

## **CHANGES IN INDIAN ECONOMY IN 2020: A STUDY OF IMPACT OF COVID-19 ON INDIAN ECONOMY**

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Dr. Hari Narayan Gupta\*

### **ABSTRACT**

*Social and economic life in India has impacted adversely due to COVID-19. Various social, economical and health problems such as mental and health problems, psychological problems etc. have emerged due to COVID-19. Most of the sectors of the economy such as hotel, tourism and travel, capital market, MSME, retail sector, hospitality, healthcare, banks and financing companies, real estate, IT, media affected adversely on the economy. Government has taken necessary steps to boost the economy. It is expected that adverse affect of this pandemic will affect the economy upto coming 18-24 months. Ayusman Bharat like concept of Gram Swaraj of Mahatma Gandhi is the only remedy for fighting COVID-19 pandemic.*

**KEYWORDS:** *Sustainable Development, Social and Economic Life, COVID-19, MSME, WHO, Great Depression, IMF, Pandemic, Self Reliance, Gram Swaraj.*

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### **Introduction**

Social and economic life in India has impacted adversely due to COVID-19. Various social and health problems such as mental and health problems, psychological problems etc. have emerged due to COVID-19. Similarly economic life as well as economic growth has adversely impacted in most of the sectors of the economy such as hotel, tourism and travel, capital market, MSME, retail sector, national and international mobility. International Monetary Fund (IMF) and World Health Organization (WHO) both institutions have declare this crisis as "Great Depression". COVID-19 pandemic also affected hospitality, healthcare, banks and financing companies, real estate, IT, media and others. Lockdown, social distancing and after lockdown scenario adversely affected production, productivity, consumption and services. This cause sharply decline in demand of goods and services. COVID-19 is a novel viral infection disease which has no medical treatment. It needs long research studies for treatment. It is the possibility that COVID-19 has adversely impacted for long period on the economy which may be 12-18 months. It is estimated that world tourism will fall by 15-20 percent.

### **Impact on Tourism Sector**

Tourism is the adversely affected industry in India. World Tourism Organization estimated sharp decline in world tourism by 20-30 percent. In 1997, foreign exchange earnings from tourism in India was 2889 million US\$ which is increased to 28585 million US\$ in 2018 and 30610 million US\$ in 2019. Tourism has significant contribution in GDP and foreign exchange. Year wise foreign exchange earnings from tourist sector are as under:

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\* Associate Professor, Department of ABST, SPNKS Government PG College, Dausa, Rajasthan, India.

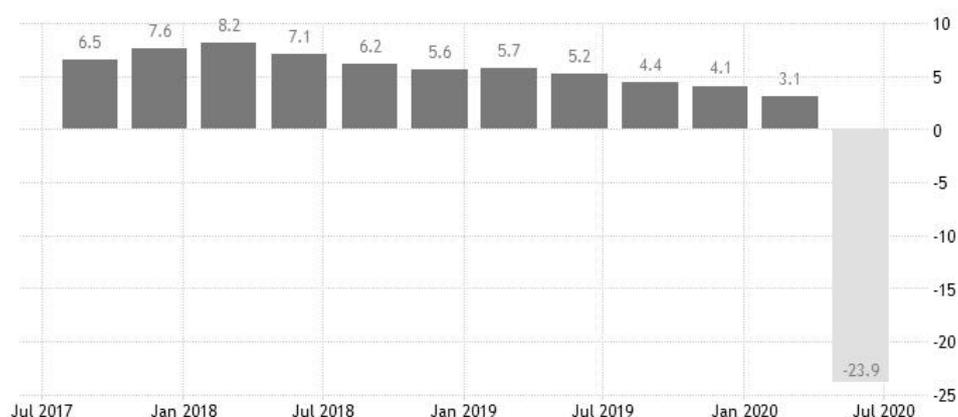
Year	Earnings (US\$ million)	% change	Earnings (₹ Crores)	% change
2010	14,193	27.5	66,172	23.1
2011	16,564	16.7	83,036	25.5
2012	17,737	7.1	95,607	15.1
2013	18,445	4	1,07,563	12.5
2014	20,236	9.7	1,20,367	11.9
2015	21,071	4.1	1,34,844	12
2016	22,923	9.1	1,54,146	14.3
2017	27,310	19.1	1,77,874	15.4
2018	28,585	4.7	1,94,882	9.6

It is estimated that foreign exchange earnings from tourism will be decline by 20% in the FY 2020-21. Decline in foreign exchange earnings adversely affect the GDP contribution of tourism industry. It will effect employment generation, growth of subsidiary industries and purchasing power of concern parties.

