

15. Impact of Covid on Indian Economy

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Abstract:

The COVID-19 epidemic is having a variety of effects on the Indian economy. It mostly affects the nation's social and economic well-being. To manage the spread of the Covid-19 pandemic, the Indian government implemented a number of declarations and regulations. such as lockdowns, social distance, limiting people's movement, closing non-essential enterprises and commodities, etc. All of these policies adopted by the Indian government had an effect on people's lives as well as the nation's economy as a whole, both positively and negatively. We shall talk about the impact of COVID-19 on the Indian economy in this paper.

Keywords:

Covid, Indian Economy, Government, Policies, Country, Growth, Sectors.

Introduction:

One of the worst health catastrophes in modern history has been caused by the Novel Corona virus, or Covid-19, which began in China in November or December of 2019 and quickly spread to practically every country in the world over the following few months. January 30, 2020, was the first recorded case of the disease in India. Since then, the number of cases has gradually climbed to over 33610 confirmed cases overall, with approximately 1075 deaths (as of April 30, 2020). India has seen fewer cases than other nations, particularly those in the industrialized world, which have been severely impacted.

The worldwide Covid-19 pandemic is causing countries to experience both health and economic repercussions. Owing to the highly contagious nature of the disease, measures used to stop its spread include social distancing, isolating oneself at home, closing public spaces and institutions, limiting travel, and even putting an entire nation under lockdown. The Indian government declared a statewide lockdown to be in effect for three weeks, beginning on March 25, 2020, and lasting until May 3, 2020, in an effort to stop the virus's spread. [1]

Lockdowns were implemented in a number of nations in an attempt to stop the Covid-19 virus from spreading further. Numerous companies suffered losses as a result, which led to numerous job losses. Those who are still employed also make less money. India's economy was severely impacted during this period as well.

This is why there isn't a nationwide lockdown in place even if there is currently a second wave of Covid-19 in India.

Rather, in order to stop the spread, "micro-containment zones" will be sealed. It follows that the economy this time around should not be significantly impacted. In the early months of the Covid-19 epidemic, import and export restrictions caused disruptions to global supply networks. India was also impacted by this since we import a lot of items from other nations, including electronic components and pharmaceutical chemicals. Indian industrial enterprises were forced to stop production due to a shortage of raw materials. India is currently diversifying its imports and lessening its dependency on raw commodities from China. [2]

The "Centre for Monitoring Indian Economy" reported that in April 2021, the unemployment rate surpassed 8%. The unemployment rate was 9.1% in December 2020 and 6.9% in February 2020. The second wave of COVID-19 is undoing the economy, just as the jobless rate was beginning to decline.

- The growth estimate for India in FY22 was updated by the "International Monetary Fund" (IMF) from 12.5% to 11.5%. But the growth estimate can be lowered because India is battling the second wave of the Covid virus.
- To boost the economy, the Indian government introduced "Atma nirbhar bharat abhiyan" (self-reliant India) in 2020 along with a 20-lakh crore rupee package.
- Several companies implemented gig work during the Covid epidemic, which helped the gig economy. In addition, a lot of people chose to work as gig workers as a result of job loss.
- Positive development was observed in certain areas, including pharmaceutical and hand sanitizer manufacturing enterprises.

The economic impact of COVID19 can be seen on following major sectors of Indian economy:

GDP Growth: The International Monetary Fund (IMF) warned that the "worst recession since the Great Depression" will eclipse the economic damage inflicted by the global financial crisis a decade ago, slashing India's growth estimate for FY21 from 5.8% to 1.9%. It further stated that all major economies would be expected to decrease, with the exception of China and India. The IMF stated in the April update of its World Economic Outlook (WEO), the first since the severity of the outbreak became apparent, that the Covid-19 pandemic will reduce global output by 3% in 2020. In a similar vein, domestic rating agency CRISIL lowered its estimates for India's economic growth rate for 2020–21 from 3.5% to 1.8%. Additionally, Moody's Investors Service reduced its estimate of India's GDP to 0.2% for the 2020 calendar year from 2.5% in March. The rating agency projects that India's growth would pick up to 6.2% in 2021.

Agriculture and Rural Activities: Since a sizable portion of the workforce and the people of the entire nation depend on the agriculture industry, it is vital. The Covid-19 epidemic is probably going to make things much worse in rural India.

