

# “Impact of covid 19 on Indian Economic”

Ashutosh kumar, Abhinav Tyagi, Dr Anurag Saxena

( Student , Galgotias University )

( Student , Galgotias University )

( Professor , Galgotias University )

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## I. INTRODUCTION:

The outbreak of the COVID-19 pandemic has caused unprecedented disruptions to economies worldwide, and India is no exception. The Indian economy, which was already facing challenges before the pandemic, has been severely impacted by the lockdowns, restrictions, and economic slowdown resulting from the spread of the virus. This research paper aims to analyze the specific impacts of COVID-19 on the Indian economy and provide insights into the challenges faced by various sectors.

### Impact on GDP:

The most immediate impact of the pandemic on the Indian economy has been the contraction of GDP growth. The lockdown measures implemented to curb the spread of the virus led to a significant decline in economic activity, resulting in a sharp contraction in GDP growth. The IMF projected a contraction of 8% in India's GDP for the fiscal year 2020-21, making it one of the worst-performing major economies in the world.

### Unemployment and Poverty:

The economic disruptions caused by COVID-19 have also led to a surge in unemployment and poverty levels in India. The closure of businesses, layoffs, and salary cuts have left millions of people without jobs and income, pushing many into poverty. The informal sector, which accounts for a significant portion of India's workforce, has been particularly hard hit, exacerbating the unemployment crisis.

### Impact on Sectors:

Various sectors of the Indian economy have been affected differently by the pandemic. The aviation, hospitality, and tourism sectors have been among the worst hit, with travel restrictions and reduced consumer spending leading to massive revenue losses. The manufacturing sector has also

faced challenges due to supply chain disruptions and reduced demand. On the other hand, sectors like pharmaceuticals, e-commerce, and IT services have seen growth opportunities during the pandemic.

### Government Response:

The Indian government has implemented various fiscal and monetary measures to mitigate the economic impact of COVID-19. Stimulus packages, liquidity support, and regulatory relaxations have been introduced to support businesses and revive economic growth. The government's focus on the 'Atmanirbhar Bharat' (self-reliant India) initiative aims to boost domestic production and reduce dependency on imports.

## II. LITERATURE REVIEW

### 1. Rai Kirti and Kumar Yogesh (2020):

The COVID-19 epidemic has hit the world around the world creating great chaos around the world. A new human coronavirus called SARS-CoV-2 (formally called HCoV-19) is a coronavirus-2 with severe respiratory syndrome. The virus was first diagnosed in Wuhan, China in late 2019 and is now a difficult health problem for the world, threatening the lives of millions of people. Various experiments have been conducted in this pandemic, with the result of their existence and life of different objects. COVID-19 has not only affected health, it also has its terrible impact on the world economy.

The study focuses on Coronavirus' physical, chemical and biological properties, its biological effects, diagnosis and remedies. In addition, it addresses its impact on the global economy This current COVID-19 pandemic is a stimulating scientific community with many hypotheses. The clinical and epid

### 2. Temesgen Sidamo, Tamrat Balcha (2020):

miological conclusions of COVID -19 are still uncertain due to its higher transmission rate. From all corners of the world he shares his

understandings on COVID-19, but the interpretation of these understandings is still ambiguous. There is an urgent need by the scientific community for an imperative discussion of these hypotheses about COVID-19. In this prospective discussion we analyse several hypotheses about COVID-19 with existing clinical facts. It includes clinical management, epidemiology and control strategies.

#### **Scope of the study**

The scope of this study on the impact of COVID-19 on the Indian economy encompasses a comprehensive analysis of various dimensions affected by the pandemic. The study will focus on the following key aspects within a defined scope:

#### **Economic Indicators and Sectoral Analysis:**

Examination of macroeconomic indicators including GDP growth, inflation rates, unemployment rates, and fiscal deficits during and post the COVID-19 period.

