

## IMPACT OF GLOBAL PANDEMIC COVID-19 ON INDIAN ECONOMY

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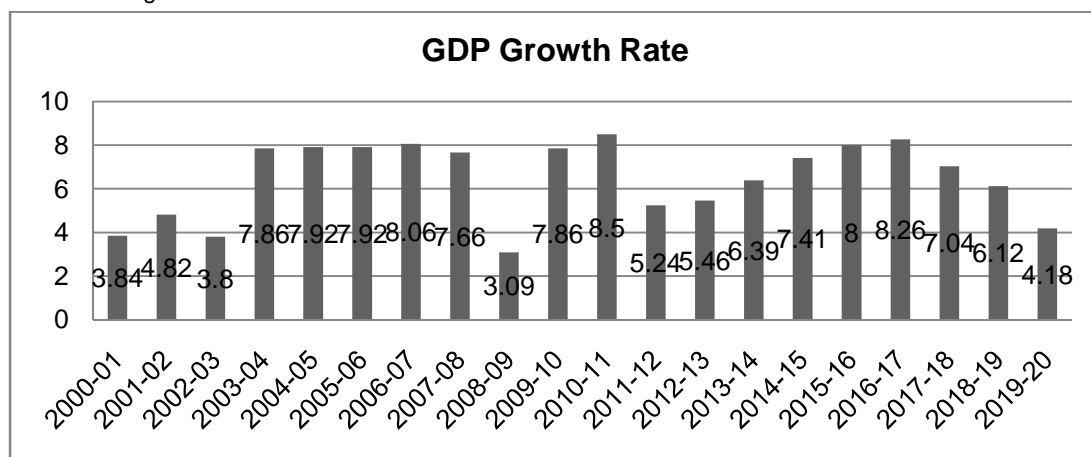
### ABSTRACT

The whole Indian Economy is suffering badly due to pandemic Covid – 19. Almost all sectors of the economy have been severely hit because of this. Oil prices hit record low and FPI outflow worth 7.1 billion were ordered in FY 2019-20. The mass exodus of migrant worker from cities to their villages in an disorganized way showed that how the situation were mishandled. Job losses, GDP decline made at the same times it gave us opportunity like “Atmanirbhar Bharat” and “Make in India” where we aspire to become self-sufficient. Application of Internet of Things (IoT), Artificial Intelligence (AI), Nano-technology, Agriculture research and development, Block-chain etc. in our daily life becomes significant part in our life. There is an opportunity for India to participate more actively in global supply chain and become the world leader. In this paper, I have tried to analyze the impact of Covid-19 and lockdown on Indian Economy. Lockdown has impacted us not only economically but mentally as well as socially too.

**Keywords:** COVID-19, Pandemic, Atmanirbhar Bharat.

### Introduction

According to a statement given by the IMF Chief, Kristalina Georgieva , “The year 2020 has seen the worst economic slowdown since the great economic depression in the 1930’s accounting for negative per capital GDP growth rate of more than 170 countries due to covid-19”[1]. With the onset of lockdown worldwide, life has been brought to a halt. Thus lockdown across the whole countries have impacted not only the labor market but also impacted demand and supply chains of goods giving economic shock to a well - functioning economy. The pandemic exposes the nation’s inability to fight the global pandemic despite the WHO alarming for the same in 2019. The Indian economy has been in possibly the worst phase since post 1991. GDP growth rate saw a dip for consecutively 8 quarters and it fell down straight from 8.2% in March 2018 to 3.1% in March 2020

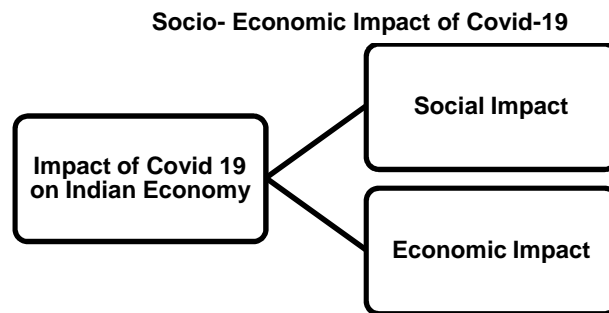


Graph 1: Showing GDP growth rate in % since 2000 -01 to 2019 – 20.  
Data Source: CMIE Figures annual growth in % [2]

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### Research Methodology

In this research work, mostly secondary data have been used from various reliable government sources. I had tried to do a comparative study to find out the overall impact of Covid-19 forced induced lockdown on major sectors of the Indian economy. Also, I have tried to figure out the solutions to revive the different sector of economy. I have picked the secondary data from the various institutional sources like RBI, IMF, government websites and CMIE etc. Various other research papers, articles, journals helped to reach the desired conclusion.



