

IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract : *The worldwide disruption caused by the COVID-19 pandemic has resulted in numerous effects on the Indian economy and employment. The impact of coronavirus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. An attempt is made to analyze the impact and possible solutions for some key sectors. In January 2021, India saw an unemployment rate of over six percent. This was a significant improvement from the previous month. A damaging impact on an economy as large as India's caused due to a total lockdown was imminent. Unemployment went up to nearly 24 percent in April 2020. This was possibly a result of a decrease in demand as well as the disruption of workforce faced by companies. This paper helps to highlight the situation in lockdown and the areas on which India should work.*

Keywords : *Covid-19, Pandemic situation, Lockdown, economy, employment, unemployment, workforce.*

Introduction :

The economic impact of the 2020 coronavirus pandemic in India has been largely disruptive, India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The Chief Economic Adviser to the Government of India said that this drop is mainly due to the coronavirus pandemic effect on the Indian economy.

Economic situation :

In India up to 53% of business have specified a certain amount of impact of shutdowns caused due to coronavirus on operations, as per a FICCI survey in March. By 24 April the unemployment rate had increased nearly 19% within a month, reaching 26% unemployment across India, according to the 'Centre for Monitoring Indian Economy'. around 140,000,000 (14 crores) Indians lost employment during the lockdown. More than 45% households across the nation reported an income drop as compared to the previous year. Various business such as hotels and airlines cut salaries and laid off employees. Revenue of transport companies such as Ola Cabs went down nearly 95% in March-April resulting in 1400 layoffs. It was estimated that the loss to the tourism industry will be 15,000 crore (US\$2.1 billion) for March and April alone. CII, ASSOCHAM and FAITH estimate that huge

chunk of the workforce involved with tourism in the country faces unemployment. Live events industry saw an estimated loss of 3,000 crore (US\$420 million).

The effect of COVID-19 :

Was devastating on Indian economy. Many people lost their jobs and livelihood because India went into nation wide curfew for 2 months straight. In addition to this, even government was badly affected as well as there were no funds with government as everything was closed. It became so bad that at many places, government were not even able to pay income of government employees on time. Many teachers were not paid for more than two months. Also, educational department was highly affected. Many colleges were shut down straight for 3-4 months as most of them don't have enough resources to shift the whole platform online. In addition to this, many results of important exams were delayed and in some cases paper were not even marked. Overall India was badly affected by this Pandemic. Government revenue has been severely affected with tax collection going down, and as a result the government has been trying to find ways of reducing its own costs. On 10 May 2020, Union Minister Nitin Gadkari said that some states didn't have enough money to pay salaries in the near future. In April, former Reserve Bank of India chief Raghuram Rajan said that the coronavirus pandemic in India may just be the "greatest emergency since Independence", while the former Chief Economic Advisor to the Government of India said in April that India should prepare for a negative growth rate in FY21.

Energy :

Night lights and economic activity are connected. In Delhi, night light radiance fell 37.2% compared to 1-31 March 2019. This was the biggest fall for any metro in India. Bangalore fell 32% while Mumbai dropped by 29%. India's fuel demand in April 2020 as compare to the previous year fell nearly 46%. Consumption of fuel was the lowest since 2007. Cooking gas (LPG) sales rose ~12%. An International Energy Agency report in April estimated India's annual fuel consumption will decline 5.6% in 2020. Diesel demand will drop ~6%. By the first half of June 2020, India's fuel demand was 80-85% of what it was before the lockdown. However the Indian oil minister said that it would take a much longer time for the growth in demand to be restored to Pre-COVID-19 levels. Oil prices dropped sharply in 2020 following the COVID-19 pandemic.

Agriculture:

A study during the first two weeks of May month by the Public Health Foundation of India, Harvard TH Chan School of Public Health and the Centre for Sustainable Agriculture found that "10% of farmers could not harvest their crop in the past month and 60% of those who did harvest reported a yield loss" and that a majority of farmers are facing difficulty for the next season.

Manufacturing :

Major companies in India such as Larsen and Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, the fashion and retail wing of Aditya Birla Group, Tata Motors

and Thermax momentarily suspended or significantly reduced operations in a number of manufacturing facilities and factories across the country. iPhone producing companies in India also suspended a majority of operations. Nearly all two-wheeler and four-wheeler companies put a stop to production till further notice. Many companies have decided to remain closed till at least 31 March such as Cummins which has temporarily shut its offices across Maharashtra. Hindustan Unilever, ITC and Dabur India shut manufacturing facilities except for factories producing essentials. Foxconn and Wistron Corp, iPhone producers, suspended production following the 21 day lockdown orders.

Food & Agriculture :

Since agriculture is the backbone of the country and a part of the government announced essential category, the impact is likely to be low on both primary agricultural production and usage of agro inputs. Several state governments have already allowed free movement of fruits, vegetables, milk etc. Online food grocery platforms are heavily impacted due to unclear restrictions on movements and stoppage of logistics vehicles. RBI and Finance Minister announced measures will help the industry and the employees in the short term. Insulating the rural food production areas in the coming weeks will hold a great answer to the macro impact of COVID-19 on Indian food sector as well as larger economy.

