



## THE ECONOMIC IMPACT OF COVID-19 ON INDIA

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**KEYWORDS :****Introduction:**

Besides the impact on human lives and global supply chain, the pandemic is a severe demand shock which has offset the green shoots of recovery of the Indian economy that were visible towards the end of 2019 and early 2020. The International Monetary Fund (IMF) has projected the Indian economy to grow at 1.9% in 2020-21. Nearly 162 countries are steadily going into lockdown, and businesses across the globe are operating in fear of an impending collapse of global financial markets. This situation, clubbed with sluggish economic growth in the previous year, especially in a developing country like India, is leading to extremely volatile market conditions. Challenges are impacting all the three major contributors to GDP- private consumption, investment and external trade. The high impact sectors in terms of risk on account of Covid-19 are aviation, hotels, restaurants, retail, shipping, ports and port services. The medium impact sectors are automobiles, building materials, residential real estates while the low impact sectors include education, dairy products, fertilizers, FMCG and healthcare among others.

**The Impact of Covid-19 on Indian Economy:**

As per the official data released by the ministry of statistics and program implementation, the Indian economy contracted by 7.3% in the April-June quarter of this fiscal year. This is the worst decline ever observed since the ministry had started compiling GDP stats quarterly in 1996. In 2020, an estimated 10 million migrant workers returned to their native places after the imposition of the lockdown. But what was surprising was the fact that neither the state government nor the central government had any data regarding the migrant workers who lost their jobs and their lives during the lockdown. The government extended their help to migrant workers who returned to their native places during the second wave of the corona, apart from just setting up a digital-centralized database system. The second wave of Covid-19 has brutally exposed and worsened existing vulnerabilities in the Indian economy. India's \$2.9 trillion economy remains shuttered during the lockdown period, except for some essential services and activities. As shops, eateries, factories, transport services, business establishments were shuttered, the lockdown had a devastating impact on slowing down the economy. The informal sectors of the economy have been worst hit by the global epidemic. India's GDP contraction during April-June could well be above 8% if the informal sectors are considered. Private consumption and investments are the two biggest engines of India's economic growth.

All the major sectors of the economy were badly hit except agriculture. The Indian economy was facing headwinds much before the arrival of the second wave. Coupled with the humanitarian crisis and silent treatment of the government, the covid-19 has exposed and worsened existing inequalities in the Indian economy. The contraction of the economy would continue in the next 4 quarters and a recession is inevitable. Everyone agrees that the Indian economy is heading for its full-year contraction. The surveys conducted by the Centre For Monitoring Indian Economy shows a steep rise in unemployment rates, in the range of 7.9% to 12% during the April-June quarter of 2021. The economy is having a knock-on effect with MSMEs shutting their businesses. Millions of jobs have been lost permanently and have dampened consumption. The government should be ready to spend billions of dollars to fight the health crisis and fast-track the economic recovery from the covid-19 instigated recession. The most effective way out of this emergency is that the government should inject billions of dollars into the economy.

The GDP growth had crashed 23.9% in response to the centre's no

notice lockdown. India's GDP shrank 7.3% in 2020-21. This was the worst performance of the Indian economy in any year since independence. As of now, India's GDP growth rate is likely to be below 10 per cent. The Controller General of Accounts Data for the centre's fiscal collection indicates a gross-tax revenue (GTR) of rupees 20 lakh crore and the net tax revenue of rupees 14 lakh crore for 2020-21. The tax revenue growth will be 12 per cent, which would mean the projected gross and the net tax revenues for 2020-21 would be rupees 22.7 lakh crore and 15.8 lakh crore respectively. This suggests some additional net tax revenues to the centre amounting to rupees 0.35 lakh crores as compared to the budget magnitudes. The main expected shortfall may still be in the non-tax revenues and the non-debt capital receipts. If we look down in the past, the growth rate for the non-tax revenues and non-debt capital receipts have been volatile, but if we add them together, they average to a little lower than 15% during the five years preceding 2020-21.

**Impact of COVID-19 on Pharmaceuticals Sector:**

Bulk drugs and drug intermediates accounted for \$1.5bn or 3% of India's imports from China. As per Trade Promotion Council of India, the country imports around 85 percent of its total requirement of active pharmaceutical ingredients (APIs) from China. These active pharmaceutical ingredients are essential to a large number of pharmaceutical manufacturing companies in the country. Dependencies on China have impacted manufacturing operations in India. However, demand for essential medicines and safety equipment has gone up. Government has restricted the export of certain medicines and pharma products and is monitoring the overall inventory on regular basis. As COVID-19 is rapidly making its way through India, medication is going to be the number one consumer demand, and because there aren't nearly enough APIs to manufacture drugs, the subsequent traders and the market are witnessing skyrocketing prices.

**Impact of COVID-19 on Raw materials and Spare Parts:**

Nearly 55% of electronics imported by India originate from China. These imports have already slid down to 40% in light of the coronavirus outbreak and subsequent lockdown. As a countermeasure, India is considering the promotion of indigenous production in a bid to reduce dependency on a single market. Additionally, China is India's third largest export partner for export of raw materials like organic chemicals, mineral fuels, cotton, etc.; and lockdown of the countries is likely to lead to a substantial trade deficit for India.

