

A Study of COVID-19 and Its Impact on Indian Economy.

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Abstract:

The outbreak of the COVID-19 pandemic is an unknown shock to global economy. Disruption of demand and supply chain due to prolonged lockdown, lockdown in global economies leads to deep adverse impact on countries like India, as India's economy is composed of unorganized sector & large part of people involved in such sectors for their livelihood where work from home type measure is not possible. It affects various sectors like MSME, Tourism Real estate, education, agriculture Transportation Foreign trade etc, resulted in a negative reaction to the present disaster. India's GDP estimates were downgraded to negative figures, signaled a deep recession and unemployment rose to a great extent. The government of India, Reserve Bank of India, announced various policies to put forward an economy. The purpose of present study is to search the impact of COVID-19 on various sectors in India. For this study data will be secondary in nature and appropriate statistical tools and techniques will be used for analysis and conclusion. On the basis of conclusion, recommendations are suggested to overcome adverse situations.

Keywords: GDP, MSME, Tourism, Real estate.

Introduction:

Today the global pandemic called Corona has not questioned the perceived authority of the entire human race but has made the lifestyle established by our ancestors the basis of life and also indicated that if we don't respect nature then in future we will have to face more serious consequences. We have to believe that whenever nature can stop the wheel of our life and as a result of it superpowers of the world also seem helpless.

The economy and technology that accelerate our development have also been engulfed by Corona. Due to the possibility of Corona's transition, the huge work that accelerates the economy has to be forced to stop and disrupt the demand and supply chain due to prolonged lockdowns & slowdown in global economies.

The IMF Chief said, "World is faced with extraordinary uncertainty about the depth and duration of this crisis and it was the worst economic fallow since the Great Depression." As per IMF reports the world economy will shrink by 3-4% GDP.

If we talk about a country like India, whose economy is agriculture based cum unorganized

sector where work from home is only a fantasy which is bound to create many problems for an economy and affect the economy to great extent and bears huge losses. For example; The focus of the government was to meet our demand for necessities. In contrast, suppliers of luxury and comfort stressed on covering their capital. In this pandemic period almost every sector is bearing enormous losses.

Objective of study:

1. To study the impact of pandemic on different sectors of the economy.
2. To study the situation of GDP during COVID-19.
3. To reflect the need for policies and recommendations for different sectors.

Research Methodology:

For this research, secondary data is used. The secondary data is collected from various sources like newspapers, articles, books etc. this study focuses on descriptive research design.

Impact on Various Sectors of Indian Economy:

This pandemic has created new issues and leads severe disastrous impact on an economy.

- **Impact on MSME sector:** MSME sector in India is the second largest sector in terms of employment

generation after agriculture and acts as a breeding ground for entrepreneurs and innovators. It accounts for 30% of GDP and 45% of exports. Due to this pandemic, the existence of MSME seems to be in danger due to huge reduction in daily demands because of postponement of buying decisions by consumers due to widespread fear and panic and restrictions imposed on movement of people to stop of COVID spread. As a result some industries have started the retrenchment of workers, halted their production due to stopped demand. Many survey reports have shown that disruption caused by COVID-19 may impact MSME earnings by 20-50% due to liquidity crunch in the economy. Economic slowdown had dragged us back.

● **Impact on the Real Estate sector:** Generally it assumes that the Real Estate sector brings a boom in any economy. No doubt rising real estate sector directly or indirectly boosts other sectors because rising real estate industry increases purchasing power of people and people also like to invest their surplus capital. In this way it brings a boom in any economy.

But in India, before COVID-19, after demonetization and GST, the real estate sector was in a state of coma. Now there may be prolonged slowdown and facing recession. According to Propequity, a company that analysed real estate data and concluded that around 50% of developers who worked in 2012 exited the business by 2017-2018. Small developers go out of business and only large groups remain in this area. The contribution of the real estate sector to India's GDP has been around 7% and generates millions of jobs, But due to the arrival of COVID-19, according to an estimate, the sector may suffer a loss of about Rs 1 lac crore in the FY 2020-2021.

● **Impact on Tourism Industry:** Tourism is a major source of revenue and employment because it generates employment income, helps in tax collections and foreign exchange earnings.

The COVID-19 pandemic has severely impacted the tourism industry across the global covering sectors like hospitality, tour operators, travel agents, air, land and sea transportation industry and others. In such a situation India is no exception; Tourism has witnessed a sharp decline during 2020.

As we know India is known for its unparalleled traditions, culture and hospitality across the world and attracts many international tourists also. Tourism industry is probably the worst hit sector due to the pandemic. As per report of WTTC ("The World Travel and Tourism Council"), the Tourism industry contributes 9.20% in 2018 in India's GDP and generate millions of job which is 8-10% of total employment of India.

