

# COVID-19 and Indian Economy: Some Issues

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**Abstract**— COVID-19 is affected almost all parts of the world economies and people’s lockdown in their homes. This pandemic is not only effected health care systems and peoples’ lives but also its impacting world economies and resulting huge job losses, business disruptions and one of the worst times ever for people on earth. Indian economy has a slightly different story to tell at this hour of crisis. The silver lining for the Indian economy comes from a steep fall in the crude oil prices from around \$70 per barrel to a record 18 years low of \$22 per barrel almost, all the industries are undergoing massive declines in their businesses, , that they are projecting worse times ahead. At the same time, dreams like a \$5 trillion economy no longer look even a remote possibility This paper focuses on different industries, which are most affected by the pandemic on the Indian economy in the short term and the long term.

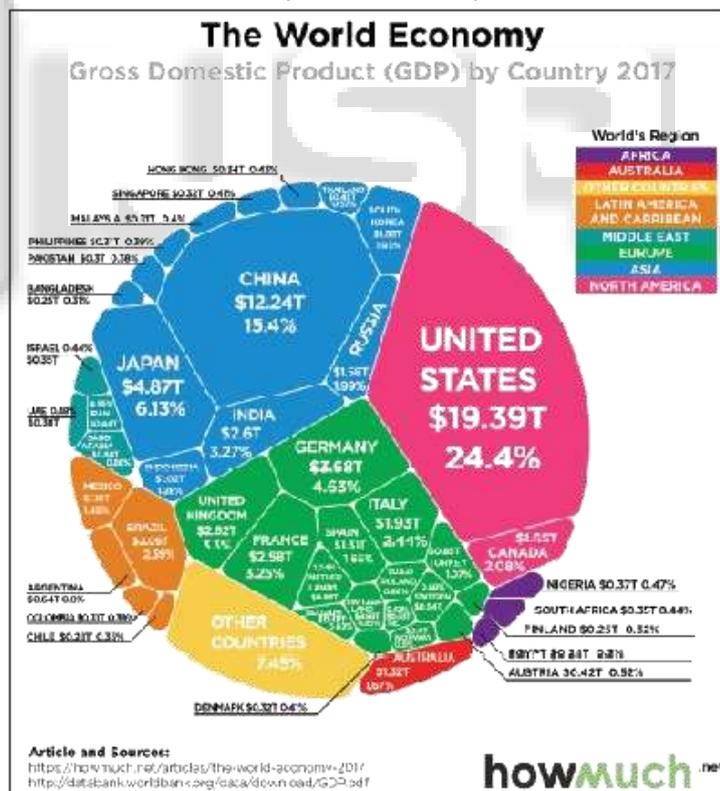
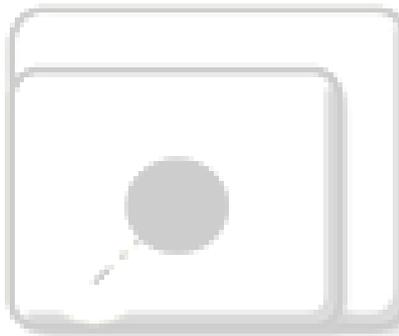
**Keywords:** COVID-19, Indian Economy, Industries, Pandemic, Trillion

## I. INTRODUCTION

The disease of Corona virus started in China in late 2019. However, in early 2020, it started to spread to other parts of the world .The eruption of the Covid-19 pandemic is an exceptional stun to the Indian economy. The economy was at that point in a parlous state before Covid-19 struck.

Because of the lockdown declared by the Indian government, the economy may slow throughout the following coming months. For most businesses, the layoff could be interruptions, fall in utilization demand, and weight on the banking and budgetary areas. The COVID-19 pandemic and the multi-staged lockdown have brought about a staggering hit to the Indian Economy. Since the Indian economy is a part of the global economy first a look at the global impact has been taken. Before measuring the likely impact on the Indian economy,

