



Impact of the global pandemic – Corona on the Indian Economy

Name: Vrinda Yogesh Dave

Asst. Professor, Economics,

Faculty of Business Administration (GLSBBA)

GLS University, Ahmedabad,

India

Abstract

Covid-19, made us all alert within 90 days in the year 2020 with the lives of people on a run. It has some positive phases along with major negative scenarios around the globe. The syndrome caused by SARS-COV-2 did heal nature for a while, as it did halt all the transport, trades, etc. It brought the world to a standstill impacting the economy of every nation, which is very alarming as it fissured the economy in many ways like major sporting events and Olympics were also delayed, schools and colleges shut down, and online giants like Amazon, Flipkart came to a pause. Countries like the USA, India, Spain, and Italy are the worst affected. Out of the economy of almost 100 countries, some countries were so affected that they took to IMF to maintain their economy. The Indian Economy growth is also bunged as the virus hit the Indian market to its worse due to limited operations.

IndexTerms: Economy, Covid-19, economic growth.

Introduction

The major economy can be understood by the site of the share market and world financial market. Both these markets were worn-out tremendously, due to necessary commodities being impacted with no movement of man and material, also all the factories, restaurants, markets, flights, supermarkets, malls, universities, etc. remained closed. Due to corona, people were trepidation to move out, hence they chose to stay home and this led to the devastation of the economy. According to the prediction done by OECD, the global growth rate is expected to fall by about 1.5% because of the ongoing situation which will shift the growth rate to 2.4% from that of 2.9%, and if the condition prevails it may even fall to the worst. The Indian Economy growth is also bunged as the virus hit the Indian market to its worse due to limited operations. Also, it's a matter of great concern as people dread going out and the current stock for products is also not being completely consumed as expected which is the biggest component of GDP. India imports majorly electronic products from China which is the worst-hit too. The new normal has misbalanced the supply chain, as owing to limited movement there will be very limited trade in the market. It will show major depletion in the economy.

Impact on the Global Economy

With an ever-growing number of cases, mass movement in the nation will remain affected in order to control its proliferation. It negatively impacted the business as there is very limited trade and hence, no growth. As per the economy governing authorities, it will get even horrible in figures and has reached in negative. The virus has not only deteriorated the health but also the economy. There is a major downfall in the number of jobs as corporate and private establishments have sacked their employees in large numbers which has now become a survival crisis. As per the IMF, there is negative growth in the major economies. The leading banks and economy controlling authorities have tied hands that if there is no action plan for growth, the economy would be fissured further. The firms have taken the steering the hands and the governments have shed under the fiscal policy to save themselves. The Bank for International Settlements (BIS) has stated the situation to be global, eradicating the fiscal, and monetary loss, and also found that it has impacted the global economy more than the crisis of 2008-09. This period turns out to be the defining period of the 21st century.

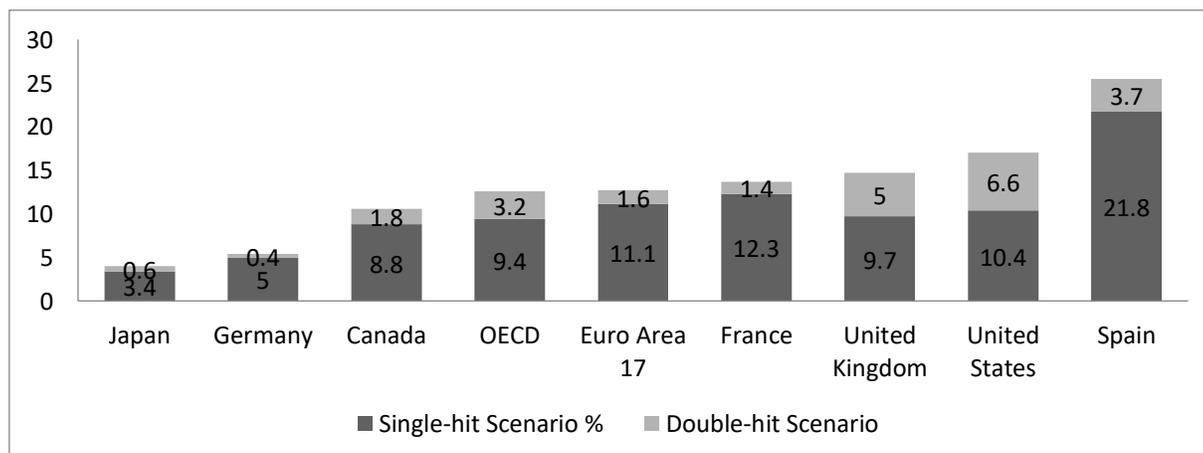
Objective of the paper:

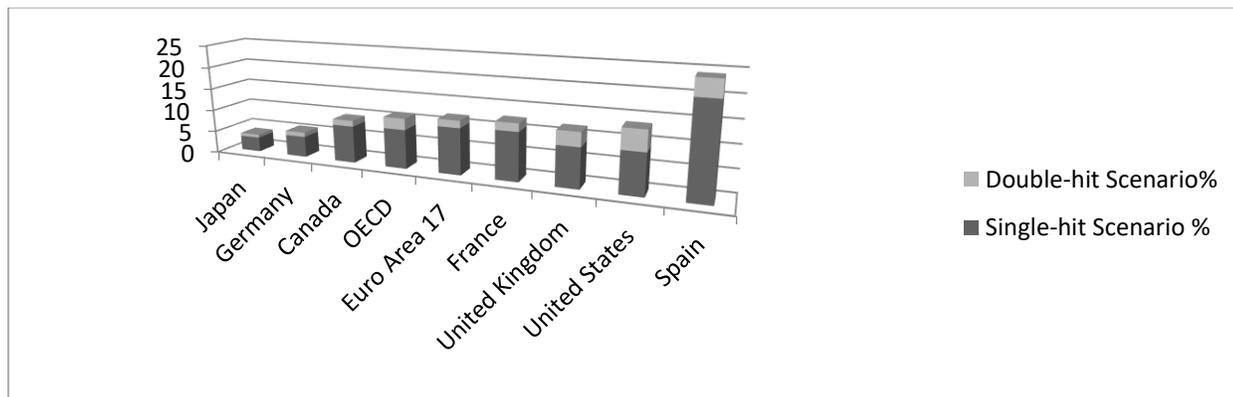
To study the impact of novel coronavirus on the Indian Economy.

- To determine the effects of Covid on Indian markets.
- To understand the future consequences that shall be faced by Indian markets and the economy in general.

Economic Forecast

1. The Organization for Economic Cooperation and Development (OECD) recently reports that the global economy will fall by 6.5% to 8% in the current year. They also jotted this as the lowest point since 1930.
2. The IMF has claimed this as the huge downfall after the depression. The crude oil sector which was to fall to approx 40% and the trade to more than 15% now have seen a certain change.
3. As per the World Bank, the economy is worst hit by the virus after 1945 that is World War II. And will be smashed by this virus which will be the first of its kind destruction. Even the commercial sector i.e. the Banks claimed a downfall of more than 6% in the coming time.