Agricultural operations and the requisite supply chains will be impacted by the lockdown and related disruptions in a number of ways, including input distribution, harvesting, procurement, transportation obstacles, marketing, and processing. Farming and food processing may be hampered by labor shortages and mobility restrictions (FAO, 2020). The best months to sell rabi produce are March and April, but harvesting will be difficult because thousands of migrant laborers are leaving. [3]

Informal Sector: In terms of overall employment, India has a fairly high percentage of informal employment. The percentage, which includes workers in the agricultural sector, decreased slightly from 94% in 2004–05 to 91% in 2017–18. In 2017–18, there were 422 million informal laborers out of a total of 465 million workers. In the same year, the percentage of informal workers reached close to 84% even in the non-farm sector (manufacturing and services).

Low salaries and rates were already an issue for informal workers prior to the COVID-19 pandemic. The most severely impacted workers during the lockdown are daily wage laborers and other informal workers, and their situation will not improve even once the lockdown is lifted. Due to the almost total lack of economic activity, especially in cities, the lockdown has caused many people to lose their jobs and earnings. India is home to between 40 and 50 million seasonal migrant laborers. They take part in various service projects and assist in the building of roads, urban structures, and factories. The shutdown caused there to be a mass exodus. [4]

Review of Literature:

Although the COVID-19 pandemic was officially announced by the WHO on March 11, most Indians believed, up until March 13, that there was no reason for alarm and that the virus was not a health emergency. India attempted to remove 81 Indian nationals from overseas, limiting international admission to 19 of its 37 land immigration checkpoints. Health professionals and epidemiologists realized later on March 15 that the virus, known as SARS-CoV-2, had characteristics that set it apart from other coronaviruses. According to Jacob (2020), the virus may be more contagious, escape the immune system for a longer period of time, and propagate more quickly. Prime Minister Narendra Modi proclaimed a 21-day lockdown on March 24, 2020, after announcing the "Janata Curfew" on March 19, 2020 (Mandal, 2020). The Indian government later declared a number of lockdowns in an effort to halt the spread of the new virus. The horrific images of the suffering and despair experienced by refugees during the lockdown are impossible to ignore. [5]

Nagesh Kumar, the director of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), was interviewed by Vikas Dhoot. Nagesh Kumar (2020) noted that globalization was already waning and that many experts were using the term "solubilization" in 2021 while responding to Vikas Dhoot's question. N. Kumar claims that the global trade never fully recovered from the global financial crisis. A decade later, the global business was just 1% to 2% of what it had been a decade earlier. The WTO negotiation process has come to a complete standstill as a result of the trade wars (Dhoot, 2020). Next came COVID-19, which had a devastating effect on world trade. [6]

Objectives:

- To study the impact of Covid-19 on Indian economy
- To study the impact of Covid-19 on various sectors of the economy

Research Methodology:

This study's overall design was exploratory. The secondary data found on numerous websites, newspapers, research publications, magazines, various reports, journals, etc. is the only source of information used in the current work. Regression analysis is utilized to determine the effect of the COVID-19 pandemic on the rise of real GVA.

Result and Discussion:

Impact of Covid-19 On Indian Economy:

In an effort to halt the Covid-19 pandemic's urgent spread, the Indian government has implemented a nationwide lockdown. Measures such as social isolation, limiting people's movement, closing non-essential businesses, etc.

Almost all economic activity was suspended in such a scenario. The supply-demand chain is no longer stable. It will take some time for the economy to return to normal. There were three main economic sectors that suffered greatly.

Table 1: Real GVA Growth

Sector	2016-17	2017-18	2018-19	2019-20	2020-21
I. Agriculture, Forestry, and Fishing	6.8	6.6	2.6	4.3	3.0
II. Industry	8.4	6.1	5.0	-2.0	-7.4
i.Mining and Quarrying	9.8	-5.6	0.3	-2.5	-9.2
i.Manufacturing	7.9	7.5	5.3	-2.4	-8.4
i.Electricity, Gas, Water Supply and Other Utility Services	10.0	10.6	8.0	2.1	1.8
III. Services	8.1	6.2	7.1	6.4	-8.4
i.Construction	5.9	5.2	6.3	1.0	-10.3
i.Trade, Hotels, Transport, Communication and Services related to Broadcasting	7.7	10.3	7.1	6.4	-18.0
i.Financial, Real Estate and Professional Services	8.6	1.8	7.2	7.3	-1.4
v.Public Administration, Defence and Other Services	9.3	8.3	7.4	8.3	-4.1
GVA at Basic Prices	8.0	6.2	5.9	4.1	-6.5

(Source: rbi.org.in, Annual Report 2020-21)

