

# How Covid-19 Affected Indian Economy

*Mr. Shashi Bhushan , Ms. Shivani Kumari, Mr. Sharique Khan, Mr. Sumit Ranjan*

1. *Assistant Professor, Department of Computer Science and Engineering, IIMT College of Engineering, Greater Noida, Dr. A.P.J. Abdul Kalam Technical University, Uttar Pradesh*
2. *U.G. Student, Department of Computer Science and Engineering, IIMT College of Engineering, Greater Noida, Dr. A.P.J. Abdul Kalam Technical University, Uttar Pradesh*
3. *U.G. Student, Department of Computer Science and Engineering, IIMT College of Engineering, Greater Noida, Dr. A.P.J. Abdul Kalam Technical University, Uttar Pradesh*
4. *U.G. Student, Department of Computer Science and Engineering, IIMT College of Engineering, Greater Noida, Dr. A.P.J. Abdul Kalam Technical University, Uttar Pradesh*

## Abstract

This paper aims for the study on how COVID-19 affected Indian Economy. It elaborated the effects on Indian economy, components of COVID-19 and challenges faced by various sectors lately loss caused due to it and the best possible solutions are suggested based on the challenges.

## Introduction

Coronavirus (COVID-19) is defined as illness, cough. It is caused by a novel Corona virus, now it is called severe acute respiratory syndrome coronavirus 2 (SARS-Cov-2: it is formally called 2019-nCoV), which was first identified in Wuhan City, China. It was initially reported to the WHO on 31 December 2019. On January 2020, the WHO declared the COVID-19 global health emergency. In March 2020, WHO declared COVID-19 is a global pandemic, its first such designation since declaring H1N1 influenza a pandemic in 2009.

- COVID-19 has been a largely disruptive factor when it comes to the economics.

## Affecting the nation's economy

In the fourth quarter of the 2020 fiscal year, India's growth went down by 3.1%. The country had been experiencing a pre-pandemic slowdown economically as well. Before the pandemic, rating agencies had revised India's economic growth for the fiscal year of 2021 as one of the lowest figures India has encountered since the 1990s economic liberalization of the country. The announcement of the economic package in mid-May, India's GDP estimates were downgraded further into the negative figures, signalling a deep recession for the nation. Increasing number of coronavirus cases, the Indian government has decided to lock down transport services, closed all public and private offices, factories and restricted mobilization of restaurants.

Based on recent studies, some economists have said that there is a job loss of 40 million people (MRD report) in the country, mostly in the unorganized sectors.

In this scenario, they are predicting that India would go into recession affecting the unorganized sector and semi-skilled jobholders losing their employment. It may also likely surface that at this

time of eroding trust within and between countries.

While Covid-19 may not have the scale of pandemics of the past (as of date), the economic damage has and will continue to affect more people than the disease itself.

## Component Of (COVID-19)

Coronavirus (COVID-19) is defined as illness, cough. It is caused by a novel Coronavirus. There is no doubt that COVID-19 will have a large impact on the Indian economy. With respect to India, the discussion can be bifurcated into 2 parts – India's economy, and its stock markets.

- Crunching the money
- Domestic economic problems
- Economic Situation
  - a) Import and Export
  - b) Energy
  - c) Agriculture
  - d) Manufacturing
  - e) Stock Markets
  - f) E-Commerce
  - g) Rating and GDP Estimate
- Concerns and commentary
  - a) Economy Danger V/S Health Risk
  - b) Supply Chain Logistics
  - c) Salaries
  - d) Migrant Workers and Labour Force

Due to the lockdown, daily-wage workers (poor and migrant laborers) were left with no work. At the same time, the lockdown restrictions stop on the movement of buses and trains. Large numbers of migrant workers ended up walking back to their villages.

## Challenges

The labour sector under the ([MGNREGA](#)), 2005 are worst impacted as they are not provided jobs due to lockdown, most of the labour sectors are associated with the construction companies and daily wage earners. Travel restrictions and quarantines affecting hundreds of millions of people have left Indian factories short of labour and parts, just-in-time supply chains and triggering sales warnings across technology, automotive,

consumer goods, pharmaceutical and other industries.

Referring to the recent happenings and data, the unorganised sector excluding this likely to suffer a great downfall in the coming days as the job generation is going down in an alarming rate with the prolonged lockdown and weak GDP.

## Solutions

The recovery of the economy will be slow, and it will take around 2 years for normally to come back across sectors. While the overall economy might take a hit because of the government lockdown, some sectors are set to see immense growth—(FMCG, B2C specialised lenders, gold-dependent companies, food retail and pharmaceutical companies).

