

**IMPACT OF COVID ON INDIAN ECONOMY**

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**Abstract:** The present study shows about the COVID 19 outbreak has placed unprecedented shock on the economy of India. 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.

**Key words:** Economy, Infrastructure and Financial administration.

**Introduction**

The present study shows about the COVID 19 outbreak has placed unprecedented shock on the economy of India. 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.

**Need of the study**

To analyse the Indian economy day to day change in the COVID Period. The investigator wants to study the delivery system and process implementation by the government through the economical factors and tools of the country.

**Study objectives**

1. To analyse the changes in economy during Covid Code.
2. To examine the efforts made by the government against COVID.
3. To study the reforms made by the government of India.

**Research methodology**

- ✓ The primary sources of data collection for the study include relevant documents, reports and guidelines issued by the Government of India.

- ✓ In addition to the collected information through the above methods, substantial information was also collected through related websites and journals.

### **Impact of COVID on Indian economy**

Pandemic COVID created widespread panic, specifically among lower classes of society including farmers and migrant workers who were left stranded and jobless overnight from their faraway homes and no mode of transport. Despite the government announcing a relief package of 1.7 trillion rupees, it was clear that a large portion of the country's population was going to be scouring for livelihoods. Additional support from state governments, and non-governmental organizations were expected to widen the radius of aid. This included the distribution of daily free food in some regions.

Economists slashed GDP rates for the foreseeable future due to the obvious impact of the lockdown. However, it was also estimated that the country might bounce back quickly because its industry composition, with unorganized markets being largely dominant. Losses from organized sectors amounted to an estimated nine trillion rupees in late March, projected to increase with the prolonging of the lockdown. Unsurprisingly, the most affected industries included services and manufacturing, specifically travel & tourism, financial services, mining and construction, with declining rates of up to 23 percent between April and June 2020 especially on Indian economy.

The pandemic came with uncertainty and implications on all aspects of business across the world. Despite India being ahead of most countries in being able to implement work-from-home measures, specifically in white collar work, job and earning deficits, along with instability in prices was expected. The months of the lockdown resulted in the free fall of employment, which slowly stabilized after the economy reopened in late May in most parts of the country. After zonal segmentation of districts, research showed that the worst affected areas included orange and red zones (districts with higher numbers of COVID-19 infections), and largely the urban economy. Maharashtra, Tamil Nadu and Gujarat were estimated to have the steepest decline in GSDP at an average of 15 percent for the following year.

Segments including consumer retail expected to see sharp falls ranging between three and 23 percent depending on the market. For the big players across segments, this meant operating at less than full capacity to keep afloat. For small businesses, however, it depended on how long they could ride out the storm. Overall, the pandemic changed daily lifestyles drastically.

From a socio-economic standpoint, the pandemic exposed class and caste brutalities in determining who had access to basic healthcare. Even in the face of increasing infections and an economy inching feebly towards its pre-COVID-19 state, the Indian government was optimistic in fighting and containing the virus with minimal affects to the country. The coronavirus (COVID-19) had

been at the center of the loss of lives and livelihood on a massive scale. In India, the economy alongside the population also requires nursing back to health. The lockdown came at a time when the economy was already struggling. Trade across sectors was estimated to be impacted. This directly affected the procurement of essential items including testing equipment. Besides the import and export business, yet another major revenue generator that received a blow was the tourism industry. India's predominantly unorganized retail market was yet another casualty with the lockdown increasing the pressure on the online retail segment to rise to the occasion.

While the impact on the economy was one thing, lives were at risk, putting healthcare at the forefront. Access to proper healthcare services was a major concern within India irrespective of the pandemic. As of 2018, public health expenditure was valued at nearly 1.6 trillion Indian rupees. Government health facilities were the more affordable option for a majority of the population. Availability of beds in government hospitals was proportionally higher across urban regions as opposed to rural areas. The government had increased and allocated several government and private testing laboratories to combat the virus.