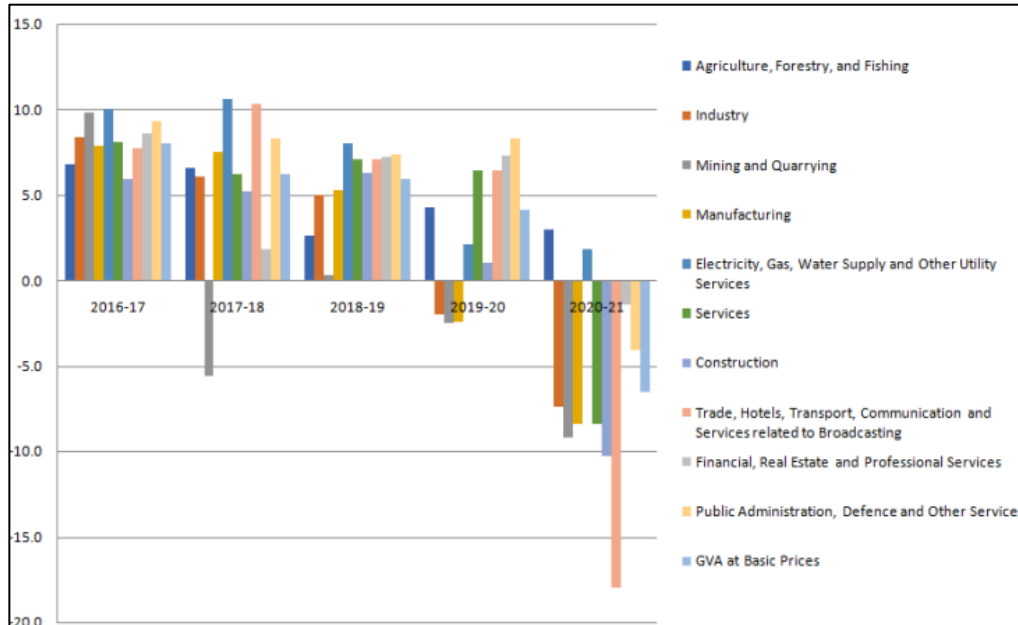


Figure 1: Real GVA Growth of Various Sectors [7]

Effects of COVID-19 on the Indian economy:

The pandemic took a terrible toll on the Indian economy. The COVID-19-related economic disruptions may put up to 135 million jobs at risk, according to international management consulting firm Arther D Little. Over 120 million people have been forced into poverty in India since the COVID-19 pandemic.

The most vulnerable populations in India had decreased per capita earnings, rising rates of poverty, and job losses as a result of the deadliest pandemic. It was anticipated that it would have a long-term impact on people's lives in a variety of ways and result in a sharp fall in India's yearly GDP rate. Although India's social isolation and lockdown measures initially slowed the COVID-19 impact's rate of spread, the lockdown had serious negative economic effects as well. According to some estimates, the reduction in India's economic activity during the lockdown cost over 34,000 crores every day, impacting employment and earnings across several important industries.

The lockdown has mostly affected the following key industries: real estate, restaurants, car, hospitality, travel, micro, small, and medium-sized businesses, and the start-up ecosystem. Along with increasing unemployment, it also brought to light the negative consequences of neo-liberal policies that have dominated the last 25 years, as well as the shortcomings of globalization. The fact that India's working class had to fight to afford food and other essentials indicates how terrible the situation was for those who depended on their regular paychecks. Likewise, the pandemic severely hindered India's economic expansion. The graphs below demonstrate a precipitous decline in the rate of global economic growth. Data on India's production output and price fluctuations both before and during the pandemic are included in the table.