**Impact of COVID-19 on Tourism Sector:**

India is huge cultural and historical tourism, attracting domestic and foreign nationals throughout the year. It does not come as a surprise that a large number of confirmed COVID-19 cases in India include foreign tourists. But with visas being suspended and tourist attractions being shut indefinitely, the whole tourism value chain, which includes hotels, restaurants, attractions, agents, and operators are expected to face losses worth thousands of crores. 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. Experts believe the tourism industry is likely to take a massive hit, and it could end up crippling the industry for the foreseeable future.

**Impact of COVID-19 on Aviation Sector:**

After the Government of India indefinitely suspended tourist visas, airlines are said to be working under pressure. Nearly 600 international flights to and from India were cancelled for varying periods. Around 90 domestic flights have been cancelled, leading to a sharp drop in airline

fares, even on popular local routes. Private airport operators have requested the Government to grant permission to impose a nominal passenger facilitation charge on airfares to cover the increased operating cost.

**Impact of COVID-19 on FMCG Sector:**

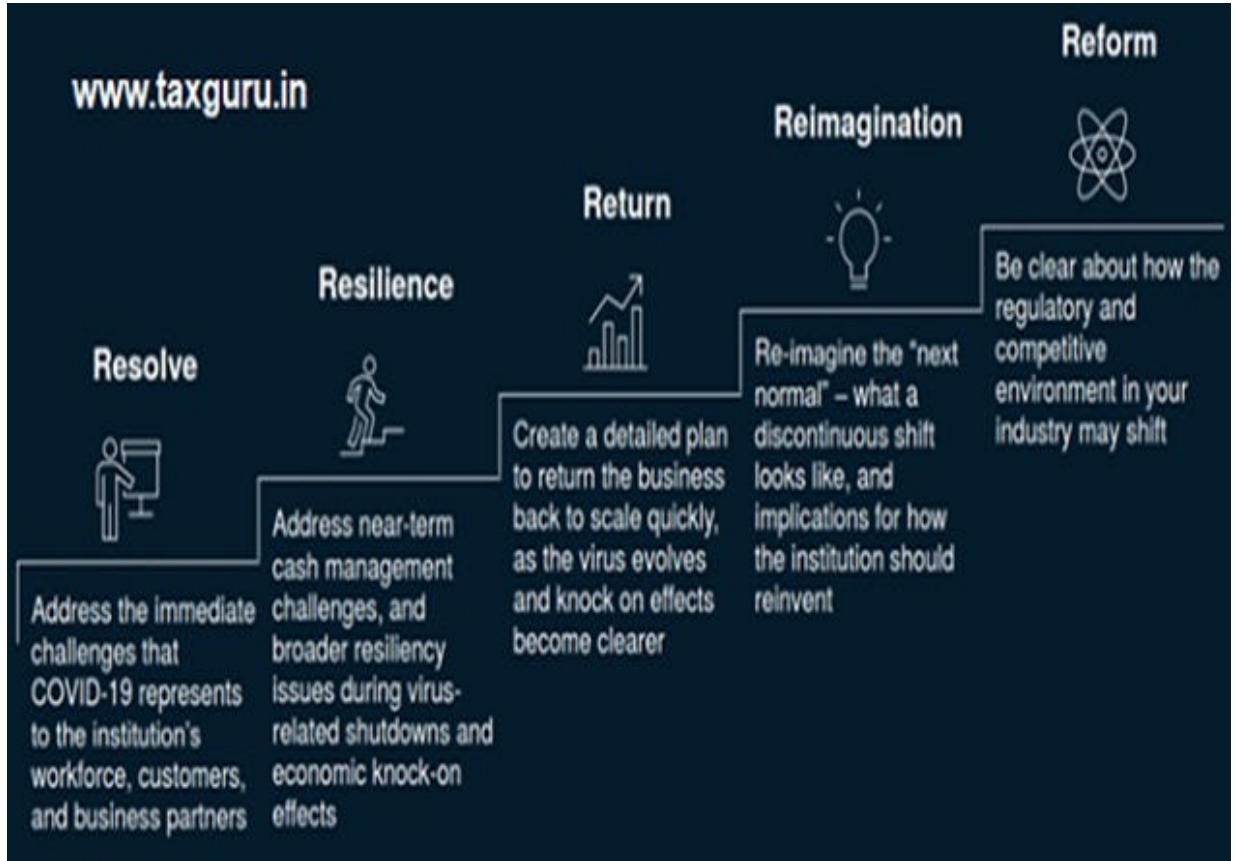
After the lockdown announcement, demand for essential FMCG products spiked up owing to hoarding and panic buying by consumers. Grocery items, milk, and hygiene products have seen a surge in demand while supply chain constraints have limited the manufacturing

capacities.

**Impact of COVID-19 on MSMEs:**

Micro, small and medium enterprises (MSME) exporters have been impacted more by the current lockdown on account of Covid-19 pandemic as the sector accounts for over 45 per cent in the country's total outbound shipments. They will also face issues in calling back their workers as several of them have migrated to their villages and towns. However, incentives will help exporters to resume work immediately after things start getting normal, otherwise they will not be able to restore their global suppliers.

**Recovery from the current situation demands companies to think and act across the five horizons as below**



**CONCLUSION:**

India is at a crucial juncture in its fight against COVID-19. The country has responded with urgency and determination as reflected in the Prime Minister's bold and decisive leadership. The government has also aggressively stepped up the response measures – find, isolate, test, treat and trace. WHO is supporting the government's end ever to further strengthen and intensify surveillance and build capacity of the health system?

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