The below Fig.1 shows the Gross Domestic Product by different country 2016-17



**Figure 1.** World GDP, 2017  
**Source:** Howmuch.net (2018).

## II. WHAT IS COVID-19

CORONAVIRUS DISEASE 2019 (COVID-19): QUICK FACTS	
Symptoms	<ul style="list-style-type: none"> <li>• 2 in 5 cases are asymptomatic.</li> <li>• Symptoms may include fever or chills, cough, shortness of breath or difficulty breathing, fatigue (feeling extremely tired), muscle or body aches, headache, new loss of taste or smell, sore throat, stuffy or runny nose, nausea or vomiting, and diarrhea.</li> </ul>
Incubation	<ul style="list-style-type: none"> <li>• The incubation period for COVID-19 ranges from 2-14 days.</li> <li>• Most patients begin to experience symptoms within 4-5 days of exposure.</li> </ul>
Case Classification	<p><b>Confirmed Case:</b></p> <ul style="list-style-type: none"> <li>• Report of person with COVID-19 and meeting confirmatory laboratory evidence.</li> </ul> <p><b>Probable Case:</b></p> <ul style="list-style-type: none"> <li>• Report of a person meeting clinical AND epidemiologic evidence with no confirmatory lab evidence.</li> </ul>
Treatment	Treatments for COVID-19 should be prescribed by a healthcare provider. The Food and Drug Administration (FDA) has approved one drug, <b>remdesivir</b> , as a treatment for COVID-19. Remdesivir can help reduce the amount of virus in a person's body. The FDA also allows for the emergency use several other medicines that reduce the amount of the virus, reduce an overactive immune response, treat complications, and improve immunity.
Duration	Incubation is 2-14 days. People are likely contagious about 2 days before symptoms start until symptoms improve. Duration (length) of infection is not known. Asymptomatic and pre-symptomatic cases may be contagious.
Transmission	<ul style="list-style-type: none"> <li>• <b>Person to person transmission:</b> COVID-19 is thought to spread mainly from person to person between people who are in close contact with one another. In general, the more closely a person interacts with others and the longer that interaction, the higher the risk of COVID-19 spread. The virus can spread through droplets released in the air when a person infected with the virus coughs, sneezes, or talks.</li> <li>• <b>Airborne transmission:</b> COVID-19 can sometimes be spread through small droplets and particles that remain in the air, in an area with poor air flow. This is called airborne transmission. This type of transmission can happen even if the infected person is more than six feet away, or has just left the room.</li> <li>• <b>Contact with contaminated surfaces:</b> It's also possible for a person to get COVID-19 by touching a surface or object that has the virus on it, and then touching their mouth, nose, or eyes.</li> </ul>

Source: Adapted from Washington State Department of Health.

## III. GLOBAL ECONOMY FORECAST

The below table shows that global economic forecast of some leading agencies

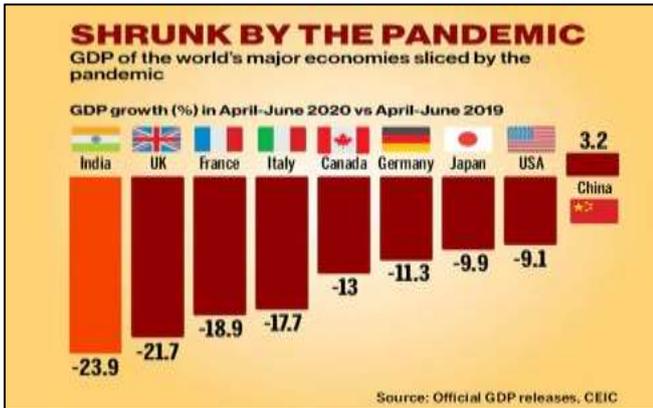
Sr. No.	Agency	Date of Report	Forecast
1	Goldman Sachs (2020) <sup>a</sup>	20 March 2020	US GDP -2% in 2Q, a record drop
2	Deutsche Bank (2020) <sup>a</sup>	18 March 2020	The worst global recession since World War II
3	J P Morgan (2020) <sup>a</sup>	12 March 2020	Recession will rock the US and Europe by July
4	Bank of America (2020) <sup>a</sup>	19 March 2020	The US economy has fallen into recession
5	Pacific Investment Management (2020) <sup>a</sup>	16 March 2020	Inevitable recession
6	Morgan Stanley (2020) <sup>a</sup>	17 March 2020	Base case is a global recession
7	UBS (2020) <sup>a</sup>	19 March 2020	Deep recession by July

**Source:** *Business Insider* (2020b).  
**Note:** <sup>a</sup>As cited in *Business Insider* (2020a).

The International Monetary Fund (IMF) has made a major revision in the global growth rate over a very short period of time. The IMF World Economic Outlook (WEO) report of April 2020 projected the global economy to contract sharply by -3 per cent in 2020, much worse than during the 2007-2008 financial crisis (IMF 2020a). In the WEO report released in June 2020, the global growth is projected at -4.9 per cent in 2020, 1.9 percentage points below the April 2020 forecast, and at 5.4 in 2021, as against 5.8 in the April 2020 report. For India, growth projections are at -4.5 and 6.0 per cent for 2020 and 2021 respectively. The post-COVID-19

development paradigm in India or anywhere else in the world needs to consider sustainable development.

