coughing into a flexed elbow, and to stay home and self-isolate until you recover if you feel unwell.

COVID-19 symptoms can be very mild to severe. Some people have no symptoms. The most common signs and symptoms are fever, cough, tiredness, and loss of taste or smell. Other signs and symptoms may include shortness of breath, muscle aches, chills, sore throat, headache, chest pain, diarrhea, vomiting and nausea. This list is not complete. Other less common symptoms have also been reported. Symptoms may appear 2 to 14 days after exposure.

OBJECTIVE OF THE STUDY

The main purpose of this is to know the impact of coronavirus on Indian economy.

RESEARCH METHODOLOGY

This study is purely based on secondary sources of data such as websites, journals, articles, books and other sources.

IMPACT OF CORONA ON INDIAN ECONOMY

The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as



domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed.

FOOD & AGRICULTURE INDUSTRY

Since agriculture is the backbone of the country and a part of the government announced essential category, the impact is likely to be low on both primary agricultural production and usage of agro-inputs. Several state governments have already allowed free movement of fruits, vegetables, milk etc. Online food grocery platforms are heavily impacted due to unclear restrictions on movements and stoppage of logistics vehicles. RBI and Finance Minister announced measures will help the industry and the employees in the short term. Insulating the rural food production areas in the coming weeks will hold a great answer to the macro impact of COVID-19 on Indian food sector as well as larger economy.

AVIATION & TOURISM INDUSTRY

The contribution of the Aviation Sector and Tourism to our GDP stands at about 2.4% and 9.2% respectively. The Tourism sector served approximately 43 million people in FY 18-19. Aviation and Tourism were the first industries that were hit significantly by the pandemic. The common consensus seems to be that COVID will hit these industries harder than 9/11 and the Financial Crisis of 2008. These two industries have been dealing with severe cash flow issues since the start of the pandemic and are staring at a potential 38 million lay-offs, which translates to 70 per cent of the total workforce. The impact is going to fall on both, White- and Blue-collar jobs. According to IATO estimates, these industries may incur losses of about 85 billion Rupees due to travel restrictions. The Pandemic has also brought about a wave of innovation in the fields of contactless boarding and travel technologies.

TELECOM INDUSTRY

There has been a significant number of changes in the telecom sector of India even before the Covid-19 due to brief price wars between the service providers. Most essential services and sectors have continued to run during the pandemic thanks to the implementation of the 'work from home' due to restrictions. With over 1 billion connections as of 2019, the telecom sector contributes about 6.5 per cent of GDP and employs almost 4 million people. Increased broadband usage had a direct impact and resulted in pressure on the network. Demand has been increased by about 10%. However, the Telco's are bracing for a sharp drop in adding new subscribers. As a policy recommendation, the government can aid the sector by relaxing the regulatory compliances and provide moratorium for spectrum dues, which can be used for network expansions by the companies.

PHARMACEUTICALS INDUSTRY

The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. With a market size of \$55

billion during the beginning of 2020, it has been surging in India, exporting Hydroxychloroquine to the world, esp. to the US, UK, Canada, and the Middle-East.

There has been a recent rise in the prices of raw materials imported from China due to the pandemic. Generic drugs are the most impacted due to heavy reliance on imports, disrupted supply-chain, and labour unavailability in the industry, caused by social distancing. Simultaneously, the pharmaceutical industry is struggling because of the government-imposed bans on the export of critical drugs, equipment, and PPE kits to ensure sufficient quantities for the country. The increasing demand for these drugs, coupled with hindered accessibility is making things harder. Easing the financial stress on the pharmaceutical companies, tax-relaxations, and addressing the labour force shortage could be the differentiating factors in such a desperate time.

OIL AND GAS INDUSTRY

The Indian Oil & Gas industry is quite significant in the global context – it is the third-largest energy consumer only behind USA and China and contributes to 5.2% of the global oil demand. The complete lockdown across the country slowed down the demand of transport fuels (accounting for 2/3rd demand in oil & gas sector) as auto & industrial manufacturing declined and goods & passenger movement (both bulk & personal) fell. Though the crude prices dipped in this period, the government increased the excise and special excise duty to make up for the revenue loss, additionally, road cess was raised too. As a policy recommendation, the government may think of passing on the benefits of decreased crude prices to end consumers at retail outlets to stimulate demand.

- The impact on India is felt through supply chain disruptions from China as well as regional players, who in turn are net importers from China.
- India's annual trade with China is ~\$90 billion—India imports goods worth \$75 billion and exports goods worth \$15 billion.
- These include 'electrical and telecom machinery,' 'organic chemicals,' 'nuclear reactors,' 'plastics' and 'pharmaceuticals.' The first four of these five groups also make up India's top imports in 2019 fiscal year.
- On account of factory closures in China, supply chains would get disrupted and this could result in shortages, especially of electronic goods and medicines.
- A key supplier of generic drugs to the global market, Indian companies procure almost 70 percent of their active pharmaceutical ingredients for their medicines from China.
- Trade deficit prints may be lower for the next couple of months. We may see the price of consumer durables inch higher. This would drive core inflation higher, which is showing signs of bottoming out.