## Sectorial Impact

- Restaurants Services:  
[National Restaurant Association of India](#) (NRAI), which represents 500,000+ restaurants across the country, has advised its restaurant to shut down in situation. This will impact operations of thousands of dine-in restaurants, pubs, bars and cafes. By extension, food delivery platforms such as Swiggy and Zomato that are by itself functioning -- have also taken a big hit. Orders on Swiggy and Zomato have dropped 60 per cent amid the pandemic.
- Food and Agriculture:  
 The food and agriculture sector contributes the highest in GDP i.e. 16.5% and 43% to the employment sector. The major portion of the food processing sector deals with dairy (29%), edible oil (32%), and cereals (10%). India also stands number one in dairy and spices products at a global scenario (export).
- MSME:  
 This sector contributes 30% to 35% of the GDP, showing a bifurcation of micro (99%), small (0.52%) and medium (0.01%) enterprise. If we see the sectorial distribution of MSMEs, it shows 49% from rural and 51 % from the semi-urban and urban areas.

- Online Business / Internet Business sector:

The online business in today's economy plays a major role in the economy with a market share of USD 950 billion. It contributes 10% to the Indian GDP and showed a drastic in the employment sector in the FY19 viz 8%. Its major segments are the household and personal care products (50 %), healthcare segment (31%) and the food and beverage sector (19%).

## Unemployment

The ([COVID-19](#)) crisis has led to a spike in the country's unemployment rate to 27.11% for the week ended May 3, up from the under 7% level before the start of the pandemic in mid-March, the Centre for Monitoring Indian Economy (CMIE) has said. The Mumbai-based think tank said the rate of unemployment was the highest in the urban areas, which constitute the most number of the red zones due to the [coronavirus](#) cases, at 29.22%, as against 26.69% for the rural areas.

## Economy Danger V/S Health Risk

"the economic danger of the outbreak was exponentially greater than its health risks". s if the lockdown continues, India may see more deaths due to hunger than from the pandemic (COVID-19).

## Crunching the money

All across the country, more than 45% of the households have reported raw income drops in comparison to last year's numbers. The employed ones are not well-off either, as there have been numerous reports of salary cuts all across various organizations in India.

The most risked in informal sector and daily wage workers, as they have always been. Farmers that had invested in perishable foods prior to the unforeseen circumstances being faced today are also facing uncertainty all across India.

During the lockdown, the country's economy was expected to lose an estimated USD 4.5 billion every single day it remained shut. Out of the USD 2.8 trillion economy being run in the nation, less than 25% of the entire system was barely functional and registering any sort of movement in the markets. Supply chains are under distress due to the lockdown, due to the initial lack of clarity between [essentials](#) and non-essentials.

Most major organizations across the nation have either temporarily suspended or significantly reduced their operations in such a time. New and upcoming startups have taken a deep fall as the pandemic has affected their funding levels. Stock markets in India recorded the worst losses faced by various institutions in the history of India on the 23<sup>rd</sup> of March, 2020.

## Domestic economic problems

An approximate 84% of Indian are facing income decreases since the beginning of the lockdown. They had also concluded that the pandemic had caused a sharp and broad negative impact on household income, as a third of all households may not be able to survive beyond a week without additional assistance.it had recorded a massive 258,090 positive cases, with 7,263 recorded deaths. In the country's latest economic projections, India's GDP is expected to contract by 6.8% in its current fiscal year, worse than its slowest-in-11-years climb the last quarter.

## Economic Situation

In India up to 53% of businesses have specified a certain amount of impact of shutdowns caused due to COVID-19. [Unemployment rate](#) had increased nearly 19% within a month, reaching 26% unemployment across India.

More than 45% households across the nation reported an income drop as compared to the previous year. Various business such as hotels and airlines cut salaries and laid off employees.

Revenue of transport companies such as [Ola Cabs](#) went down nearly 95% in March-April resulting in 1400 layoffs.

A number of young startups have been impacted as funding has fallen. A Data Labs report shows a 45% decrease in the total growth-stage funding .

## Conclusion

This may be the time to reset. Never before has the world come to a standstill where one can pick apart the many moving pieces. We have the opportunity to rethink everything. If we do things right, we may be able to fix challenges that face humankind – environmental damage, inequality etc.

More importantly, we must ensure something like this never happens again. History says that humankind has never learnt from history. Let's hope that it's a thing of the past.

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