**Image 1: Showing Socio- Economic Impact of Covid-19**

### Social Impact

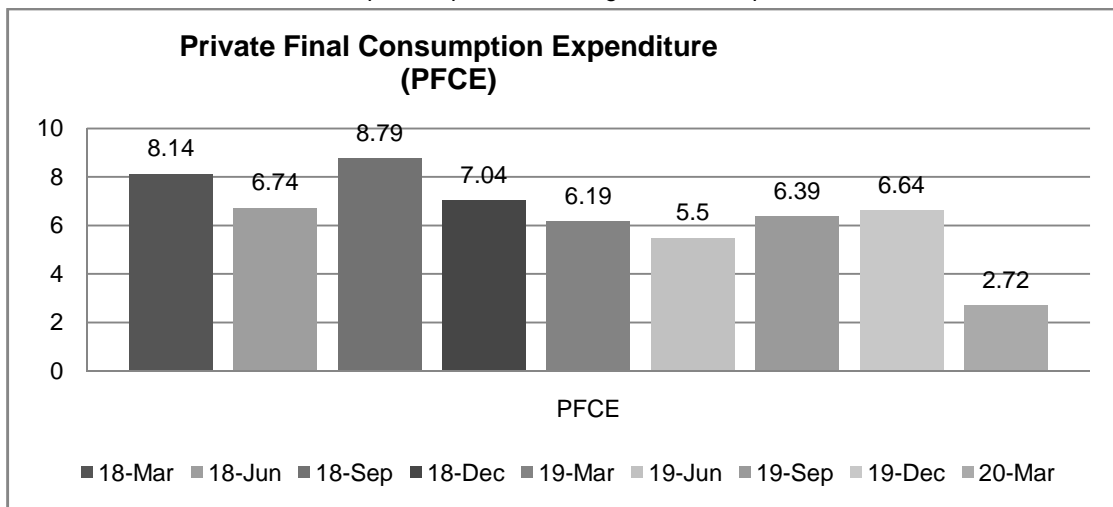
The covid-19 pandemic has claimed lives of more than 1.2 million people and has infected more than 50 million people worldwide. India has registered 2<sup>nd</sup> highest cases after the USA. It has not only impacted economically but also socially and mentally to all the human beings. India has been one of the worst affected countries saw the labour migration crisis, healthcare crisis, hunger crisis etc. The children, women and senior citizens were heavily impacted. It leaves massive psycho - social scars on the marginalized and poor sections of the society. Cases of domestic violence, mental trauma, and molestation have increased manifolds. Lockdowns have added to woes of women who were already living in poor and below standard conditions in form of domestic violence, child abuse, lack of security, money and health etc. Lack of money and limited resources has led the women to reduce the nutritious food intake to insignificant level. They had to compromise with their physical and mental health, hygiene and balanced nutrition. [3]

In a country like India where millions of people are daily wage earners and lives Below Poverty Line (BPL) who are unable to feed themselves twice a day, this lockdown have been a bane to all of them. The snatching of job of daily wage earners led to interstate labour migration crisis. It further left them stranded without food, money and shelter on the national highways of the country. Some very unfortunate incident of death and accident made highlights in labour migration crisis. News of racism on the basis of religious, caste, and race made to the headlines. Peoples of North East faced discrimination due to their looks and appearance. Unemployment and domestic violence were at a record high leading large section of economy in shambles. Social stress is caused by interruption in regular lifestyles e.g. restricted cultural celebration, travel restrictions, limited healthcare access, loss of traditional education system etc. Negligence of poor and marginalized community since independence have exposed our inability to fight a pandemic. Distress situation could have been prevented or minimized had there been a little more prevention and precaution for poor section. Adoption of social distancing with closed ones, online mode of education, use of mask and hand sanitizers regularly has not been easy with people. People were very reluctant and rigid at some places to embrace to changes thus adding woe for administration for strict implementation of covid-19 protocols.

