

Impact of Covid-19 on Indian Industry: Challenges and Opportunities

Vijaysing B Pawar

Assistance Professor

RMG Art, Commerce & Science College,

saoli, Dist- Chandrapur 44122

Email-Id- vajay.pawar@gmail.com

Dr. Pradip Ghorpade

Associate Professor

HOD Dep of Commerce

Shivaji Mahavidyalaya, Gadchiroli 442605

Abstract-

The outbreak of the covid-19 pandemic is unprecedented shock to the Indian economy. The Government of India has announced a variety of measures to tackle the situation, from food security and extra funds for healthcare to sector related incentives and tax deadline extensions. With the prolonged country-wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. This study revealed the potential impact of the shock on various sectors like manufacturing, financial services, banking, real estate, infrastructure and service and put forward a set of policy recommendations for specific sectors.

Key words: Indian Economy, Economic Downturn, Supply Chain, Corona Pandemic.

Introduction:

The Indian economy has been experiencing significant slowdown over the past few quarters. In the third quarter of the current fiscal, the economy grew at a six year low rate of 4.7%. There were a strong hope of recovery in the last quarter of the current fiscal, However, the new coronavirus epidemic has made the recovery extremely difficult in the near to medium term. The outbreak has presented fresh challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements which has the potential to detail India growth story. India reported its first confirmed case on January 30. However there are only some signs of community transmission – the percentage of affected people is still low, with most cases related to travel. That said, the domestic situation remains fluid and warrant constant monitoring. The impact on the Indian economy could be significant if the virus continues to percentage the country which has a longer lasting effect. While the impact on economics prospects due to activity being affecting in countries like Japan, Italy, South Korea, China, U.S.A etc., would be through trade, Investment and services routes, it could be more damaging if there is any shutdown in India. The

objective of the survey is to be understand the opinion from business fraternity regarding the downside risks to the Indian economy on the backdrop of outbreak and spreading of this virus.

Literature review:

The answer would depend largely on the extend of spread within India. So far India India is among the Asian economics that are not deeply impacted. With the number of covid-19 cases nearing 3 lakh and death toll topping 7,800 the impact of the virus on global sentiment, economics and otherwise, has been immense. While new afflictions have been declining China- the epicentre of the outbreak- since the end of February, it is spreading fast outside. New cases outside China now surpasses those in china with Italy, Iran and South Korea being the worst affected. With more than 170 countries reporting confirmed cases of Covid-19, its implications on the global economy is more threatening than envisaged a month ago.

India's Growth Projections Revised Down

Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for keeping in view the negative impact of coronavirus induced travel restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both global and the Indian economy.

Fitch Ratings:- Fitch has also cut its forecast for India's economic growth to 4.9% for 2019-20 from 5.1% projected earlier.

Moody's:- Moody's Investors service has revised down its growth forecast for India to 5.3% for 2020 from its earlier estimate of 5.4% made in February.

S&P Global Rating:- S&P has lowered India's economic growth forecast to 5.2% for 2020 as against 5.7% projected earlier.

Objectives:-

The major objectives of this study are-

- 1) To understand impact of Covid-19 on overall Indian economy
- 2) To understand impact of Covid-19 different sectors
- 3) To find out the challenges for different sectors in Indian economy

Research Methodology:-

In this study I have taken survey reports & study report by various agencies like FICCI, CRISIL, ASSOCHAM, CII, McKinsey & Company Care rating for detail study. I have chosen the report mostly published in March, April, May month to understand the impact of Covid-19 on Indian economy and various sectors. I have few research papers and news articles which publish in this three month.

Results and Findings:-

It is revealed that when the global economy is on a slowdown mode no emerging economy can grow at its normal pace. The Indian economy was grappling with its own issues and Covid-19 made the matters worse. India has been on a consistent decline after peaking out at 7.9 in Quarter 4 of FY 2018 to 4.5 in Quarter 2 of FY 2020. The industry was facing demand problems, due to which business houses were reluctant to undertake capex plan, unemployment was at its peak and exports which were consistently down for several months. India has the problem could be more acute and longer lasting; the economy was in parlous state due to Covid-19 struck.

