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## COVID-19 ITS IMPACT ON INDIAN ECONOMY

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### Abstract

*Corona Virus disease (Covid-19) is an infertioeces disease caused by the SARS Cov-2 virus firstly separate out in China after December 2019. The outbreak quickly spread around the world. The world health organization (WHO) on 12<sup>th</sup> March, 2020 declared the covid-19 pandemic. This outbreak of covid-19 created an unexpected shock to the world health organization, world and as well as to the Indian economy. The various locations imposed by Government all over the world completely took the world to stand making worlds one of the biggest economies to pause. India's real GDP fall down to its bottom in over six years during 4 quarterly 2019-20. The covid-19 has resulted in wakening the global system. It has rained the whole economy. According to the ministry of statistics, the growth rate of India fall down to 31% due to covid-19 as stated by the life economic advisor of Government of India. The Research paper focuses on the impact of this pandemic on the various sectors of the Indian Economy. This Paper also provides some recommendations by which this impact (long term or short term) can be reduced.*

**Keywords:** GDP, Pandemic, COVID-19, Government Support, Lockdown.

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### 1. Introduction

COVID-19 is creating destruction for the Indian Economy. Corona virus induced lockdown is weakening the Country's GDP growth. It is having major disturbances across multiple sectors. India is a country with a huge population and has the following income groups- low, middle and high. The covid-19 pandemic affected negatively mainly to migratory and daily wagers. It has not only impacted severely to the economy but has also raised the level of poverty in our country to its highest peak.

According to the UN reports, India's economy is adversely impacted by the slowdown of manufacturing in China and as India is in the top 15 countries, all this has disrupted world trade as well. Approximately 348 million

dollars trade impact is estimated due to this pandemic. Trade economy mainly works on the demand and supply principle, but the sudden stop in the country has led to an acute shortage of raw materials for industrial sectors because there is no supply of resources due to restrictions on travel. Consumption is also affected due to unemployment and return in incomes. People have decreased foreign delegation trips and started preferring video conferencing tools, or those who can afford travel via-private jet as opposed to first class air travels to combat with covid-19 Government business leaders and various companies decided to allocate more bugets for investing in ealth are halth case product offer discovering the gaps in the global system.

Table 1: Govt. Support to Combat COVID-19

Country	Government Support
US	Give financial assistance for families of \$1200 for each adult and \$500 for children and \$250 billion to enhance unemployment insurance.
Canada	Provide income support of C\$2000 per month (for up to four months) to those who are unemployed due to COVID 19.
UK	All employers will get 80% government aid for next three months for payment of employee's wages of up-to pound 2500 per month.
Italy	Euro 5 billion top up on salaries supplementation scheme for those employees who have been granted for long leaves plus one-off payments to various other employees.
France	Employees will be granted an allowance of approx 84% of their net wages and 100% for minimum wage workers.
Germany	Employees will have a benefit of Euro 26 billion insurance fund which guarantees employees at least 60% of their basic pay.
Japan	Cash payout of 100,000 yen is expected to be received by all residents.
Australia	Grant wage subsidy to businesses for 6.5% of GDP or an amount of A\$ 130 bn.

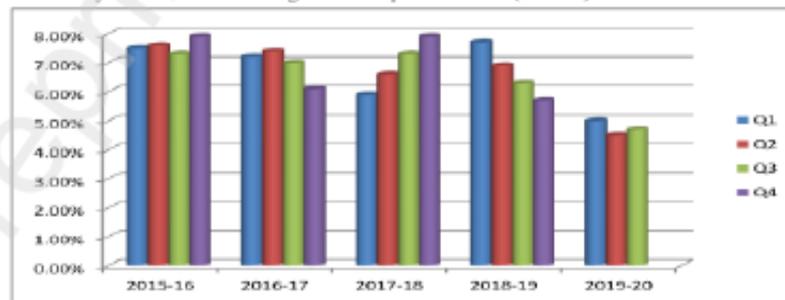
The above Table 1 shows how governments of different countries have the world help employers and employees. It seems that the US recorded government has provided huge incentives to their citizens by providing \$1200 for each adult. The UK government has announced measures to

### 1.1: Impact On Indian Economy

Table-2 India GDP Trend

Year	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)



In the above Figure 1 and Table 2 we can see that India's real GDP was on a continuous downward trend and spread of the pandemic is going to affect it even worse. Government has taken steps to control its spread, such as nationwide restriction for 45 days and a complete lockdown of states. This have brought a situation where there is no economic activity and could impact both consumption and investment. During FY 2015-16 the GDP was 7.5% in Q1 then there was a fall in Q3 which was

support the self-employed throughout the crisis, the financial support will not be available until mid-June. In Europe, many employees are granted full pay when

They are sick. People on short term or freelance contracts might get partial payments that are less than their usual.