The Indian Tourism and hospitality industry is now gawking at likely job loss of around 38 million and overall loss may be at 50 to 70 % in 2020.

● **Impact on the Education sector:** Education is important for a country. It not only helps in boosting the economic growth and increase the GDP of a country but it also improves personal lives and helps the society to run smoothly. The more knowledge you gain the more opportunities will open up to allow individuals to achieve better possibilities in career and personal growth.

Due to this pandemic the education sector is facing unprecedented challenges. It has affected educational systems worldwide. The education sector of India is also affected by this. Around 32 crores learners stopped to move schools/ colleges. All educational activities halted in India. The Indian government spends 4.6% of its GDP on education. It is much lower than required. This pandemic has also induced deep-set class and social disparity among private and public school systems. In a country like India where E-learning is not possible for many students. The center for monitoring Indian economy's estimates showed an unemployment shot up from 8.4% to 25 %. When an unemployment increases then the education gradually decreases as people struggle for food rather than education.

School owners are also going to see a major cash crunch. Educational institutes generally operate with monthly fee structure and fees are not coming properly and all payments dry up. It may induce the small institutes to shut down permanently.

Impact on foreign trade : Foreign trade plays a vital part in the economy of each country. Foreign trade helps a country to utilize its natural resources and to export its surplus production and import in those commodities which it has comparative disadvantage. It contributes hugely to the GDP of a country. When we see the Indian economic

scenario, India is now a part of the world's global economic system and directly or indirectly there is high involvement in international trade and do transactions internationally either of import or export in all major sectors of the world economy.

India was greatly affected by this pandemic. As a result of COVID-19, India's overall merchandise exports and imports are estimated to have declined by 11.4 percent and 11.9 percent, respectively, between March and November 2020.

● **Impact on the Miscellaneous sector:** Let's have a look of COVID-19 on some sectors of an economy.

- a) The people associated with small hotel business, marriage gardens, event management, small restaurants and street food conditions don't seem to be favorable for a long period.
- b) The effect of COVID-19 can be seen directly on shopping malls, cinema, gyms and other non-essential items.
- c) Due to decreased passenger movement on urban transportation systems reduce utilization of assets such as cab, MRTS, SRTS etc. which unfavorably impact their revenue & operation.
- d) Automobile sector which shares in India's GDP nearly 7.5%. This sector is already facing a slowdown. This pandemic has made the situation worse for the auto sector as 10 to 30 percent of automotive components are supplied from China.
- e) Dairy sector plays a critical role in linking India's rural households to consumers in the domestic and international market. India has been a leading consumer and producer of dairy products worldwide. Due to COVID-19 pandemic, disruption in the demand supply chain had a great adverse impact on the dairy sector too. This sector faced initial hiccups in the form of operational challenges.

Government measures to tackle the pandemic:

1. **Atma Nirbhar Bharat Abhiyan:** under this initiative, PM Modi urged the nation to become self-reliant India. He describes the five pillars that serve as a foundation for self-reliant India. It include

- a. Economy.
- b. Infrastructure.
- c. System.
- d. Democracy.
- e. Demand.

2. **Economic package:** To revise the COVID hit economy, the government announced the economic stimulus package of Rs 20 lakh crore which makes

up 10 percent of the GDP. This package consists of reforms like infrastructure building, direct cash support, collateral free loans, provident fund contribution and measures to increase care of doing business.

3. **Protectionism:** Foreign direct investment in Indian companies from border sharing countries now requires prior approval of the Indian government. This requirement is applicable for direct investment as well as investments which are beneficial held by entities or citizens of neighboring countries. This rule is primarily aimed at regulating investments from China as China could take advantage of the falling financial markets leading to hostile takeovers.

4. **Measures taken by the Reserve Bank of India:** To increase aggregate demand and money supply in the economy. The RBI announce following measures:-

- a. Decrease in Revenue Repo Rate.
- b. Decrease Repo Rate.
- c. Decrease Legal Reserve Ratio.

Conclusion and suggestion:

There is a severe blow to the global economy due to COVID-19 pandemic and economic shutdown. There is a need to reset everything as the world has become standstill. We need to rethink, redesign and restructure everything. To do this short term measures must be accompanied with comprehensive policies to bring boosts in an economy. Monetary and fiscal measures can provide only a limited amount of momentum to an economy.

Ceyla Pazarbasinglee, World Bank Group, Vice president for Equitable Growth, Finance and Institutions, said in her speech that "Urgent measures are needed to limit the damage, rebuild the economy and make growth more robust, resilient and sustainable."

To overcome this situation there is a need to draft policies to encourage new types of jobs, businesses and government systems. As per Keynesian Economics, public expenditure had recovered the economy from global recession during 1930. In this way we can overcome the situation that arose during the pandemic.

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