Human beings are superior to other living things because human beings adapt to the things quickly. In this difficult time we have again adapted from manual to automated mode of solution. Now role of internet of Things and alarming system have seen significant boost. Online shopping, work from home etc. have compensated partly for the loss in services sector. These are the important step needed to be taken to curb the spread of covid-19. The need of the hour is to do long term planning, to ensure the livelihood of poor and marginalized community so that the social fabric of the country can be protected from any kind of external viral threat. There is need of public investment in healthcare to make large and robust healthcare infrastructure. At the same time policy makers have the responsibility to make sure that in future such unfortunate incident of labour crisis migration does not happens. There is a need to reduce the stress by providing the joyful environment to work which will reduce the social distress.

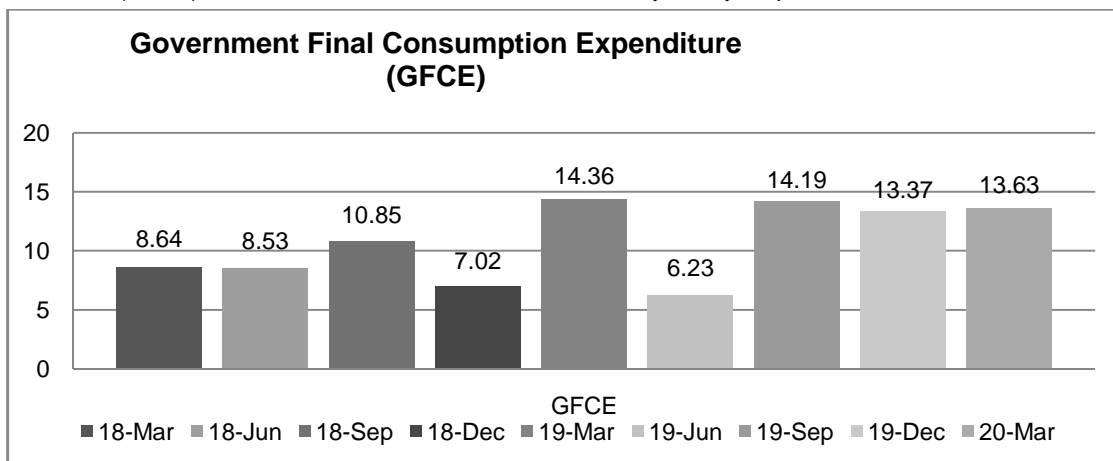
**Economic Impact**

Lockdown imposed across all over the country brought all economic activity to halt. It is assumed that aftermath effect of lockdown will persist and might take long to get things to normal. Demand for non- essential goods and commodities might is unlikely to get restored in next several months. Component of aggregate demand such as consumption, investment and exports are less likely to re-grow to the initial level in the next few months. Supply chain also took a hit due to unavailability of raw material, forced migration of labour, slowdown in global market and restriction in travels across the globe. India suffers heavily due to disruptive global supply chains from china and other countries. The longer this crisis persists the more difficult it will be for private players to stay in competition. It will further have domino effect on income, employment, consumption, investment in slowing down aggregate growth rate of economy. The consumption demand is the biggest driver of Indian economy. However, the setback for Indian economy was started even before the onset of pandemic. It was evident from the decline in the Private final consumption expenditure and gross fixed capital formation.