IV. GDP GROWTH OF DIFFERENT COUNTRY



Striving towards sustainable development has been the overarching goal of the international community since the UN Conference on Environment and Development held in 1992 at Rio de Janeiro. Green economy as related concepts are considered as a subset of ‘sustainable development’,

where measures of green economy have a greater focus on the economy and the environment through fiscal instruments, market instruments and technology. In a landmark book, *Blueprint for a Green Economy*, argued that the basis for a green economy lies in understanding the interdependencies between the economy and the environment.

V. INDIAN GDP TREND

The current corona virus pandemic could lead to a four per cent permanent loss to real Indian gross domestic product (GDP) .It is estimated for India’s Gross Domestic Product (GDP) growth rate to 1.9 per cent for 2020-21. This will be the lowest after India recorded growth rate at 1.1 per cent in 1991-92.The COVID 19 has disrupted major sectors, it’s clearly evident that various sectors tourism & aviation, telecom, auto sector, transportation are most impacted sectors that are facing negative repercussion of the present disaster . The below table show last five year GDP trends

**Table 2 India GDP Trend**

Year \ Quarter	2015-16	2016-17	2017-18	2018-19	2019-20
Q1	7.5%	7.2%	5.9%	7.7%	5.0%
Q2	7.6%	7.4%	6.6%	6.9%	4.5%
Q3	7.3%	7.0%	7.3%	6.3%	4.7%
Q4	7.9%	6.1%	7.9%	5.7%	

Sources: Ministry of statistics and Programme Implementation (MoSPI)

VI. ESSENTIAL CONSUMPTION EXPENDITURE BY SECTOR

The below table shows that essential consumption expenditure by different sector

**Table 3 Essential Consumption Expenditure by Sector**

Essential consumption expenditure by sector	% Share
Food & non-alcoholic beverage's	27.0%
Narcotics, tobacco and alcoholic beverage's	2.0%
Cloths & foot-wear	6.0%
Housing, gas/other fuels, water and electricity	14.0%
Household - Furnishings, equipment & routine maintenance	3.0%
Health care	5.0%
Transport & Logistics	18.0%
Communication	3.0%
Culture & recreation	1.0%
Learning & Education	4.0%
Hotels & Restaurants	2.0%
Other goods & services	15.0%

Sources: MoSPI , 31<sup>st</sup> Jan 2020, accessed on 24<sup>th</sup> Mar 2020.

VII. NEED OF THE STUDY

The COVID-19 pandemic has thrown many challenges for governments across the globe. This pandemic is not only effected health care systems and peoples’ lives but also its impacting world economies and resulting in job losses, business disruptions and making us head towards one of the

worst times ever for people on earth. Almost, all the industries are massive declines in their businesses, so give them long term and short term solution for this challenges is need of the study

### VIII. OBJECTIVES OF THE STUDY

The present study is based on the following objectives.

- 1) To know the what is Covid-19
- 2) To know the Impact Covid-19 on Indian economy.
- 3) To give suitable suggestions to overcome challenges.

### IX. REVIEW OF LITERATURE

A newly discovered Corona virus cause serious illness in animals (originated from Bat), and humans. In humans, several corona viruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). The WHO has now declared it a pandemic. The previously known virus has been named SARS-CoV-2 and the disease is now called COVID-19. On 17 Nov 2019, the first case of COVID-19 was appeared from Hubei Province of China. Then after on 4th January 2020, WHO announced on social media site it's a case of pneumonia with no cases of death is reported in Wuhan city, in Hubei Province. After publishing the first outbreak news on the virus on 5th Jan, 2020, WHO released a risk assessment guideline to all countries, mentioning to detect the potential cases and preventive measures taken by health workers recommending to avoid droplets and contact while contacting with infected persons.

On 13th Jan 2020, Chinese officials reported a first case outside of China and confirmed a case of COVID-19 in Thailand. Immediately after this event, WHO officials visited to China to confirmed the evidence of human-human transmission, and set up an emergency committee under the health regulation (IHR,2005) to assess the 2019-n COVID outbreak constituted a public health emergency of international concern (PHEIC) (World Health Organization, 2020). WHO reported 7818 confirmed cases across the world, out of these, the majority of them were from China and 82 cases were arises in 18 countries outside the China and on the same date, WHO announced its risk assessment guidelines in a China and for the rest of the world.