Detailed sectoral analysis to understand the differential impacts on industries such as manufacturing, services (e.g., tourism, hospitality), agriculture, healthcare, and informal sectors.

#### **Employment Dynamics and Labor Market Changes:**

Study of shifts in employment patterns, including job losses, changes in labor force participation rates, and emergence of remote work trends.

Analysis of socio-economic implications on vulnerable populations like migrant workers, daily wage earners, and marginalized communities.

#### **Policy Interventions and Government Responses:**

Evaluation of government policies and interventions aimed at mitigating the economic impact of the pandemic, such as fiscal stimulus packages, monetary policy adjustments, and sector-specific relief measures.

Assessment of the effectiveness of these policies in stabilizing the economy and supporting businesses and households.

#### **Business Adaptation and Innovation:**

Investigation into adaptive strategies adopted by businesses to cope with disruptions caused by the pandemic, including digital transformation, supply chain reconfiguration, and innovative business models.

Analysis of challenges faced by different industries and the role of innovation in driving economic recovery.

#### **Social and Welfare Implications:**

Exploration of socio-economic consequences of the pandemic on income inequality, poverty levels, access to healthcare, and education.

Identification of policy measures needed to address social disparities and enhance social protection systems for vulnerable populations.

#### **Comparative Analysis and Global Insights:**

Comparative study with other economies to gain insights into India's response to the pandemic and lessons learned from global experiences.

Examination of international trade dynamics, supply chain disruptions, and global economic interconnectedness post-COVID-19.

#### **Objectives**

To find out significant contraction in India GDP during lockdown 2020

To study the impact of COVID 19 on employment

To increase use of digital technology

### **III. RESEARCH METHODOLOGY**

#### **Data Analysis & Interpretation**

##### **Demand Side Impact**

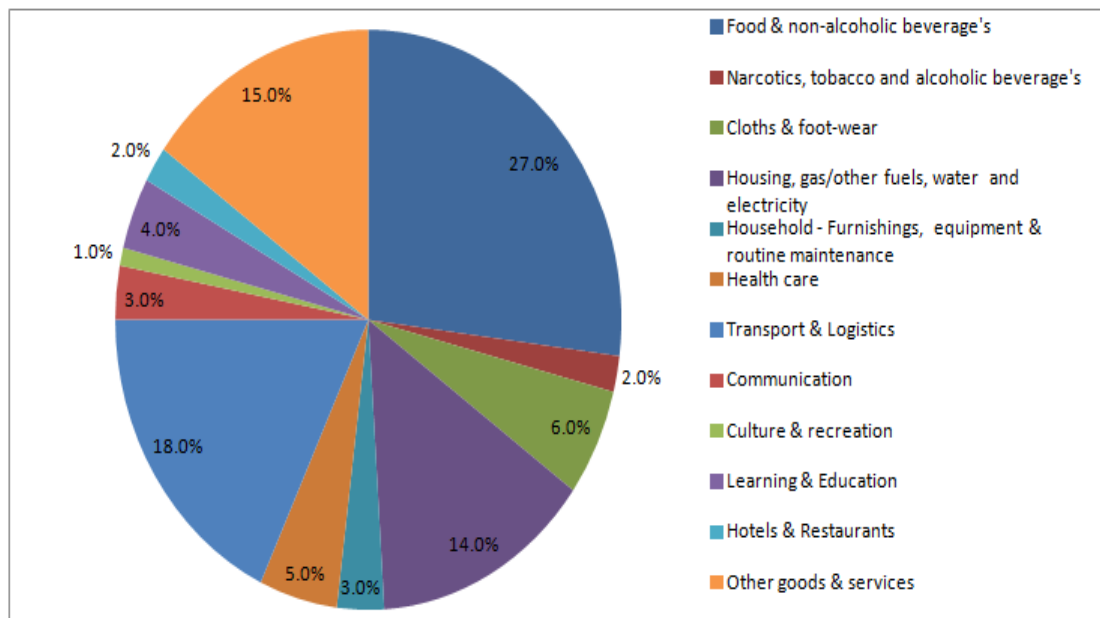
The lockdown is to have an ample impact on the economy, majorly on consumption which is one of the biggest components.