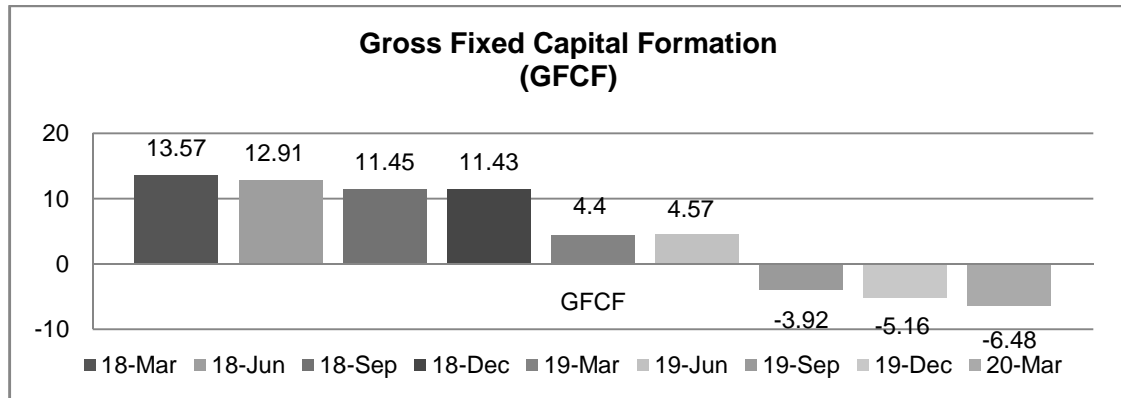


**Graph: - 2 Private Final Consumption Expenditure (PFCE) [4]**  
(Figures are annual growth in %)

In the financial year 2019-20 Private Final Consumption Expenditure (PFCE) had 57% share in GDP of India. PFCE growth collapsed to 2.7% in March 2020 which was lowest since June 2012. Gross fixed capital formation at current prices has fallen to 29.7% as a proportion of GDP. Gross Fixed Capital Formation (GFCF) a measure of investment has contracted by nearly 47 per cent.



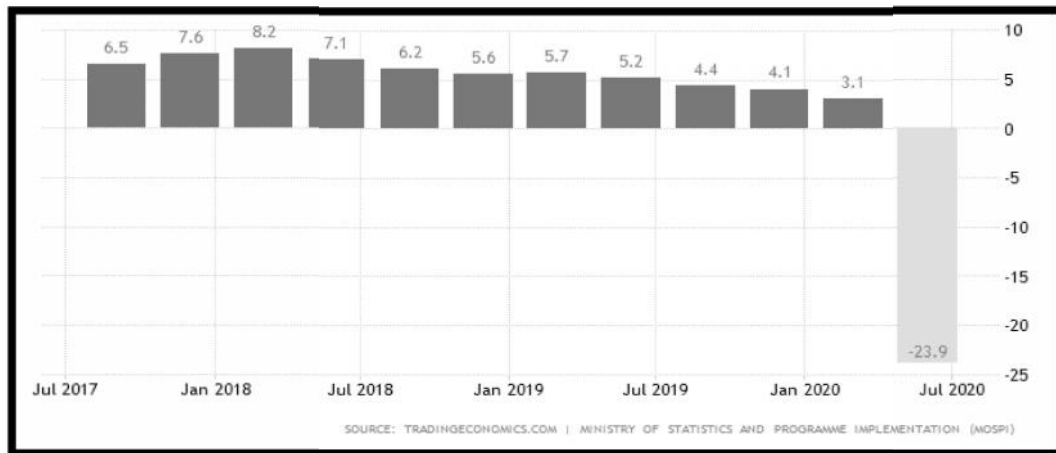
**Graph: - 3 Government Final Consumption Expenditure (GFCE) [5]**  
(Figures are annual growth in %)



**Graph: - 4 Gross Final Consumption Expenditure (GFCF) by Trading Economics [6]**

(Figures are annual growth in %)

A decline in tax revenues due to contracting income has weakened the government stance to counter the declining capital formation. Consequently, the Indian economy shrinks to 23.9% on Year-on-year basis in Q2 of fiscal year 2020.



Source: Trading Economics [6]  
(Figures are annual growth in %)

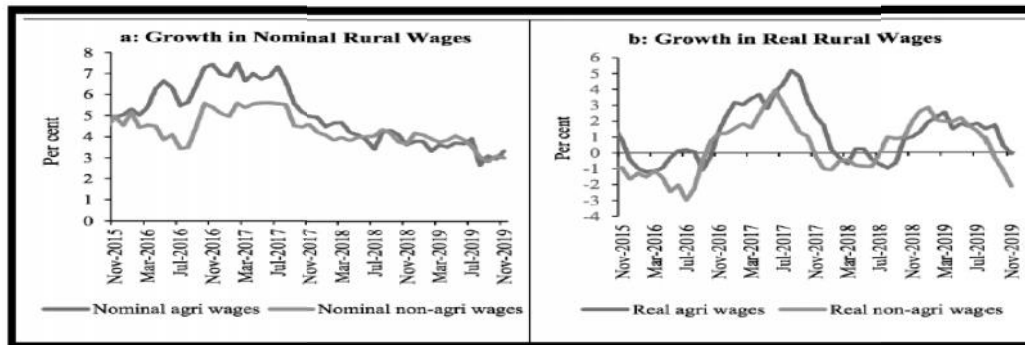
A decline in the gross fixed capital formation was caused by the distortion of supply chains of commodities. It poses a threat to the potential future growth. Growth in Bank deposits have declined to 7.9% from 10% in the previous fiscal year indicating low savings. Bank credit lending growth also came down to 6.1% from 13.3% in the previous fiscal year. It suggests a lower consumption level which further implies lower demand thus, creating a vicious cycle of recession. Real GDP growth has fallen to new low of 4.2% in 2019 - 2020 with subsequent fall in exports by 3.6% and 2.8% contraction in investment. With the outbreak of global pandemic, different sectors like tourism, real estate, construction and manufacturing, etc. were severely hit. Construction saw a dip of -50.3% followed by hotels and transportation (-47%) and manufacturing (-39.3%). Other Important sectors like Mining declined by -23.3% along with financial services sector declined by -5.3%. To some extent government expenditure acted as a counter cyclical force to the decline in GFCF and PFCE.