Aviation & Tourism :

The contribution of the Aviation Sector and Tourism to our GDP stands at about 2.4% and 9.2% respectively. The Tourism sector served approximately 43 million people in FY 18-19. Aviation and Tourism were the first industries that were hit significantly by the pandemic. The common consensus seems to be that COVID will hit these industries harder than 9/11 and the Financial Crisis of 2008. These two industries have been dealing with severe cash flow issues since the start of the pandemic and are staring at a potential 38 million lay-offs, which translates to 70 per cent of the total workforce. The impact is going to fall on both, White and Blue collar jobs. According to IATO estimates, these industries may incur losses of about 85 billion Rupees due to travel restrictions. The Pandemic has also brought about a wave of innovation in the fields of contactless boarding and travel technologies.

Telecom :

There has been a significant amount of changes in the telecom sector of India even before the COVID 19 due to brief price wars between the service providers. Most essential services and sectors have continued to run during the pandemic thanks to the implementation of the 'work from home' due to restrictions.

E-commerce:

In the third week of March, Amazon announced that it would stop sale of non-essential items in India so that it could focus on essential needs. Amazon followed the same strategy in Italy and France. On 25 March, Walmart-owned Flipkart temporarily suspended some of its services on its e-commerce platform and would only be selling and distributing essentials. BigBasket and Grofers also ran restricted services, facing disruptions due to the

lockdown. Delhi Police began issuing delivery agents curfew passes to make it easier for them to keep the supply chain open. E-commerce companies also sought legal clarity related to defining "essentials".

Defence :

The Department of Military Affairs led by the Chief of Defence Staff postponed all capital acquisitions until the coronavirus pandemic recedes. No new major defense deals would be made in the beginning of the financial year 2020–21. While the delivery of S-400 missile systems won't be affected, the delivery of Rafale fighter jets was reported to maybe being affected. However, on 24 March, France confirmed that there will be no delay in the delivery of the 36 Rafale jets. In May, the Chief of Defence Staff General Bipin Rawat again emphasized the need for India to minimize costly defense imports and boost domestic production.

Centre and state collaboration :

Numerous center versus state tussles have taken place during the COVID-19 pandemic, having a socio-economic impact other than the immediate political impact. Some tussles are not directly related to the pandemic such as the Telangana Chief Minister over the Electricity (Amendment) Bill. Other tussles are directly related to the impacts of the pandemic such as the exodus of migrants. Liquor became another source of dispute. Some states have had disputes with the centre related to how the lockdown should be implemented. The Modi government, in view of the coronavirus pandemic, suspended Members of Parliament Local Area Development Scheme (MPLADS) for two years. This action has been called problematic in many ways, including causing a centralisation of power, being anti-federal in nature, and having an effect on local level development and MP influence at micro levels of the society to handle distress. There have been calls for halting the 120,000 crore (US\$2.8 billion) redevelopment of the central vista project in Delhi instead. During the exit of the lockdown there has been a lack of centre and state collaboration as well as with local authorities. This has been visible in the handling of migrant labour; now that companies are restarting, there is a labour shortage.

Economic recovery :

In the beginning of May, Duvvuri Subbarao, a former RBI governor, said that India could look forward to a V-shaped recovery. A V-shaped recovery is the best outcome. Arthur D. Little, an international consulting firm, has suggested that India will most probably see a W-shaped recovery. Mythili Bhusnurmath writes in The Economic Times that U-shaped recovery is the most likely followed by an L-shaped recovery. CRISIL chief economist says if things get contained, we can expect a V-recovery, otherwise it will end up as a U-recovery. In the second week of May, companies started preparations for restarting operations. Some companies opened offices with the maximum permitted strength of 33% while others took a more cautious approach of as low as five per cent. The beginning of June saw companies further reopen and making plans to reopen. A study by Elara Securities Inc. found that five Indian states, Kerala, Punjab, Tamil Nadu, Haryana and Karnataka, are contributing 27% to

India's GDP as India emerges from a total lockdown. By mid June, unemployment levels were back to pre-lockdown levels. Online sales reached pre-COVID-19 level sales by June end. Hindustan Unilever registered pre-COVID-19 levels in sales in late June. On 2 July 2020, The Times of India reported that a number of economic indicators such as the manufacturers purchasing managers' index, goods movement, GST collections, electricity usage and rail freight transport showed significant improvement as compared to previous months.

Conclusion :

The Economy & unemployment triggered by covid-19 in so many countries is a clear and present danger to individual and population health. Tinkering around the margins of current welfare systems, exhortations for yet more labour market "flexibility," or an unwillingness to maintain public spending through a potentially long and drawn out downturn all offer a fast track to poor outcomes. The scale of the covid economic shock demands more radical action. The substantial health harms of unemployment might be mitigated by a universal basic income programme, but if unemployment is the problem, then employment seems likely to deliver more effective mitigation along the many and complex pathways by which these harms are transmitted. If so, implementing national job guarantee programmes should be a more urgent priority for governments in the immediate aftermath of covid19. A successful job guarantee scheme would avert the harms of unemployment, strengthen the position of ordinary working people, and deliver a more broadly distributed prosperity in the short to medium term. This would be a much better position from which to then debate and trial universal basic income, allowing it to be correctly framed as a strategic, long term solution to the changing future of work, rather than simply as a response to the current economic crisis.

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