**Table 3** Essential Consumption Expenditure by Sector

Essential consumption expenditure by sector	% Share
Food & non-alcoholic beverage's	27.0%
Narcotics, tobacco and alcoholic beverage's	2.0%
Cloths & foot-wear	6.0%
Housing, gas/other fuels, water and electricity	14.0%
Household - Furnishings, equipment & routine maintenance	3.0%
Health care	5.0%
Transport & Logistics	18.0%
Communication	3.0%
Culture & recreation	1.0%
Learning & Education	4.0%
Hotels & Restaurants	2.0%
Other goods & services	15.0%

Sources: MoSPI , 31st Jan 2020, accessed on 24th Mar 2020

**The Impact of Covid 19 in Indian Economy**



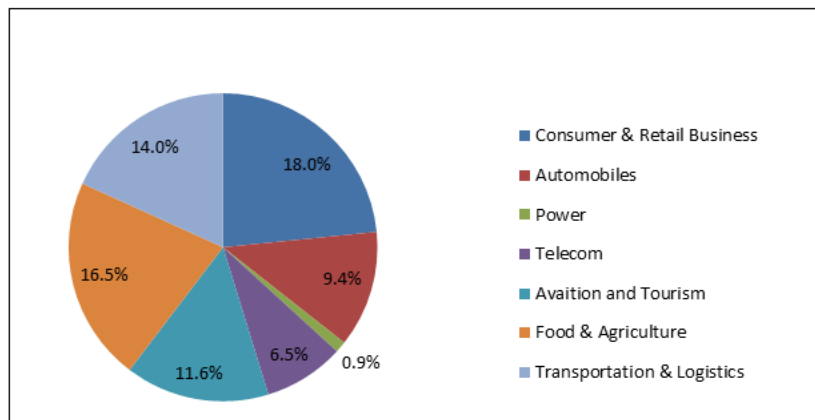
Sources: MoSPI , 31st Jan 2020, accessed on 24th Mar 2020

The above Figure 2 and Table 3 shows the private consumption. Sudden stop of urban activity has caused slow down in consumption of non-essential goods. The 45 days of lockdown would

severely impact the domestic supply chain and affect the availability of essential commodities.

**4.3. Impact on Different Sectors**

The below Figure 3 shows the major contribution to GDP by different sectors in India-



**Figure 3** Contribution to GDP by Different Sector

Sources: Compiled from collected data

In this Figure 3 shows the contribution to GDP by different sectors. The projected GDP growth of 1.9% by IMF “ International Monetary Fund” for India during financial year 2021-22 is the maximum among G-20 nations. Just in single month unemployment percentage rose from 6.7% on 15th Mar to 26% on 19th Apr. In the above chart it is revealed that consumer and retail business sector has the highest GDP contribution that is

18%. Then comes the food and agriculture sector which is an essential commodity and it contributes 16.5% GDP. Transportation and logistics sector which is also an essential commodity, it contributes 14% GDP. Telecom is one of the most significant sectors during this pandemic since it helps the employees to work from home, enhances timely communications of businesses, its contribution to GDP is 6.5%.

**Table 4 Short Term Impact of Covid-19**

Sector	Short term Impact
Consumer & Retail Business	Slow down of cash alteration for all categories though food and grocery retail would be less impacted.
Auto	Short term fluctuations in raw material prices have been witnessed.
Power	Cost may increase if prolonged for longer period. Since electricity is an essential services hence limited impact
Telecom	Slow down the demand for new subscriptions. Slow down the demand for mobile phones
Aviation and Tourism	Demand for turbine fuel will gradually decline due to shut down of international and domestic travel. The World Travel and Tourism Council(WTTC) estimates “the crisis to cost the tourism sector at least USD 22 billion, the travel sector shrinking by up to 25% in 2020 resulting in a loss of 50 million jobs”.
Food & Agriculture	E-commerce based food delivery platforms that have constraints are likely to be impacted. Low impact on vegetables, milk, fruits etc.. Edible oils are major imports and this may have low impact.
Transportation & Logistics	Short term variations in material cost. Low impact due to raw material supply challenges. Demand for labour availability will be reduced.

