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A REVIEW ON IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract

COVID-19 is a disease caused by a new strain of Coronavirus. CO stands for corona, VI for virus and D for disease. It has manifold effect not only India but also across the globe. Covid 19 has adverse effect on almost every sectors of the economy. This review paper focuses on impact of pandemic Covid-19 on Indian Economy. The paper portraits the impact of Covid-19 on different economic sectors of Indian Economy namely GDP, Unemployment rate, Inflation, Interest rate, Government debt and Balance of trade. The paper gives a highlight on these sectors from 2016 to 2020 and it can be concluded that Covid 19 affect adversely to all selected sectors.

Keywords: COVID – 19, Economic Sectors, Indian Economy,

I. INTRODUCTION

The world has witnessed several epidemics such as the Spanish Flu of 1918, outbreak of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. In the past, India has had to deal with diseases such as the small pox, plague and polio. However, the Novel Corona virus Covid-19 which originated in China in November-December 2019 and over the next few months rapidly spread to almost all countries of the world has turned out to be one of the biggest health crisis in our history. The global Covid-19 pandemic, which is inflicting two kinds of shocks on countries: a health shock and an economic shock. The outbreak has presented challenges for the Indian economy now, causing severe disruptive impact on both demand and supply side elements which has the potential to derail India's growth story.

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. Though, the supply of essential commodities including medicine has been ensured uninterrupted by the government. The disruption of demand and supply forces are likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Hence demand is unlikely to get restored in the next several months, especially demand for non-essential goods and services. There is likelihood that the three major components of aggregate demand -consumption, investment, and exports are likely to stay subdued for a prolonged period of time. In addition to the unprecedented collapse in demand, there will also be widespread supply chain disruptions due to the unavailability of raw materials, exodus of millions of migrant workers from urban areas, slowing global trade, and shipment and travel related restrictions imposed by nearly all affected countries. The supply chains are unlikely to normalise for some time to come. The longer the crisis lasts, the more difficult it will be for firms to stay afloat. This will negatively affect production in almost all domestic industries. This may further affect the investment, employment, income and consumption, pulling down the aggregate growth rate of the economy.

There will also be large scale cascading effects for the aviation, hospitality and tourism industries. Over and above the domestic problems, the Indian economy will also get affected by the global recession that is looming large on the horizon. This is bound to have spill over effects through financial and trade linkages of India with the rest of the world. Already foreign investors have been pulling money out of the Indian financial markets and are fleeing to safe assets as stock markets have crashed. At this early stage it is difficult to fully comprehend the extent of the damage that the Indian economy may incur once the epidemic wanes. Some early estimation highlights the severity and duration of the economic slowdown may experience in future. However, according to UBS, the Indian economy would be severely hit by the Covid-19 and could even enter into a contraction, depending upon the severity of the pandemic, but the recession would be the shortest on record.

II. LITERATURE REVIEW

Anya Kumra (Aug 2020) The Covid-19 virus is a genetic branch of the coronavirus, which has infested as an infectious disease amongst a severe global pandemic. This illness, declared to be a pandemic by WHO early this year, has spread across the world, causing deaths in large numbers and a buzzing sense of uncertainty among people. In response to the life-threatening pandemic, most countries have taken various measures, including imposition of a total lockdown that has had a detrimental impact across economies. This research paper studies the impact of the novel coronavirus on various macroeconomic factors of the Indian economy. The study is an analysis of data that is secondary in nature, using various statistical tools and techniques to come to a conclusion. Additionally, the impact of Covid-19 on one of the most vulnerable sectors of the economy- the medium, small and micro enterprises- has been shown with the help of a case study. The research also analyses various policy measures taken by the Reserve Bank of India and the Central Government of India, to ameliorate the economic shock and make a promising recovery of the Indian economy.

Shubhi Agarwal & Archna Singh (June 2020) COVID-19 is a disease caused by a new strain of Coronavirus. CO stands for corona, VI for virus and D for disease. This research paper focuses on impact of the outbreak of pandemic Covid-19 on Indian Economy. Covid19 makes adverse impact on many sectors of Indian Economy. This paper depicts the impact of Covid-19 on different sectors of Indian Economy. This paper also furnishes the policy framework of government in this regard. This paper also gives a light on those sectors which see a boost due to outbreak of covid-19.

