

DOES COVID HAVE HORIZONTAL UPSET ON INDIAN ECONOMY NOW? – AN EMPIRICAL ANALYSIS

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Abstract

With COVID-19, the Indian economy is experiencing a significant declination, which was clear over the ongoing quarters even before the emergency struck. In the second from last quarter of the current financial year, the economy developed at a six-year low pace of 4.7%. With every one of these issues hitting the universe of work from multiple directions, organizations are thinking that it's hard to continue in this condition. They are compelled to take intense choices, for example, chopping down the compensations, giving formal notices to employees and settling on other cost-cutting measures. The flare-up has introduced new barricades for the Indian workforce and particularly for the day by day wage and legally binding laborers. Sensex also crashed in the year 2022 due to the impact of covid and war. This paper provides the detailed reviews about the impact of the covid-19 on Indian Economy.

1. INTRODUCTION

Prior to going to review about the impact of corona on Indian economy, first let us learn about corona virus. Corona virus (CoV) is a huge group of viruses that causes sickness. Corona virus outbreak was first announced in Wuhan, China on 31 December, 2019. It ranges from the basic virus to progressively extreme illnesses like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The novel corona virus is another strain of infection that has not been recognized in human up until now. WHO is working intimately with worldwide specialists, governments, and other health associations to give suggestions to the nations about precautionary and preventive measure.

2. OVERVIEW OF INDIAN ECONOMY

The Economy of India is the fifth biggest on the globe with a GDP (a year's merchandise and ventures) of \$2.30 trillion (U.S.). On the off chance that you think about PPP (buying influence equality: how much that cash can purchase in India contrasted with different nations), the economy is third biggest (worth \$8.52 trillion U.S.). In any case, because of India's enormous population, the economy was still just \$6,209 (thinking about PPP) per individual every year. India's economy incorporates agriculture, handicrafts, industries, and a lot of services. Services are the fundamental source of financial development in India today; however 66% of Indian individuals earn their living legitimately or indirectly through agriculture. Lately, because of its huge number of well-educated individuals who can communicate in English, India turned into a pioneer in the field information technology. For the greater part of India's free history, it had severe government controls in numerous areas, for example, media communications (correspondence over significant distances), banking and remote direct speculation. Since the mid 1990s, India has gradually opened up its business sectors by decreasing government control on investment and foreign trade. This was begun by Manmohan Singh under the P.V.NarasimhaRao leadership. From that point, the Indian Economy developed at a fast pace. The social and economy issues India faces are the expanding population, absence of infrastructure (structures, streets, and so forth.), poverty and increased unemployment. In spite of the fact that poverty has gone down 10% since the 1980s, a fourth of India's residents despite everything can't pay for enough food [1].

3. IMPACT OF COVID-19 ON INDIAN ECONOMY

As per the survey, COVID-19 is having a 'deep effect' on Indian organizations, over the coming month's employments are at high hazard since firms are searching for some decrease in labor. Further, it is included that as of now COVID-19 emergency has caused an uncommon breakdown in financial exercises in the course of the most recent couple of weeks. The current circumstance is having a "high to extremely high" level effect on their business as indicated by very nearly 72 percent respondents. Further, 70 percent of the overviewed firms are expecting a de-growth deals in 2020-21 financial year. As of late an

industry survey, which is together led by industry body FICCI and tax consultancy took responses from around 380 organizations over the areas. It is mentioned that the organizations were thinking about "enormous vulnerability" about their future [2].

4. Estimate of economic losses

The Indian economy is expected to lose more than 32,000 crore (US\$4.5 billion) consistently during the initial 21 days of the lockdown, as indicated by Acuite Ratings, RBI approved credit rating agency[3]. Barclays said the expense of the initial 21 days of shutdown just as the past two shorter ones will be aggregate to around 8.5 lakh crore(US\$120 billion) [4].On 27 March, Moody's Investors Service downsized its estimate of India's GDP development for 2020 from 5.3% to 2.5%. Fitch Ratings amended its estimate for India's development to 2%. India Ratings and Research likewise downgraded the FY21 estimate to 3.6% [5] On 12 April 2020, a World Bank report concentrating on South Asia said that India's economy is relied upon to become 1.5% to 2.8% for FY21 [5] This will be the most reduced development for India, compared from the past 30 years. The World Bank report said that the pandemic has "amplified previous dangers to India's economic outlook"[5] Confederation of Indian Industry (CII) have assessed that India's GDP for FY21 will be somewhere in the range of 0.9% and 1.5%. On 28 April, the previous Chief Economic Advisor to the Government of India has said that India ought to plan for a negative development rate in FY21.