### X. IMPACT AND CHALLENGES OF COVID -19 ON INDIAN ECONOMY IN DIFFERENT SECTOR

- 1) Show down of cash alteration for all categories through food and grocery retail would be less impacted.
- 2) Supply chain will be a major challenge Demand for the non-essentials product would be larger impact since it would boost immediately because consumers will hesitate to purchase unnecessary due to the fear of infection.
- 3) Short term fluctuations in raw material price have been witnessed.
- 4) China imports 25% of India's automotive part disturbances in supply of raw materials would impact the import.
- 5) Cost may increase if prolonged for longer period since electricity is an essential services hence limited impact.
- 6) Reforms likely to be slow if COVID-19 is sustained for longer time Government grants for funding may cause delay due to diversion of financial support to others sectors.

- 7) Slow down the demand for new subscription slow down the demand for mobile phones.
- 8) Suspension of manufacturing facilities is will largely affect the telecom sector due to COVID-19.
- 9) Demand for turbine fuel will gradually decline due to shut down of international and domestic travel. The World Travel and Tourism Council(WTTC) estimates the crisis of the tourism sector at least USD 22 billion the travel sector shrinking by up to 25% in 2021 resulting in a loss of 50milliion.
- 10) As per international Air Transport Association 2021 Global revenue loss for the passenger business is estimated between USD 63 billion and USD 114 Billion.
- 11) E-commerce based food delivery platforms that have constraints are likely to be impacted. Low import on vegetables, milk, fruits etc Edible oils are major imports and this may have low impact.
- 12) Supply chain will be the major challenge as many states are evolving their strategies for food supply chain .food categories like tea, meat, spices seafood that are expected to US Europe, China are heavily impacted due to both decrease in demand and domestic supply chain issues.
- 13) Short term variation in material cost low impact due to raw material supply challenge .Demand for labour availability will be reduced.
- 14) Due to decreased passenger movement on urban transportation system will reduce utilization of assets such as MRTS, SRTS cab aggregators etc which will unfavourably impact their revenue and operations.

### XI. SUGGESTIONS AND RECOMMENDATIONS

The following are some suggestions and recommendations are made to overcome above challenges.

- 1) GST waivers or tax incentives will provide relief for retail players
- 2) Reforms the manufacturing rules for essential commodities faster clearness so that will easier for the consumer. relax on in duty draw backs allow imports of critical to retail markets.
- 3) Allowing income tax deduction on auto loan will be favourable for consumers. Cut in interest rate on delayed payment of tax for three months.
- 4) Develop repayment support scheme automobile and related firms especially the other dealers and auto components manufacturers and sellers.
- 5) Creation well equipped emergency response team to include advanced training and proactive maintenance of near failure equipment differing billing cycle.
- 6) Contingency measures and advanced training to manpower management of demand volatility and large scale power outages among other occurrences.
- 7) Relaxation of regulatory compliance .Revival of quality of services norms similar to work from home guidelines to be initiated.
- 8) Implement 5G which will allow implication of AR/VR in deploying health solutions to isolated areas. Establish profound use of various tools for ease in work from.
- 9) Fuel infrastructure and into plane charges to be discontinued with high priority.

- 10) GST holiday for all travel and tourism services to be waived for the next 12 months from all the state government for entire tourism industry .aviation turbine fuel needs to be brought under the bracket of GST @12% to provide immediate relief to the airlines with full input tax credit on all goods and services.
- 11) RBI and finance Minister will support the industry and the employees in the short term .There should be strict regulations against fake news propaganda impacting farmers and food processor e.g. poultry Packaging of food items should be consider as essential category.
- 12) Existing infrastructure of GST, FASTTAG should be used for smooth movement of essential food items. This will help in long term stability in food sector
- 13) Derived tax benefit in the short term Working capital loan repayment help in the short term from banking sector.
- 14) Fair and transparent pricing of all relevant transportation and logistics services through price caps etc. policy support and standardisation for hygienic travel

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## XII. CONCLUSION

The impact of COVID-19 pandemic on all sorts of industries is immeasurable, and it will continually disrupt the world economy and Indian economy until its prevention vaccine given to at least half of the population. This has many consequences such as changed the mind set of people. Everyone is trying to measure this pandemic. It is certain that we are gradually adapting the changes towards our life in a permanent manner. The pandemic results loss of millions of jobs in all industries and has a much broader impact than the recession in the year 2008. Most worst hit industries are hotels, travel, transport, oil, entertainment, real estate, construction and advertising. Thus, future predicted moving towards one of the worst recessions of all time. COVID-19 is turning out to be the worst for humans, and we can hope that a some miracle could happen to end this pandemic and make our world and Indian economies stronger again.

Most companies have increases work remotely and allowing their employees to work from home. We need quickly restore the profit of business and resume the original state which was destroyed by the risk. One small virus has affected the world which is beyond imaginable for mankind. The important learning we have learnt so far is the criticality of overall cost control in business and living our livelihood to the minimum.

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