Kamal Deep Garg, Manik Gupt and Munish Kumar (Aug 2022) The outbreak of the Corona Virus (COVID-19) that has begun in December 2019 drastically affected the world. Endemic Coronavirus (COVID-19) is rapidly growing across the globe. SARS-CoV-2 is the virus name that causes a highly contagious and deadly disease COVID-19. It also entered India by the end of January 2020 and has significantly influenced India. More than two million people worldwide have been confirmed to have been contaminated with this virus as of the date (29 July 2020), and more than 7, 24,000 have died of this disease. The governments of most countries, including India, have already taken several measures to reduce the spread of COVID-19, such as lockdown, social distancing, closure of shopping malls, gyms, schools, universities, religious gatherings, etc. This lockdown has affected every Indian sector, such as the Economy, Retail Sector, Tourism Industry, etc. This paper aims to explore to what extent a 2020 epidemic like Covid-19 had impacted the Indian economy using a machine learning approach. The statistical data from esteemed and trustworthy information sources were gathered to realize the impact of the

Corona Virus on the Indian economy. Based on this trusted data, analysis has been performed using the various regression models.

Pravakar Sahoo and Ashwani (Oct 2020) The study aims to make an assessment of COVID-19 on Indian economy by analysing its impact on growth, manufacturing, trade and micro, small and medium enterprises (MSME) sector, and highlights key policy measures to control the possible fallout in the economy. The impact of the pandemic across sectors and in different scenarios of complete, extended and partial lockdown, and at different levels of capacity utilization is massive on the Indian economy. India's economy may barely manage to have a positive growth of 0.5 per cent in an optimistic scenario but also faces the possibility of a 3–7 percent negative growth in worst case scenarios for the calendar year 2020. The impact is severe on trade, manufacturing and MSME sectors. The likely impact (deceleration) of COVID-19 from best case scenario to worst scenario are as follows: manufacturing sector may shrink from 5.5 to 20 per cent, exports from 13.7 to 20.8 per cent, imports from 17.3 to 25 per cent and MSME net value added (NVA) from 2.1 to 5.7 per cent in 2020 over previous year. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures.

Ajay Kumar Poddar and Brijendra Singh Yadav (Dec 2021) The World Health Organization (WHO) declared CORONA (COVID-19) outbreak a pandemic in the month of March 2020 (2nd Week). The WHO reached to this decision since the positive cases were/are rapidly showing the up-swinging trends towards 20 lacs with death toll crossed over to 1 lakh plus. The entire world (around 170 countries; all across the continents) Is suffering miserably without having any vaccine to embark upon the virus to contain it immediately. As an only effective tool available to weaken the virus spread, the countries are helplessly exercising lockdown. This will surely affect the health of the economy of the countries and eventually the global economic condition. It is felt that this will bring the biggest slow down of 100 years in the world. India; as a fast developing country will have to face an extremely severe effect of this natural phenomenon.

S. Mahendra Dev and Rajeswari Sengupta (April 2020) The outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The economy was already in a parlous state before Covid-19 struck. 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. The magnitude of the economic impact will depend upon the duration and severity of the health crisis, the duration of the lockdown and the manner in which the situation unfolds once the lockdown is lifted. In this paper we describe the state of the Indian economy in the pre-Covid-19 period, assess the potential impact of the shock on various segments of the economy, analyse the policies that have been announced so far by the central government and the Reserve Bank of India to ameliorate the economic shock and put forward a set of policy recommendations for specific sectors.

III. RESEARCH METHODOLOGY

Objective and Significance

The purpose of this paper is to measure the impact of Covid 19 on Indian Economy. The research question that this paper attempt to answer whether the Covid 19 has any impact on selected economic sectors. This study is important for policy formulators for preparing appropriate policy for various sector of economy. The study was limited to six economic sectors namely GDP, Unemployment rate, Inflation, Interest rate, Government debt and Balance of trade.

Data Collection

The data were collected from various secondary sources like websites, newspaper articles, Government reports, magazines and journals from 2016 to 2020.

Data Analysis

Gross Domestic Product (GDP)

GDP is a lagging indicator. It is one of the first indicators used to gauge the health of an economy. It represents economic production and growth, or the size of the economy. Measuring GDP can be complicated, but there are two basic ways to measure it. An increase in GDP indicates that businesses are making more money. It also suggests an increase in the standard of living for people in that country. If GDP decreases, then it suggests the reverse.

<Table 1>

Unemployment rate:

The unemployment rate is defined as the percentage of unemployed workers in the total labor force. Workers are considered unemployed if they currently do not work, despite the fact that they are able and willing to do so. The total labor force consists of all employed and unemployed people within an economy.

The unemployment rate provides insights into the economy's spare capacity and unused resources. Unemployment tends to be cyclical and decreases when the economy expands as company's contract more workers to meet growing demand. Unemployment usually increases as economic activity slows.