IMPACT OF COVID-19 ON VARIOUS SECTORS

The supply-side effect of closing down of industrial facilities brought about a postponement in flexibly of goods from China which has influenced an immense number of assembling divisions which source their middle of the intermediate and last item prerequisites from China. A few parts like chemical products, pharmaceuticals, automobile, electronics and so on were affected no doubt. The United Nations Conference on Trade and Development (UNCTAD) has proposed that India's exchange impact because of the COVID-19 outbreak could be around US\$ 348 million. India is among the main 15 nations that have been influenced most because of manufacturing slowdown in China that is upsetting world exchange. For India, the general exchange impact is assessed to be the most for the

chemicals substances segment at 129 million dollars, materials and clothing at 64 million dollars, the automobile sector at 34 million dollars, electrical apparatus at 12 million dollars, leather items at 13 million dollars, metals and metal items at 27 million dollars and wood items and furniture at 15 million dollars. According to UNCTAD estimates, exchange across worldwide worth chains could diminish by US\$ 50 billion during the year on the off chance that there is a 2% decrease in China's exports of intermediate inputs. As indicated by the Federation of Indian Chambers of Commerce and Industry (FICCI), the prompt effect of COVID-19 uncovers that other than the direct impact on demand and supply, organizations are likewise confronting decreased incomes because of easing back economic activity which thus is affecting all payments including to those for loan repayments, employees, interest, and taxes [6].

4.1. Agriculture

Because of logistical issues following the lockdown tea domains couldn't reap the main flush. The effect of this on the subsequent flush isn't known. The whole Darjeeling tea based tea industry will see huge fall in revenue [7]. Tea exchanges could drop up to 8% as a result. From 20 April, under the new lockdown rules to revive the economy and loosen up the lockdown, horticultural organizations, for example, dairy, tea, coffee and rubber estates, just as related shops and enterprises, will reopen.

4.2. Manufacturing

Major organizations in India, for example, Larsen and Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, the design and retail wing of Aditya Birla Group, Tata Motors and Thermax have briefly suspended or altogether decreased their operations in various assembling manufacturing facilities and factories across the nation. I-Phone production organizations in India have also suspended a greater part of operations. Almost each of the bike and four-wheeler organizations have stop their production till further notification. Numerous organizations have chosen to stay shut till at lock down, for example, Cummins which has briefly closed its workplaces across Maharashtra [8]. Hindustan Unilever, ITC and Dabur India have closed assembling offices expect for

processing plants delivering essentials. Foxconn and Wistron Corp, i-Phone makers, have suspended creation following the 21 days lockdown orders.

4.3. E-commerce

In the third week of March, Amazon reported that it would stop sale of non-essential things in India with the goal that it can concentrate on basic needs. Amazon has followed a similar procedure in Italy and France [9]. On 25 March, Wal mart claimed Flip kart briefly suspended a portion of its services on its internet business stage and may be selling and conveying essentials. Big Basket and Groffers likewise run confined services, confronting interruptions in services due to the lockdown. Delhi Police started giving conveyance operators check in time goes to make it simpler for them to keep the supply chain open. E-commerce organizations additionally search for legitimate clearness identified with what are "essentials". On 20 April, Telangana stretched out the lockdown to 7 May. Swiggy and Zomato won't be permitted to work during this extended lockdown period [10].

4.4. Defense

The Department of Military Affairs drove by the Chief of Defense Staff has deferred every capital procurement until the coronavirus pandemic subsides. No new significant defense deals will be made in the start of the monetary year 2020–21. While the conveyance of S-400 rocket frameworks won't be affected, the conveyance of Rafale warrior planes may be [11].

4.5. Stock markets

On 23 March 2020, securities exchanges in India post most exceedingly terrible misfortunes in history. SENSEX fell 4000 points (13.15%) and NSE NIFTY fell 1150 points (12.98%). However, on 25 March, one day following a total multi day lock-down was reported by the Prime Minister, SENSEX posted its greatest gains in 11 years, including an estimation of 4.7 lakh crore (US\$66 billion) crore for investors. On 8 April, following positive sign from the Wall Street that the pandemic may have arrived at its top in the US, the financial exchanges in India rose steeply once again. By 29 April, Nifty held the 9500

mark [12]. Nifty and sensex fell down in the year 2022 also due to the horizontal effect of covid in Indian stock market.

4.6. Supply chains and logistics

Following the lockdown certain fundamental supply chains broke down.[128] Britannia Industries, supporting the lockdown, asked the government to guarantee between state development of the crude material for the food processing industry was not hampered. The Managing Director of Britannia expressed that "if even one connection in the flexibly chain is broken, the nation could come up short on loads of bundled nourishment in the following 7-10 days". Although between state travel has been restricted, it doesn't have any significant bearing to basics, and in places like Maharashtra the state police is yet to smooth out the procedure, making a disturbance supply chains [13]. Vidya Krishnan writes in the Atlantic, that because of the lockdown even exchange of clinical products were affected. On 29 March the government permitted the exchange of all basic just as unnecessary products the nation over during the lockdown. The milk and paper supply chain fastens are additionally permitted to function.