The impact of the coronavirus (COVID-19) lockdown in India slashed GDP growth forecasts for financial year 2021. Among the agencies that estimated growth, Bernstein predicted a contraction of seven percent, while the Asian Development Bank foreseeing a growth of four percent. India recorded a growth of 4.2 percent in the previous fiscal year, the

slowest in 11 years, especially on Indian economy.

A damaging impact on an economy as large as India's caused due a total lockdown was imminent. Unemployment went up to 24 percent on May 17, 2020. This was possibly a result of a decrease in demand as well as the disruption of workforce faced by companies.

Between February and April 2020, the share of households that experienced a fall in income shot up to nearly 46 percent. Inflation rates on goods and services including food products and fuel were expected to rise later this year. Social distancing resulted in the job losses, specifically those Indian society's lower economic strata. Several households terminated domestic help services – essentially an unorganized monthly-paying job. Most Indians spent a large amount of time engaging in household chores themselves, making it the most widely practiced lockdown activity.

The most devastating impact of the virus and the lockdown had been on the economically backward classes, with limited access to proper healthcare and other resources. This resulted the government has launched various programs and campaigns to help sustain these households. Under the Pradhan Mantri Garib Kalyan Yojana, 312 billion Indian rupees were accrued and provided to around 331 million beneficiaries that included women, construction workers, farmers, and senior citizens. More aid was announced in mid-May, to mainly support small businesses through the crisis. According to a survey about the future of startups and SMEs due to the impact of the coronavirus (COVID-19)

crisis in India in April 2020, a majority of respondents were of the opinion that they would have to shutdown or scale down their business over the following six months. Only about 13 percent expected business growth.

### **Construction sector in India**

The construction sector in India's organized market, popularly referred to as India Inc. was valued at 8.7 trillion rupees in financial year 2019. Sectors including IT services, gems & jewelry, steel and readymade textiles followed that same year. These were the industries identified after research that will undergo huge disruptions due to the coronavirus (COVID-19) pandemic and subsequent lockdown, especially on Indian economy. According to a survey about the monthly operating costs among startups and SMEs affected by the coronavirus (COVID-19) crisis in India in April 2020, a majority of had less than a month of liquidity. About 27 percent were out of funds already, while six percent said that they could handle operations for more than six months.

India's quarterly GDP was estimated to a decline of over nine percent between April and June 2020. This was a decrease from a five percent growth in the beginning of 2020. The country went into lockdown on March 25, 2020, the largest in the world, restricting 1.3 billion people. This was extended until May 3, 2020. India's government estimated its financial, real estate and professional services sector to be hardest hit during the period of the lockdown.

According to the International Monetary Fund, India will be the large economy worst hit by the Covid-19

pandemic. The Fund now says that Indian GDP in the ongoing financial year, which began in March 2020, will contract by 4.5%. Just a few weeks ago, it had been predicting 2% growth for the year. The IMF's projection is by and large in line with estimates from investment banks and other international organizations. Indian officials have been reticent about their own estimates.

COVID-19 has been a largely disruptive factor when it comes to the economics of India. In the fourth quarter of the 2020 fiscal year, India's growth went down by 3.1%, according to the Ministry of Statistics. The Chief Economic Advisor to the Government of India has stated that this drop is the effect of the main causality, the widespread presence of SARS-CoV-2. The coronavirus pandemic has had a negative impact on the economy of the nation. Notably enough, the country had been experiencing a pre-pandemic slowdown economically as well, and the pandemic has helped in magnifying pre-existing risks present in India's economic outlook, as said by the World Bank. Before the pandemic, rating agencies had revised India's economic growth for the fiscal year of 2021 as one of the lowest figures India has encountered since the 1990s economic liberalization of the country.

But, ever since the announcement of the economic package in mid-May, India's GDP estimated were downgraded further into the negative figures, signalling a deep recession for the nation. CRISIL has announced that this could be India's worst recession period ever since its independence in the year of 1947. State Bank of India's research has concluded

that there may be over a 40% contraction in India's GDP, and may vary all over the country depending on the sector and state, among other parameters. Between the months of March and April, unemployment in the nation rose from 6.7% to 26%, by a factor of almost four times larger than pre-pandemic numbers. An estimated 140 million citizens have lost their employment status during the heavy lockdown that India was (and still may be) under.