Sources: Compiled from collected data

**The Impact of Covid 19 in Indian Economy**

Sector	Short term Recommendation
Consumer & Retail Business	GST waivers or tax incentives will provide relief for retail players.
Auto	Allowing income tax deduction on auto loan will be favourable for consumers. Cut in interest rates on delayed payment of tax for three months.
Power	Creation a well equipped emergency response team to include advanced training and proactive maintenance of near failure equipment. Deferring billing cycle, temporarily connecting disconnected users.
Telecom	Relaxation of regulatory compliances. Revival of quality of service norms similar to work from home guidelines to be initiated.
Aviation and Tourism	Fuel infrastructure and into plane charges to be discontinued with high priority.
Food & Agriculture	RBI and finance Minister will support the industry and the employees in the short term. There should be strict regulations against fake news propaganda impacting farmers and food processors. e.g. poultry. Packaging of food items should be consider as essential category.
Transportation & Logistics	Derived tax benefits in the short term. Working capital/ loan repayment help in the short term from the banking sector.

Sources: Compiled from collected data

Sector	Long term Impact
Consumer & Retail Business	Supply chain will be a major challenge .Demand for the non-essentials product would be a large impact since it wont boost immediately because consumers will hesitate to purchase unnecessarily due to the fear of infection.
Auto	China imports 25% of India’s automotive part. Disturbances in supply of raw materials would impact the import.
Power	Reformations likely to be slow if COVID-19 is sustained for a longer time. Government grants for funding may cause delay due to diversion of financial support to other sectors.
Telecom	Suspension of manufacturing facilities is will largely affect the telecom sectors due to COVID-19.
Aviation and Tourism	As per international Air Transport Association 2020 “Global revenue loss for the passenger business is estimated between USD 63 billion and USD 114 Billion”.
Food & Agriculture	Supply chain will be the major challenge as many states are evolving their strategies for food supply chain. Food categories like tea, meat, spices, seafood that are exported to U.S, Europe, China are heavily impacted due to both decrease in demand and domestic supply chain issues.
Transportation & Logistics	Due to decreased passenger movement on urban transportation systems will reduce utilization of assets such as MRTS, SRTS, cab aggregators etc which will unfavourably impact their revenue and operations.

**Table 6 Short Term Recommendation of Covid-19**

Sources: Compiled from collected data

**Table 7 Long Term Recommendation of Covid-19**

Sector	Long term Recommendation
Consumer & Retail Business	Reforms the manufacturing rules for essential commodities-faster clearance so that will easier for the consumers. Relaxation in dutydraw backs/allow imports of critical to retail markets.
Auto	Develop a repayment support scheme for automobile and related firms especially the other dealers and auto component manufacturers and sellers.
Power	Contingency measures and advanced training to manpower, management of demand volatility and large scale power outages among other occurrences.
Telecom	Implement 5G which will allow implementation of AR/VR in deploying health solutions to isolated areas. Establish profound use of various tools for ease in work from home.
Aviation and Tourism	GST holiday for all travel and tourism services to be waived for the next 12 months from all the state government for entire tourism industry. Aviation turbine fuel needs to be brought under the bracket of GST @ 12% to provide immediate relief to the airlines with full input tax credit on all goods and services.
Food & Agriculture	Existing infrastructure of GST, FASTAG should be used for smooth movement of essential food items. This will help in long term stability in food sector.
Transportation & Logistics	Fair and transparent pricing of all relevant transport and logistic services through price caps etc. Policy support and standartisation for hygenic travel.