### Tourism

Tourism Industry was one of the severely hit sectors globally due to the suspension of flights across world. United Nation World Trade Organization (UNWTO) estimated a fall of 20 - 30% in international tourist arrivals. FICCI - Yes Bank report titled 'India Inbound Tourism: Unlocking the Opportunities' described that India can become largest tourism market in South Asia. Tourism in India accounted for 9.2% of GDP and created 26.7 million jobs. It may approximately bring down 0.45% of GDP growth rate. [7]

**Agriculture and Allied Sectors**

Agricultural sector is the backbone of Indian Economy as approximately half of the workforce is employed in this sector. Agricultural performance decides that demand will be up or down for rural households. In the pre covid-19 period, agriculture GDP grows at 3.3% p.a. from 2014-15 to 2019-20. According to a report by National Statistical Office (NSO) report, Agricultural GDP growth increased to 4% in FY2020 from 2.4% in FY2019. Due to bumper cropping and horticulture production, Terms of Trade (ToT) to move against the peasant thus causing food prices to decline. However, in 2019-20 ToT seems to have improved in 2019-20 as nominal GDP growth rate of agriculture grows at 11.4% as compare to 4% of real growth rate.



Source:- [4], [8]

The hostile impact of lockdown in agriculture sector has been much less as compare to secondary and tertiary sector. Suspension of transporting activities along with closure of APMC mandis in lockdown disrupted the overall supply chains. It also led to wastage of perishable food items.

**Informal Sectors**

Informal employment share in India is more than 90%. Approximatley 91% of workforce is still in the informal sector. Out of 465 million labourforce , Informal sector consist of 422 million workers in 2017-18.

Worker	2011-12			2017-18		
	Unorganized	Organised	Total	Unorganized	Organised	Total
Informal	82.6	9.8	92.4	85.5	5.2	90.7
Formal	0.4	7.2	7.6	1.3	7.9	9.3
Total	83.0	17.0	100.0	86.8	13.2	100.0

Source:- IMF Report [9]

Workers from informal sector were already in shambles before covid-19 outbreak due to GST implementation and demonetization. Loss of livelihood in urban areas cause unemployment rate sore to record high. According to CMIE report, “ Salaried jobs were estimated at 86.1 million in 2019-20. This fell to 68.4 million in April 2020. By July 2020, their count had fallen further to 67.2 million.” Non-salaried employments have increased from 317.6 million to 325.6 million in July 2020. [10]

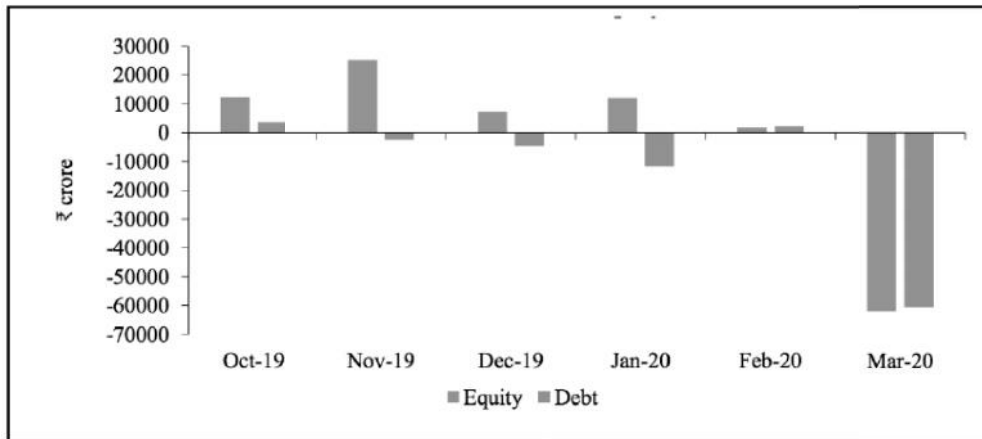
Migrant worker who returned to their villages in large numbers are yet to return completely to urban areas. Now those wage earners are looking for jobs in rural areas. It increases the load on MGNREGA. They are largely dependent on the social security and benefits to citizens. [11]