<Table 2>

Inflation:

Inflation is the rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country. But it can also be more narrowly calculated—for certain goods, such as food, or for services, such as a haircut, for example. Whatever the context, inflation represents how much more expensive the relevant set of goods and/or services has become over a certain period, most commonly a year.

<Table 3>

Interest rate:

The policy interest rate is an interest rate that the monetary authority (i.e. the central bank) sets in order to influence the evolution of the main monetary variables in the economy (e.g. consumer prices, exchange rate or credit expansion, among others). The policy interest rate determines the levels of the rest of the interest rates in the economy, since it is the price at which private agents- mostly private banks-obtain money from the central bank. These banks will then offer financial products to their clients at an interest rate that is normally based on the policy rate.

<Table 4>

Government debt:

When the government borrows, it gives its creditors government securities stating the terms of the loan: the principal being borrowed, the interest rate to be paid on the principal, and the schedule for making the interest payments and principal repayment. The amount of outstanding securities equals the amount of debt that has not yet been repaid; that amount is called “the government debt.

<Table 5>

Balance of trade:

Balance of trade (BOT) is the difference between the value of a country's exports and the value of a country's imports for a given period. Balance of trade is the largest component of a country's balance of payments (BOP). Sometimes the balance of trade between a country's goods and the balance of trade between its services are distinguished as two separate figures.

The balance of trade is also referred to as the trade balance, the international trade balance, commercial balance, or the net exports.

<Table 6>

CONCLUSION

The coronavirus pandemic disease paralyzed the Indian economy and had a devastating effect on almost every macroeconomic change in the industry. Although we may not be aware of the impact the virus will have on the Indian economy until the end of the epidemic, it is clear that the country will struggle to tackle the deepening economy. The long-term effects of the epidemic will be on how people and governments respond to current events and the changes that have taken place in politics and economics. The whole selected economic indicators were declined for the studied period. The GDP was decline in 2019 i.e. 4.04% and even got negative in 2020 i.e. -7.96% whereas unemployment rate was increases during the year 2019 and 2020. The inflation was drastically increase from 3.72% in 2019 to 6.62% in 2020. Interest rate and balance of trade were decreases whereas government debt increases from 2019 and 2020. The government should increase the size of the benefits directly to specialized programs such as SMEs and the unemployed through other strategies such as MNREGA and Jan Dhan Yojana.

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List of Tables:

Table 1 Trends of Gross Domestic Product, Per capita and Growth

Year	GDP	Per Capita	Growth
2020	$2,622.98B	$1,901	-7.96%
2019	$2,870.50B	$2,101	4.04%
2018	$2,701.11B	$1,997	6.53%
2017	$2,651.47B	$1,981	6.80%
2016	$2,294.80B	$1,733	8.26%

(Sources: https://www.macrotrends.net)

Table 2 Trends of Unemployment rate

Year	Unemployment Rate (%)	Annual Change
2020	7.11%	1.84%
2019	5.27%	-0.06%
2018	5.33%	-0.08%
2017	5.41%	-0.10%
2016	5.51%	-0.05%

(Sources: https://www.macrotrends.net)

Table 3 Trends of inflation rate

Year	Inflation Rate (%)	Annual Change
2020	6.62%	2.90%
2019	3.72%	-0.22%
2018	3.95%	0.62%
2017	3.33%	-1.62%
2016	4.95%	0.04%

(Sources: https://www.macrotrends.net)

Table 4 Trends of interest rate

Year	Interest Rate (%)	Annual Change
2020	4.00%	-9.09%
2019	4.40%	-29.6%
2018	6.25%	4.16%
2017	6.00%	-4.00%
2016	6.25%	-7.40%

(Sources: https://www.macrotrends.net)

Table 5 Trends of Government debt

Year	India Government debt $	Annual Change
2020	2345.57	17.35%
2019	1998.71	13.32%
2018	1763.64	10.01%
2017	1578.56	12.22%
2016	1406.72	13.90%

(Sources: https://www.macrotrends.net)

Table 6 Trends of Balance of Trade Trends

Year	Billions of US $	% of GDP
2020	$-8.31B	-0.32%
2019	$-72.57B	-2.53%
2018	$-100.38B	-3.72%
2017	$-83.76B	-3.16%
2016	$-40.53B	-1.77%

(Sources: https://www.macrotrends.net)

Author Profile

Dr. Govind Dhinaiya holds the Master's degree in Management, PG Diploma in Research Methodology and a Diploma in Yoga. He has obtained his doctoral degree, qualified National Eligibility Test (NET) and 17 years of teaching and research experience. He is currently working as I/c Principal at Shree J D Gabani Commerce & Shree Swami Atmanand Saraswati College of Management, Surat, Gujarat. Dr. Govind has published papers in national and international journals.