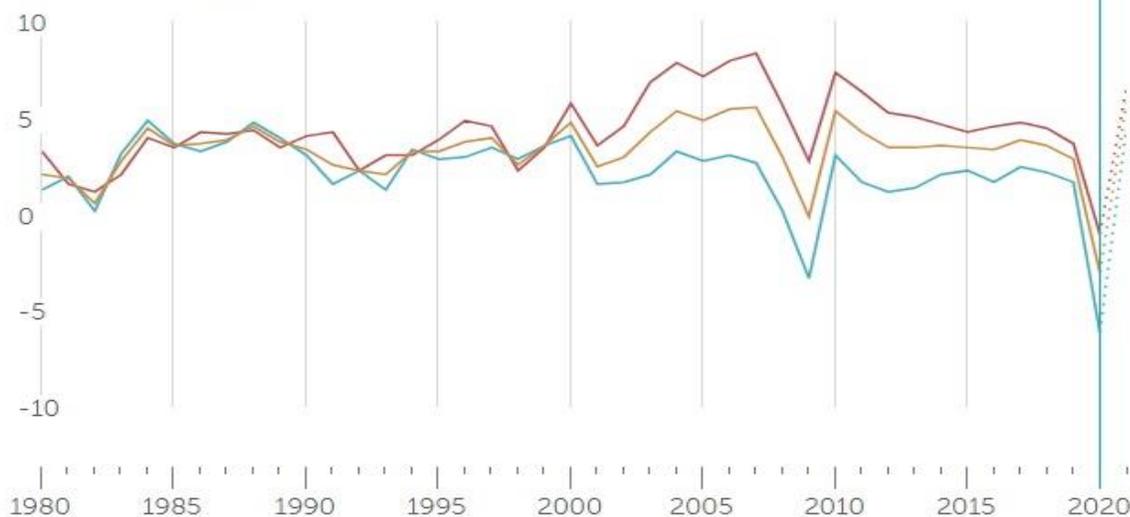




Unemployment Rates among major OECD countries

TREND (1980-2021)

Annual percent change



IMF Forecast, Gross Domestic Product, Percentage Change

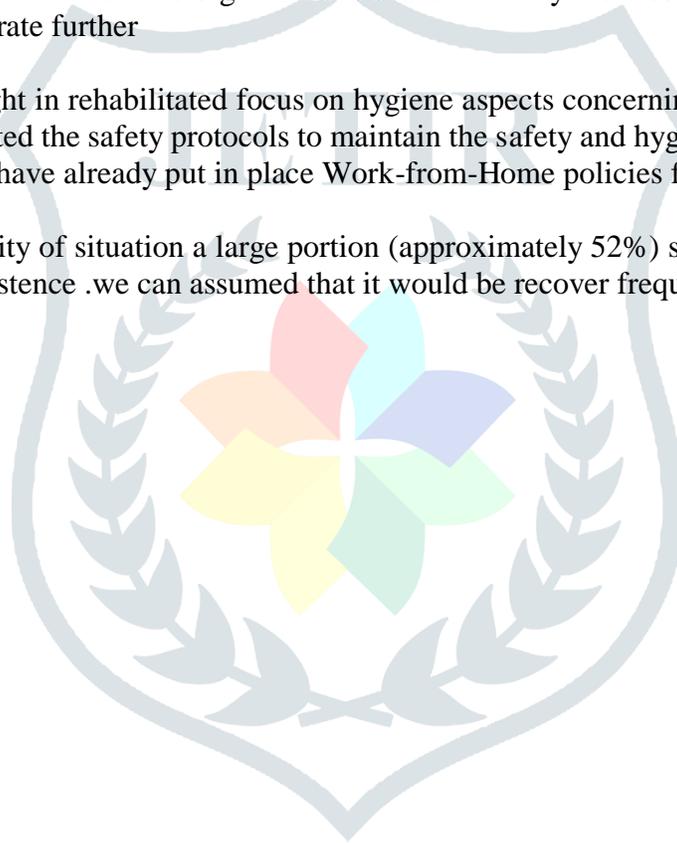
Impacts on Indian Economy

The virus arrived in India in late March and, the government enforced of lockdown on March 22 which led to a halt of all the business and social activities. As per the live telecast done on March 20 by the Honorable Prime Minister of India, Narendra Modi, all the services were brought to a halt with immediate effect from March 22, 2020, which claims to have impacted almost 60 million people with major impact from the unorganized sector. Labor class was impacted the most as all construction and other works were stopped. Mahatma Gandhi National Rural Employment Guarantee Act 2005 which was a boon to almost 75% of the labor class in the country was brought to halt. The restrictions on the mobility of people and quarantine severely affected India. The only growing venture was the medical sector with its high demand. The medical sector has seen a hike in their search and need growth which is estimated to be a double 100 % and rest all the sectors have seen a decline in their need and search growth. The virus brought in the booster for the nation's online businesses which were restricted due to traditional methods like payment apps; digitalization of the education sector with Google Meet, Zoom etc. This also shifted the attention of the IT sector towards the need for cloud data and computing, cyber security, self-service capabilities, and e-governance. GDP estimates for India in 2020 had already painted a very bleak picture. The World Bank had projected 3.2 per cent contraction, while the International Monetary Fund pegged it at 4.5 per cent and the Asian Development Bank at 4 per cent. Nomura had estimated growth at (-) 5.2 per cent, and Ire had recently revised its forecast for contraction in the current fiscal to 9.5 per cent.