**MSME**

MSME's forms the backbone of manufacturing industries in India and provide employment to large number of people. According to Recent Annual Report on MSME, it indicates that this sector contributes approximately 30% of India's GDP. MSME sector has generated about 11.10 crore jobs in the country as per the latest National Sample Survey 73rd Round (2015-16).[12] India's MSME Sector comprises of 633.88 lakh units. MSME sector in particular were the worsen hit by reduced cash flows due to lockdowns. Exodus of migrant laborer has affected the MSME at large. According to a recent survey by All India Manufacturers Organisation (AIMO, June 2020) shows that 43% of self employed people and 35% of MSME said that they see no change and hence chances of recovery post covid-19 are very light . So it will leads to shutting down of their operations.[13]

### Financial Markets

Credit lending of corporate debt papers has risen rapidly in recent times. Short and ultra-short duration liquid funds have been largely impacted to their Net assets values. With the onset of pandemic globally turning investors risk averse, foreign investors sells their large holding of Indian debt papers and stocks. Up to March 31<sup>st</sup>, 2020 FPI outflow worth 7.1 billion were ordered in FY 2019-20.



**FPI Investment in Debt and Equity**

Source: - RBI Monetary policy Report (April 2020) [4], [14]

### Conclusion

The impact of Covid-19 has been very unfortunate. It set a challenge to mankind in future to defeat such things posing a threat to humanity. With the dependence of economy on informal sector, implementation of lockdown and social distancing were a challenging task. The government has responded to the challenge. However a lot more is required than what is done till now. The government needs to ensure that fiscal deficit remains in control at the same time government needs to ensure the minimum food security along with social security of citizens. At the same time, since we are developing nation we also need to take care of our fiscal deficit. As long as we are making investment in different sector, even a budget deficit higher than the desired level of 3% won't matter much. Later investment will increase the income which will increase the consumption and thus employment. Overall aggregate demand will increase.

There should be an effective implementation of schemes for poor and marginalized section. State and local government has a large role to play in effective implementation. Income Support for the poor is needed till the time situation returns to normal. Policymaker's needs to focus on the both informal and formal sector such that recovery should be a balanced one as it could minimize the damage to economy. At the same time policymaker need to ensure that long term damage to economy by global lockdown can be minimized. Critical sector such as MSME, Healthcare, Tourism, Agriculture Education, etc. are some of the key sector which can again push India's growth to double digit. There is a scope in tourism section to develop and advertise the heritage sites. India is rich in culture and diversity which will attract tourist from across the world. Further it will have multiplier effect on investment and GDP. Traditional Sculpture, dance, folk music, arts etc. have the potential to make India a global tourism location for its artistic and spiritualistic factor. Kumbh Mela is a wonderful display of creation of economic value with culture. Overall it generated 1.2 lakh crore of economic value with an investment of 4200 crore. It also created employment for 6 lac people. This signifies the cultural importance and rich legacy we are carrying upon us.

Railway station can further be developed into multi amenity center. The concept of Railway hubs needs to be brought into picture. Utilization of unused railway lands and setup of shopping malls, restaurant, hotels etc. in the station premises will boost economy and there will be advanced mechanization and modernization attracting investors in particular section. Digitization of the economy is another major step toward the revival of economy. With the social distancing norms and covid-19 cases around it is very much inconvenience for the people to return to normal life. So, in such cases it is the need of the hour to inculcate the use of Internet of Things (IoT), Artificial Intelligence (AI), Nano-technology, Agriculture research and development, Block-chain etc. in our daily life.

The need to generate employment for the youths of country is an important factor in making India “Atmanirbhar Bharat” as envisioned by our PM Shri Narendra Modi. For that we need to execute all the pending plans and fill all the vacant seats in different department. Not only this, we also need to focus on employment creation through MSME and startups. Organic farming should be preferred over hybrid technology. We should focus on improving GDP per capita over Nominal GDP. Focus should be on minimizing the income gap of population. A better standard of living of people should be promoted. Now is the time to prioritize the right things and set the focus correctly. At this juncture, we need to focus on the outcomes and results. We need to focus on welfare along with the wealth and trade over war. We need to overcome cyclical and systematic problem to turnaround India into the \$5 trillion economy by 2024.

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