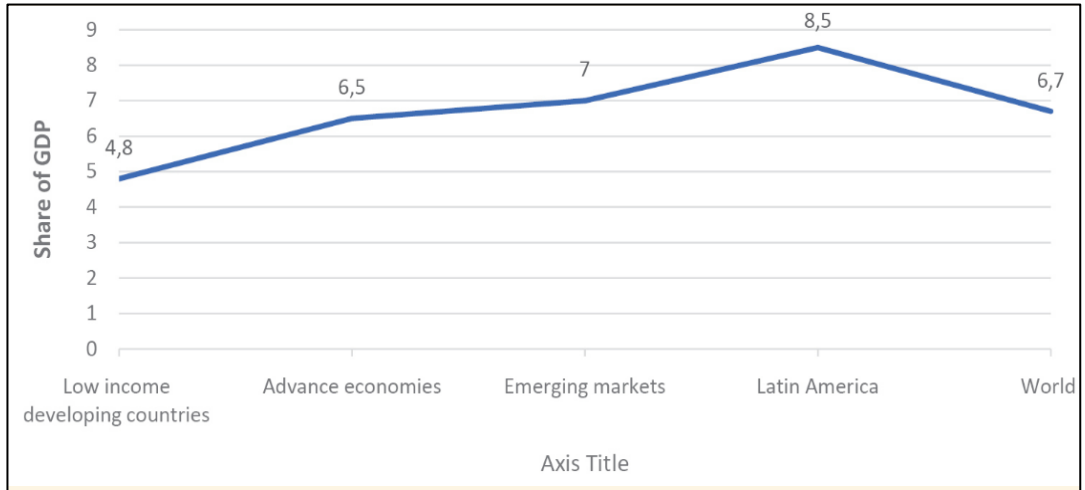


Figure 3: Share of Gross Domestic Product (G.D.P.) lost due to the coronavirus pandemic (COVID-19) in 2020 by the economy. Source: (Szmigiera, 2021) [8]

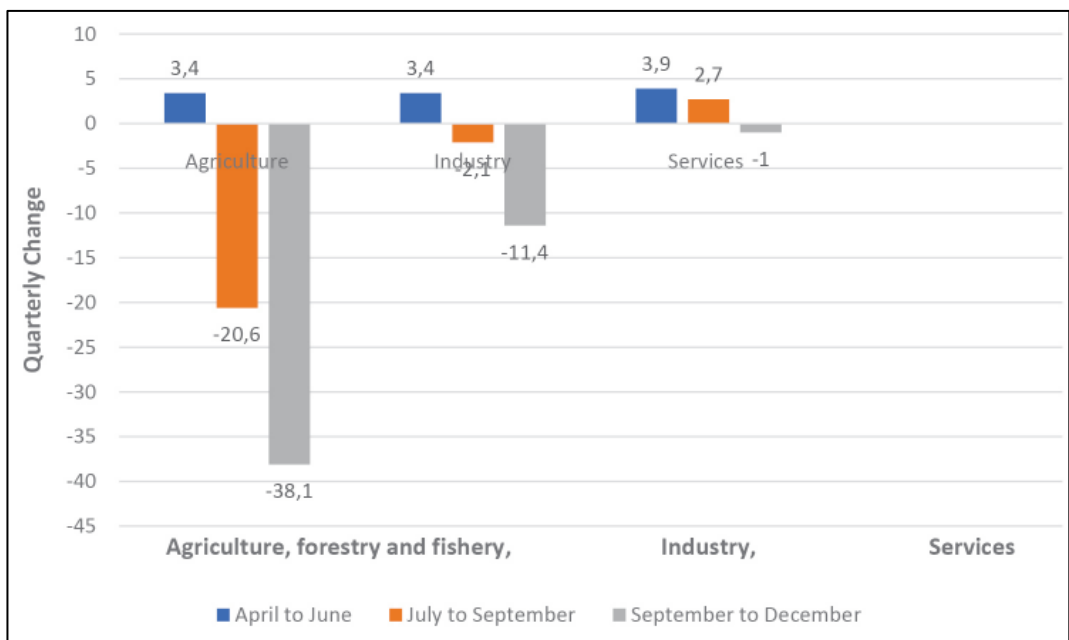


Figure 4: Estimated impact of the Coronavirus (COVID-19) on India from April to December 2020 by sector. Source: Statista, 2021

Table 2: Pre- and post-pandemic growth trends by sector [9]

	Trend Growth Pre-Pandemic		Growth Pandemic Period	
	2012-2017	2017-2020	2020-2021	2021-2022
Agriculture, forestry, and fishing	3.6	5.2	3.3	6.7
Mining and Quarrying	2.4	2.4	-8.6	2.9
Manufacturing	6.8	5	-0.6	9.8
Electricity, gas, water supply and other utility services	6	7.5	-3.6	3.9
Construction	4.2	4.6	-7.3	1.9
Financial, real estate and professional services	8.2	5.4	6.3	6.6
Public Administration, defence and other services	6.5	7.0	-9.2	6.4

Conclusion:

The global economies were severely impacted by the covid epidemic. The covid second wave is having a detrimental impact on the economy of India, which is still recuperating from the pandemic's effects. By accelerating vaccination campaigns and avoiding lockdowns, the Indian government is making a concerted effort to stop future economic damage.

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