- Hotels, trade, transport and communication saw a dip of 47%
- Manufacturing shrank 39.3%, while construction took a 50.3% hit
- Mining output dipped at 23.3%, and electricity and gas dipped by 7%
- The only bright spot was agriculture, growing at 3.4%

Key findings of the Impact of Corona virus

1. A significant 53 percent of Indian businesses indicate the marked impact of the Corona virus pandemic on business operations even at the early stages.
2. The pandemic has significantly impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow.
3. The pandemic has had a major impact on the supply chains as more than 60 percent of respondents indicate that their supply chains were affected. The organizations stated that they are closely monitoring the market and expect the market to deteriorate further
4. Organizations have brought in rehabilitated focus on hygiene aspects concerning the pandemic. Almost 50% of the companies have adopted the safety protocols to maintain the safety and hygiene of the employees. Nearly 30 percent of organizations have already put in place Work-from-Home policies for their employees.
5. Talking about the normality of situation a large portion (approximately 52%) says that it may take the entire 2020 to get back the pre-existence .we can assumed that it would be recover frequently.



Impact on Sectors

As the economy was hit to its fullest, let's have dig into the impact on the particular sectors.

Assumptions:

The pandemic spread is slowed down in the country and the activities start happening even in a phased manner.

The organizational activities start operating globally even in a phased manner.

Sectors	Impact	Recovery period	Reasons
Drugs and pharmaceutical Sector	Average	Short-lived	As essential commodities are most required this will recover soon As the epicenter of the pandemic is starting to recover the rest of the world will also recover soon
Livestock Sector	Extreme	Short-lived	➤ Prices and demand may increase after the outburst.
Retail Sector (non-food items)	Extreme	Short-lived	➤ The sales of non-essential items will take time however the increased demand will help in recovery.
Wholesale Sector (non-food items)	Extreme	Short-lived	
Textiles Sector	Average	Short-lived	Spending would not be possible this year. The demand may increase however the loss that has already taken place will elongate the recovery process. As the exports will be closed hence the exporters will take more time to recover.
Logistics Sector	Extreme	Medium	As tourism will be halted hence there will be a delay in the recovery process. The cargo may start its operations however as there will be less demand this will protract the recovery process.
Metals Sector	Average	Medium	➤ The metal industry has strong forward linkages to many important sectors such as automotive, construction, and infrastructure. The need for basic metals will be degrading as there would be no business activities.
Automotive Sector	Severe	Long-Standing	Due to the low income and loss of jobs, there will be less demand for cars The commercial vehicles will also not be in place due to restrictions on transport
Entertainment Sector	Extreme	Long-Standing	Due to social distancing norms, this sector will remain closed for a long time As there will be no release of movies or shows hence there will be less projection and advertisement.

Banking Sector	Severe	Long- Standing	The Reserve Bank of India (RBI) estimated that Non-Performing Assets (NPAs) may increase to 10.2-10.5% by September 2020. With the outbreak of COVID-19, this figure is expected to increase.
Gems & Jewelry Sector	Extreme	Long- Standing	➤ As the most number of gems or jewelry is exported and a stoppage on export will not allow this sector to recover in the near time.
Tourism Sector	Extreme	Long- Standing	➤ Once the new normal is implemented then also there will be less movement due to safety hence the tourism will remain affected
Hospitality Sector	Extreme	Long- Standing	The slowdown in the tourism sector will have knock-on effects on hospitality. To attract the most number of travelers the firms have to cut down the cost which will in turn impact the recovery process
Electronics Sector	Severe	Long- Standing	Demand for white goods and other high-end consumer durables will remain impaired as consumers are expected to postpone their purchases because of lower disposable income, and uncertainty over growth prospects. About 50-60% of the products and 70-80% of the components are imported, and a shortage of components of electronic goods from China is likely to keep prices higher and hence will impact demand.
Micro, Small, and Medium Sector Enterprises (MSMEs)	Severe	Long- Standing	MSMEs are expected to experience severe liquidity problems due to deferred payments from their customers. The strain in the banking system is expected to increase the credit gap for MSMEs.
Impact	Average	Severe	Extreme
Recovery period	Short-lived (Up to 6 months)	Medium (7-12 months)	Long term (more than 12 months)