### **Effect on labour**

All across the country, more than 45% of the households have reported raw income drops in comparison to last year's numbers, especially on Indian economy. The employed ones are not well-off either, as there have been numerous reports of salary cuts all across various organizations in India. During the lockdown, the country's economy was expected to lose an estimated USD 4.5 billion every single day it remained shut. Out of the USD 2.8 trillion economy being run in the nation, less than 25% of the entire system was barely functional and registering any sort of movement in the markets. Supply chains are under distress due to the lockdown, due to the initial lack of clarity between essentials and non-essentials. The most risked group of people in the economy are informal sector and daily wage workers, as they have always been. Farmers that had invested in perishable foods prior to the unforeseen circumstances being faced today are also facing uncertainty all across India.

Most major organizations across the nation have either temporarily suspended or significantly reduced their operations in such a time. New and

upcoming startups have taken a deep fall as the pandemic has affected their funding levels. Stock markets in India recorded the worst losses faced by various institutions in the history of India on the 23rd of March, 2020. The announcement of the lockdown on 25th March led to SENSEX and NIFTY posting their largest profits seen in eleven years. On the 26th of March, a number of economic relief measures for the poor were announced, totalling to a sum over USD 24 billion. The very next day, the Reserve Bank of India (RBI) followed to up with a number of measures that would free up USD 52 billion to support the country's financial system. Two huge banks, the World Bank and Asian Development Bank, have approved their support to India in order to tackle the coronavirus pandemic.

### **Domestic economic problems:**

As of June 8, India was on John Hopkins University's dashboard, placing seventh on the list of countries with most infections – at the time, it had recorded a massive 258,090 positive cases, with 7,263 recorded deaths. In the country's latest economic projections, India's GDP is expected to contract by 6.8% in its current fiscal year, worse than its slowest-in-11-years climb the last quarter, especially on Indian economy.

An approximate 84% of Indian households are facing income decreases since the beginning of the lockdown, according to a study published by the Universities of Pennsylvania and Chicago, and Centre for Monitoring the India Economy, Mumbai. They had also concluded that the pandemic had caused a sharp and broad negative impact on household income, as a third of all

households may not be able to survive beyond a week without additional assistance.

#### **In response to the pandemic:**

The study had stated that direct and immediate transfers of food and cash are of very high priority when it comes to responding to the people in the face of the coronavirus pandemic. Such transfers must be broad-based and reach most of the income distribution, as it is clear that nearly everyone but the wealthiest have watched their incomes fall short and get cut of their lives due to uncontrollable circumstances, especially on Indian economy. Such victims of the pandemic require additional resources in order to survive, especially on Indian economy. CMIE had surveyed nearly 5800 households across 27 Indian states in the last two weeks of April, asking them various questions, including their incomes in relation to the lockdown, and their expected run before they run out of money. They layered these results on top of other data, including per-capita household income, and rural-urban classifications.

#### **Major Findings**

1. Managing the endemic and the resultant public health crisis via augmented financial resources, increased insurances, and technological solutions.
2. Protecting income and employment in particular for the more vulnerable sections of the society by implementation of direct cash transfer programs that are backed by

adequate monitoring and evaluation mechanisms, utilizing existing digital payment infrastructures.

3. Supporting the corporate sector to minimize adverse economic impact and facilitate recovery quickly through immediate and medium-to-long measures that help reposition India in the world's global value chain.
4. All across the country, more than 45% of the households have reported raw income drops in comparison to last year's numbers. The employed ones are not well-off either, as there have been numerous reports of salary cuts all across various organizations in India.
5. Out of the USD 2.8 trillion especially on Indian economy being run in the nation, less than 25% of the entire system was barely functional and registering any sort of movement in the markets. Supply chains are under distress due to the lockdown, due to the initial lack of clarity between essentials and non-essentials.

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