Sources: Compiled from collected data

#### IV. FINDINGS:

##### 1. GDP Contraction and Sectoral Variations

Major Finding: The COVID-19 pandemic resulted in a significant contraction of India's GDP growth rate, particularly during the periods of strict lockdowns and reduced economic activity. Sectoral Impacts: Certain sectors such as manufacturing, construction, and services (e.g., tourism, hospitality) experienced pronounced declines in output, while essential sectors like healthcare and agriculture exhibited more resilience.

##### 2. Unemployment and Labor Market Dynamics

Major Finding: The pandemic-induced economic downturn led to a surge in unemployment rates across various sectors, with a notable impact on informal and migrant labor markets. Sectoral Disparities: Service-oriented sectors faced acute job losses due to restrictions on travel and leisure activities, highlighting disparities in labor market resilience.

##### 3. Government Policy Effectiveness

Major Finding: Government fiscal stimulus measures, including income support schemes, credit guarantees, and liquidity injections, played a crucial role in mitigating the economic impact of the pandemic.

Targeted Interventions: Policy interventions focused on supporting vulnerable populations and distressed sectors helped stabilize economic conditions and facilitate recovery.

##### 4. Digital Transformation and Business Adaptation

Major Finding: Businesses that embraced digital technologies and innovative business models were more resilient during the pandemic. Supply Chain Resilience: Companies that diversified supply chains and leveraged e-commerce platforms experienced better continuity in operations.

##### 5. Socio-Economic Disparities and Welfare Implications

Major Finding: The pandemic exacerbated income inequality and heightened socio-economic disparities, particularly affecting marginalized communities and low-income households. Healthcare Access: Access to healthcare services became a critical issue, underscoring the need for strengthened healthcare infrastructure and equitable healthcare delivery.

##### 6. Regional Variances and Recovery Trajectories

Major Finding: Regional disparities in economic impact and recovery trajectories

emerged, with urban centers and industrial hubs experiencing more prolonged disruptions compared to rural areas.

**State-Level Responses:** Variations in state-level policy responses influenced economic outcomes, emphasizing the importance of localized strategies.

#### 7. Global Economic Interconnections

**Major Finding:** India's economic recovery was influenced by global factors such as international trade dynamics, commodity prices, and global supply chain disruptions. challenges for export-oriented industries but also created opportunities for domestic manufacturing.

### V. LIMITATIONS:

While the study aims to provide a comprehensive analysis of the impact of COVID-19 on the Indian economy, certain limitations and constraints will be acknowledged:

**Data Availability:** The availability of timely and reliable data may pose challenges, especially for assessing real-time economic indicators and sectoral performance.

**Scope of Analysis:** The study may not cover all sub-sectors within each industry due to the diverse nature of India's economy. Instead, key sectors and representative industries will be selected for analysis.

**Generalizability:** Findings from this study may not be universally applicable to all regions and states within India due to regional variations in economic structure, policy implementation, and socio-economic conditions.

**Temporal Constraints:** The study will focus primarily on the immediate and short-term impacts of the pandemic, with limited analysis of longer-term economic trends and forecasts.

**Historical Data:** Access to historical economic data before and during the pandemic may be limited or subject to revisions, affecting the accuracy of trend analysis.

**Real-time Updates:** Timely availability of up-to-date economic indicators and sector-specific data during the pandemic period could be challenging, potentially affecting the completeness of the analysis.

**Scope of Analysis:**

**Sectoral Coverage:** Due to the diverse nature of India's economy, the study may not encompass all sub-sectors within each industry. Instead, key sectors and representative industries will be selected for analysis, which might not fully represent the entire economic landscape. **Regional Variations:** The study's findings may not be

universally applicable to all regions and states within India, given regional disparities in economic structure, policy implementation, and socio-economic conditions.