Conclusion

We can visualize that the global slump is within the distant reaches of every economy hence, we should make necessary arrangements and figure out ways to eradicate the major impacts of the slump on the economy and the nation. This will help us to build a strong economic system. The recovery period and the impact will depend on how the strongly the measures are implemented and the government forms policies to uplift the SME's and financially weaker sections of the society. Secondly, the betterment would depend upon how the companies react with the new normal in the country. The unorganized sector is the worst hit hence stabilizing the source of income, and also helping them in the current situation is the biggest challenge. India is a very fragile economy due to the major contribution of the economy from migrant labor. Our Government must provide lifelines to small businesses, extend loans and tax waivers, give direct support to the affected industries and provide more funds to states, tax waivers to households. Corporate and private establishments should also retain their staff. Although the impact may not be as severe as it is on Europe, Asia-Pacific, the US however there will be significant marks on the Indian economy. As per the UN trade and development conference, the cost may vary to more than 2 USD trillion but it's uncertain. The impacts are very visible on many sectors and other sectors would also not be spared as the new normal begins the impact will be very visible. As tourism earns high revenue for our country and several regions which are dependent on tourism were the first and foremost hit communities. The best examples would be the hill stations like Nainital, Darjeeling, etc. along with major pilgrimage places like Haridwar and not to forget the adventure spots like Rishikesh and Manali. Much of the revenue was lost due

to the stoppage of India's long-running Indian Railways for a long duration, along with the aviation industry hit by the cancellations and empty flights.

The virus has not only left a mark on the health of our nation but severely affected the earnings of our citizens along with a radical hit on the economy which will take years to stand up again. It is uncertain to exactly calculate the numbers of affected segment but it is certain that a large number have suffered and will be seen suffering till the end of this global pandemic.

References

Bilder, R. M., Postal, K. S., Barisa, M., Aase, D. M., Cullum, C. M., Gillasp, S. R., ... & Morgan, J. M. (2020). Inter Organizational Practice Committee recommendations/guidance for teleneuropsychology in response to the Covid-19 pandemic. *Archives of Clinical Neuropsychology*, 35(6), 647-659.

Chughtai, A., & Malik, A. (2020). Is Coronavirus disease (COVID-19) case fatality ratio underestimated?. *Global Biosecurity*, 1(3).

Datta, J. (2020). Covid 19–A Comprehensive Mathematical Approach.

Desai, A., Durham, K., Burke, S. C., NeMoyer, A., & Heilbrun, K. (2020). Releasing individuals from incarceration during COVID-19: Pandemic-related challenges and recommendations for promoting successful reentry. *Psychology, Public Policy, and Law*.

Ilmiyah, S., & Setiawan, A. R. (2020). Students' Worksheet for Distance Learning Based on Scientific Literacy in the Topic Coronavirus Disease 2019 (COVID-19).

Lee, S., & Waters, S. F. (2020). Asians and Asian Americans' experiences of racial discrimination during the COVID-19 pandemic: Impacts on health outcomes and the buffering role of social support. *Stigma and Health*.

MacIntyre, C. R. (2020). Global spread of COVID-19 and pandemic potential. *Global Biosecurity*, 1(3).

Nunes-Vaz, R. (2020). Visualising the doubling time of COVID-19 allows comparison of the success of containment measures. *Global Biosecurity*, 1(3).

Safaningrum, A. C., & Setiawan, A. R. (2020). Lessons from the COVID-19 Pandemic.

Valenzuela, J., Crosby, L. E., & Harrison, R. R. (2020). Commentary: reflections on the COVID-19 pandemic and health disparities in pediatric psychology. *Journal of pediatric psychology*, 45(8), 839-841.