#### Impact on GDP Growth Rate

COVID-19 pandemic adversely affect GDP growth rate of Indian economy. Long term lockdown from April 20 to June 20 shows negative growth of GDP in India. It is expected that 18-24 months GDP will be effected from COVID-19 pandemic. GDP of Indian economy adversely affect due to COVID-19 pandemic. Second quarter Y-on-Y GDP decline by 23.9%. India is the third worst affected countries in the world which is affected by pandemic. This decline is shown in every sector. 50.3% decline in construction sector, 47% decline in hotel and transport sector, 39.3% decline in manufacturing sector in finance sector, 23.3% decline in mining sector shows big fall in the economy. 5.3% decline in finance and real estate sector and 7% decline in utilities sector shows adverse affect on income generation and employment.

**GDP Growth Rate from July 2017 to July 2020<sup>1</sup>**



SOURCE: TRADINGECONOMICS.COM | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

Decline in GDP shows alarming situation for Indian economy in future. Government has taken various measures to revive industries, to generate employment, to help poor population and to boost indigenous industries.

#### Impact on MSME

Micro, small and medium enterprise (MSME) has significant role in Indian economy. 90% jobs of industrial sector are provided by MSME sector. MSME contribute 30% share in GDP. About 125 million people are employed by MSME. These industries suffer from earnings and cash difficulties during lockdown and pandemic period because most of the MSME industries has loan liabilities, interest payments and fixed expenses. A survey of 14444 MSME industries conducted by Economic Times shows that nearly 50% of MSME have witnessed a 20-50 % decline in the earnings due to COVID-19 pandemic.

**Impact on Capital Market**

Indian capital market adversely affects the Indian capital market. In march 2020, FII's withdraw 1.12 lakh crores from Indian capital market. Historic drop in oil prices and downfall in stock market adversely affect to the investors. Sensex drop by 29% in the month of march 2020 with high volatility which results high losses to small investors.

**Impact on Migratory Labour**

Due to COVID-19 pandemic, migratory labours have badly affected due to unemployment, shortage of funds, lockdown of industries and poor transport facilities. About 76% of total work forces are in unorganized sector. These labour migrated from remote villages to industrial sectors mostly in the cities. 40 crores informal sector labours faces difficulties during lockdown period. After unlocking the economy, they are facing problem of unemployment. Most of the migratory labours are from UP, Bihar, West Bengal, North East, Rajasthan etc and migrated to Maharashtra, Gujarat, Karnataka, Punjab and New Delhi. Most of the labours are getting Rs 200 to Rs 400 as wages which is below the minimum wage rate. Due to COVID-19 pandemic, there becomes very difficult.

**Conclusion**

Indian economy shows significant down trend during 2020 due to COVID-19 pandemic. Economic data and analysis shows very tough time for Indian industries, MSME's, labours, poor population, capital market, daily wages workers and general public. Corporations and multinationals are continuously fighting against pandemic. Government has announced help package to MSME's, migratory labours, Indian industries under Ayusman Bharat scheme. Government has announced fiscal measures for boosting economy. General public, NGO's and communities have equal role to fight against COVID-19 pandemic. Adequate measure are required to improve production, trade and consumption in the economy. Ideas and recent theories of national and international economists will be helpful to fight this pandemic. Government help is most needed to improve condition of unorganized sectors. COVID-19 has given us challenges to boost our economy. Our economy should develop self reliance through sustainable development. Like Gram Swaraj of Mahatma Gandhi, Ayusman Bharat will be mile stone for fighting this pandemic.

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