4.7. Migrant workers and labour force

Because of the lockdown, there abruptly was no work for some day by day laborers (the urban poor and transient workers). Simultaneously the lockdown limitations put a stop on the movement of buses and trains. Huge quantities of migrant workers wound up strolling back to their towns, a few excursions many kilometers long. Pundits remarked on how the entire motivation behind social removing was defeated [14]. Soon after a focal government mandate in late March, state governments set up 21,000 camps to house more than 660,000 transients and stop the exodus [15]. Delhi government is without giving nourishment to 400,000 individuals each day. Over 500 craving alleviation focuses have been set by the Delhi government. By 5 April, 75, 00,000 individuals were being given nourishment the nation over in government and NGO nourishment camps [16]. To oblige the necessities of the vagrants and keep them from leaving the camps, the administrations of Kerala changed the nourishment being given by adding north Indian dishes to the menu,

giving carrom boards and energize offices for telephones, just as give other clinical fundamentals, for example, masks, sanitizers and medicines [17].

4.8. Chemical Industry

Few chemical plants have been closed down in China. So there will be limitations on shipments or logistics. It was discovered that production of about 20% has been affected because of the interruption in supply of raw material. China is a significant provider of Indigo that is required for denim. Business in India is probably going to get influenced so individuals making sure about their provisions. In any case, it is a chance. US and EU will attempt to enhance their business sectors. A portion of the business can be redirected to India which can likewise be exploited.

4.9. Tourism and Aviation

Due to the corona virus, the inflow of vacationers from China and from other East Asian areas to India will lose that will affect the travel industry segment and income. An outbreak of COVID-19 affected the entire world and has been felt across ventures. The outbreak is announced as a national crisis by the World Health Organization. In India the three significant supporters of GDP to be specific private utilization, venture and outside exchange will all get influenced. World and Indian economy are endeavoring to relieve the health dangers of COVID-19 with the financial risks and vital estimates required will be taken to improve it. It is assessed that the misfortune to the travel industry will be 15,000 crore (US\$2.1 billion) for March and April alone. CII, ASSOCHAM and FAITH gauge that a tremendous lump of the workforce associated with the travel industry in the nation faces unemployment [18].

4.10. IT sectors

The worldwide business of information technology (IT) services may see a decrease in general income by dependent upon 3 to 4 percent, as a slowdown of organizations initiated by the corona virus pandemic negatively affects the whole world. The projection has been made by market analyst and research firm IDC, which expresses that the effect on the general IT ventures of the world will compound as the year unfolds, in which time the

specific degree of the effect on India will likewise be clear. Passing by these projections, and contemplating how noteworthy the IT business is for India, the slowdown in general IT consumption over the world may cost India billions of dollars. The IDC investigation expresses that while hardware businesses will confront the most extreme effect, the stream down impact will likewise eat into the software and services enterprises over the world. As per the India Brand Equity Foundation, the IT and BPM (business process the executives) enterprises of India represented \$177 billion in FY19, of which \$137 billion came exclusively from sends out, or abroad undertakings attempted by Indian IT monsters. While it is hard to extend how the IT business may develop or shrink in general volume through FY20 [19].

5. CONCLUSION

Sectors that would be greatly influenced comprises of logistics, auto, the travel industry, metals, drugs, pharmaceuticals, electronic products, MSMEs and retail among others. The revised Gross Domestic Product (GDP) estimates for India downwards by 0.2 % points for the financial year 2020 to 4.8 % and by 0.5 % for the financial year 2021 to 6 percent. Further, it is expressed that the degree of the real effect will rely on the seriousness and span of the outbreak. The some of the ideas given by the expertise to recover from the effects of the covid virus impact on the economy are,

- On 23 April Confederation of Indian Industry (CII), in a paper titled "A plan for economic recovery ", sketched out that the three measures the government should implement like money transfer to JAM account holders, a scheme of credit protection for Micro, Small and Medium Enterprises (MSMEs) and development of a special purpose vehicle (SPV/SPE) to constrain "Government presentation while giving satisfactory liquidity to industry"[20].
- On 24 April, Indian development economist named Bina Agarwal, has recommended that the government "create green worker pools, not green zones" major aspect of lockdown re-adjustment efforts [21].
- On 28 April Anand Mahindra said a reviewed re-opening of the lockdown will make monetary recuperation 'agonizingly moderate'; with the economy being so

exceptionally interconnected, the lockdown ought to be lifted exhaustively once the ideal lockdown time frame according to look into has been completed [22].

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