Due to the measures adopted to prevent the spread of the Coronavirus Disease 2019 especially social distancing and lockdown, non-essential expenditures are being postponed. This is causing aggregate demand to collapse across the India. In

addition to the demand reduction, there will also be widespread supply chain disruptions, as some people stay home, others go back to their villages, imports are disrupted and foreign travel is stopped. This will negatively affect production in almost all industries. Gradually the shock will spread to manufacturing, mining, agriculture, public administration, construction- all sectors of the economy. This will adversely affect investment, employment, income, and consumption, pulling down the aggregate growth rate of the economy.

Like India, several international economies are becoming cognizant of the risk they face by being overly dependent on one market. Making the current situation a learning opportunity, this is the time India can work on capturing potentially 40% of their competitor market share by looking at indigenous production of goods, furthering the country's Make in India.

Recommendations: -

Here are few suggestions that the policymakers can consider as they gear up to deal with the economic crisis.

- 1) The first measure must be to protect the workers in the informal sector, who will be badly affected, and yet have little savings to tide them over the shock. This will not be easy to do, but there are two mechanisms that could be utilised: MNRGA and Jan Dhan Accounts.
- 2) For organised sector as discussed above, the objective should be to make the banks somewhat less
- 3) To increase liquidity and increase consumer confidence, the Government of India should provide pay roll tax holiday for a quarter to help support demand in these stressful times.
- 4) MSMEs should be provided concessional working capital loan, equivalent to one to three month average turnover of last year. To support them, when the supply chain has been impacted globally, MSMEs should also be provided concessional finance at a rate of 5% for three months through SIDBI. The interest payment for such financing can be adjusted over the next three years as part of GST.

- 5) CSR spending by corporate organisations should be directed towards a response fund dedicated for the management of the pandemic.
- 6) A disaster management framework focused on managing disease outbreak will become essential in large and densely populated country.
- 6) IMF (2020), Policy responses to Covid-19 Washington DC
- 7) Himanshu (2019), 'India firm crisis : decades old and with deep roots' The India Forum
- 8) KPMG (2020). Potential impact of covid-19 on Indian economy April 2020.
- 9) www.theindiaforum.in/article/farm-crises-runs-deep-higher-msps-and-cash-handout
- 10) www.imf.org/en/imf/and covid-19
- 11) www.ficci.in/publication.asp?spid=23196
- 12) www.mckinsey.com/business-fuctions/risk/our/insights/covid-19-implications-for-business
- 13) www.covid-19/india.org
- 14) www.coronavirus-economics-collapse
- 15) www.moneycontrol.com/new-business/market/covid-19
- 16) www.assochem.org

Conclusion:-

In India, this has not yet started in a systematic manner and need to be prioritised alongside steps to deal with the health crisis. By rationalizing tax rate or providing tax relief curb the impact of Covid-19 on the Indian economy might know after implementation of measures. About necessary measures to combat the economic impact from the rapidly spreading coronavirus, the government policymakers would need to implement a substantial targeted fiscal, broader monetary stimulus and policy rate cuts to help normalize the economic situation. As the Covid-19 crisis continues to expand, manufacturing will likely face challenges on numerous fronts. Manufacturers will also need to look beyond their own economic viability. They will need to coordinate closely with public sector to forge plans that are essential to both public safety and the solvency of their workforce, while keeping the light in their operations. Challenging climate some will be austere, but austerity measures should be tempered to preserve long-term objectives.

References:-

- 1) ASSOCHAM – Primus Partners Survey, (2020). Recommendations for national response to the Economic Impact of Covid-19
- 2) CARE Rating March (2020). Survey on Impact of the Coronavirus on the Indian Economy.
- 3) Chanddha N A, Das S Gangopadhyay and Mehta (2017) 'Reassessing the Impact of Demonetisation on Agriculture and Informal sector; India Development Foundation (IDF), New Delhi, January.
- 4) CRISIL (2020). The Covid-19 fall out quantifying first cut impact of the pandemic March.
- 5) FICCI (2020). Covid-19 impact on Indian industry issues and suggestions March 2020