**Methodological Constraints:**

**Sampling Bias:** The study's findings could be influenced by sampling biases, especially if certain sectors or regions are overrepresented or underrepresented in the analysis.

**Analytical Depth:** Given the complexity of economic interactions and dependencies, certain nuances and interrelationships may require more in-depth analysis beyond the scope of this study.

**Temporal Constraints:**

**Short-term Focus:** The study primarily focuses on the immediate and short-term impacts of the pandemic, which may limit the ability to capture longer-term economic trends and forecasts.

**Dynamic Economic Environment:** The rapidly changing economic environment during the pandemic could pose challenges in interpreting causal relationships and making conclusive assessments.

**Generalizability of Findings:**

**Contextual Specificity:** The study's findings may be context-specific to the unique circumstances of the COVID-19 pandemic in India and may not be directly applicable to other countries or regions.

**External Factors: Non-Economic Influences:** External factors such as geopolitical events, natural disasters, or changes in global economic conditions may influence the study's findings and their interpretation.

### VI. CONCLUSION:

The COVID-19 pandemic has profoundly impacted the Indian economy, causing widespread disruptions across sectors, altering economic indicators, and highlighting socio-economic vulnerabilities. This study has examined the multifaceted effects of the pandemic and offered insights into policy responses, business adaptations, and socio-economic implications. In this conclusion, we summarize key findings, reflect on implications, and outline strategies for recovery and resilience.

#### 1. Recap of Major Findings

The study identified several critical findings regarding the impact of COVID-19 on the Indian economy:

**GDP Contraction:** India experienced a significant contraction in GDP growth due to pandemic-induced lockdowns and disruptions in economic activities.

**Sectoral Variations:** Certain sectors, such as manufacturing, services, and tourism, were disproportionately affected, while essential sectors like healthcare demonstrated resilience.

**Unemployment and Labor Market Dynamics:** Unemployment rates surged, particularly among informal and migrant workers, exacerbating socio-economic disparities.

**Government Policy Effectiveness:** Fiscal stimulus measures and policy interventions played a crucial role in stabilizing the economy and supporting businesses and households.

**Business Adaptation:** Businesses that embraced digital transformation and innovative strategies demonstrated greater resilience during the crisis..

## 2. Implications and Challenges

The study's findings have significant implications for policymakers, businesses, and society:

**Policy Challenges:** Balancing short-term economic stabilization with long-term sustainability goals requires innovative policy approaches and fiscal discipline.

**Business Resilience:** Encouraging businesses to invest in digitalization, supply chain resilience, and sustainable practices is essential for future-proofing against crises.

**Social Welfare:** Strengthening social safety nets, enhancing healthcare access, and addressing educational disparities are imperative for inclusive growth and human development.

**Global Engagement:** Strengthening international partnerships, diversifying trade relations, and promoting regional economic integration can enhance India's economic resilience.

### 2. Strategies for Recovery and Resilience

3. Based on the study's findings and implications, the following strategies are recommended for navigating the post-pandemic recovery:

**Targeted Policy Interventions:** Implement targeted support programs for vulnerable sectors and populations, focusing on job creation, skills development, and social welfare.

**Investment in Healthcare and Education:** Increase investments in healthcare infrastructure, digital education, and vocational training to strengthen human capital and enhance resilience.

**Promotion of Innovation and Sustainability:** Foster innovation ecosystems, promote renewable energy investments, and incentivize sustainable practices to drive economic transformation.

**International Cooperation:** Enhance international cooperation, trade diversification, and

regional collaborations to mitigate external risks and tap into new growth opportunities.

## 4. Call to Action

In conclusion, navigating the economic recovery from the COVID-19 pandemic requires collective action and forward-thinking strategies. Policymakers, businesses, civil society, and international partners must collaborate to build a resilient, inclusive, and sustainable economy. By embracing innovation, prioritizing social welfare, and leveraging global partnerships, India can emerge stronger from the crisis and chart a path towards prosperity for all.

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