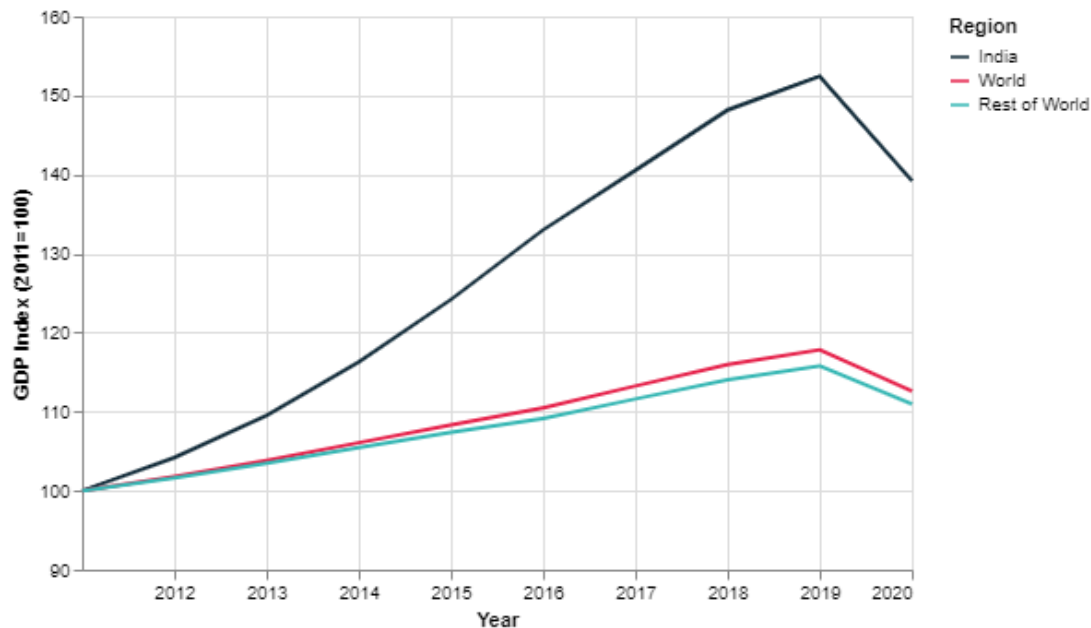
- This, in turn, could make it more difficult for the MPC to provide further monetary policy stimulus. January's core inflation print came in at 4.2 percent compared to December's 3.8 percent.
- Fall in global crude prices on account of an anticipated slowdown in demand would also result in a lower import bill. The sectors that are likely to be impacted on the export front are diamonds, leather and petrochemicals
- Imports are likely to contract more than exports and therefore, from a current account perspective, the outbreak could actually be rupee-supportive.
- Offshore fundraising by Indian corporates is also likely to slow down, as raising money onshore has become cheaper after the LTRO announcement by the RBI
- The retail mobile trade, for instance, is almost entirely dependent upon China. While every month, old models of mobile phones would see a drop in prices as new models are supplied, in the current month, no such drop in prices has taken place and the supply of goods is being rationed by companies
- The toy market sees nearly 80% of its demand met by products made in China, while only 20% is met by Indian manufacturers
- Many items, like belt buckles, Christmas lights, specific parts of gas stoves, are only made in China. The prices of most of these goods had already seen an upward correction, and in some cases it is as much as 50%.

INCOME, CONSUMPTION, POVERTY AND UNEMPLOYMENT:

While the macroeconomic statistics provide a snapshot of India's economic position, they hide the large and unequal effects on households and workers within the country. Both wealth and income inequality has been on the rise in India. Estimates suggest that in 2020, the top 1% of the population held 42.5% of the total wealth, while the bottom 50% had only 2.5% of the total wealth. Post-pandemic, the number of poor in India is projected to have more than doubled and the number of people in the middle class to have fallen by a third. During India's first stringent national lockdown between April and May 2020, individual income dropped by approximately 40%. The bottom decile of households lost three months' worth of income. Micro data from the largest private survey in India, CMIE's 'Consumer Pyramids Household Survey' (CPHS), show that per capita consumption spending dropped by more than GDP, and did not return to pre-lockdown levels during periods of reduced social distancing. Average per capita consumption spending continued to be over 20% lower after the first lockdown (in August 2020 compared with August 2019), and remained 15% lower year-on-year by the end of 2020.

Official poverty data are unavailable, and the CPHS data come with a caveat of 'top' and 'bottom exclusions'. For example, official statistics show a rural headcount ratio of 35% in

2017/18. But the CPHS data estimate it at 25%, which suggests exclusions at the lower end of the consumption distribution (Dreze and Somanchi, 2021). Despite these statistical concerns, the CPHS does provide consumption numbers for a large sample of individuals, which can provide insights into changes in consumption levels arising from the pandemic.



Source: World Economic Outlook, International Monetary Fund, April 2021.

CONCLUSION

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.

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 focussed 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.

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