7.3%, however it rose to 7.9% in Q4. India's GDP slowed down to 5.00% Q1 financial year 2019-20, this is the lowest in 5 years. Moreover GDP slipped down to 4.5% in Q2 financial year 2019-20, however it marginally improved to 4.7% in Q3. Few sectors lag themselves from the global chain due to the threat of the deadly virus as a result there is less reliance on intermediate imports. To recapitulate investment, private consumption and external trade, which are the three major contributors to GDP,

may get hit. The Indian Government has pronounced an array of revival packages to overcome the circumstances, e.g. additional funds for healthcare, food security, sector related incentives and tax incentives. The RBI also on 27th Mar announced numerous steps which would make available US\$52 billion (₹374,000 crore) to the country's financial system. On 29th Mar central government agreed for the

movement of all essential consumables during the lockdown. On 3rd Apr the government of India released more funds to states for handling the corona virus totalling to US\$4.0 billion (₹28,379 crore).

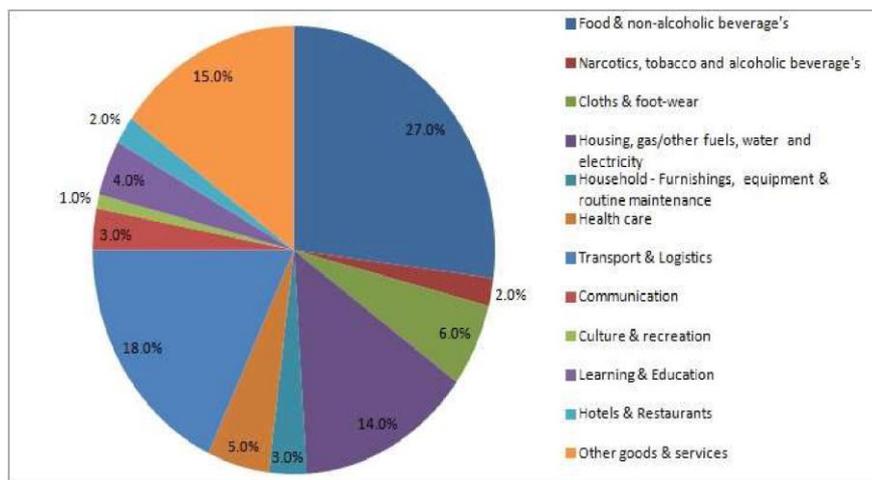
### 1.2: Demand Side Impact

The lockdown is to have an ample impact on the economy, majorly on consumption which is one of the biggest components.

**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%

Source:- (MoSPI)



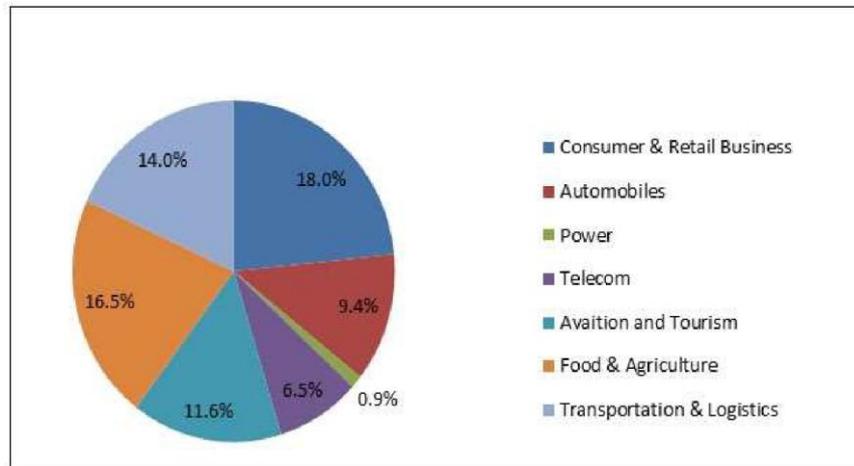
**Figure 1: Essential Consumption Expenditure by Sector**

Source:- MoSPI

The above Figure 1 and Table 3 explained the private consumption non essential goods consumption has market fall due to Suddan pause of Urban activity. Due to location the domestic supply drain and availability of essential commodity has been affected.

### 1.3: Impact On Different Sectors

The below Figure 2 shows the major contribution to GDP by different sectors in India.



**Figure 2: Contribution to GDP by Different Sectors**

*Source:- Compiled Data*

This Figure 3 shows the contribution to GDP by different sectors. The projected GDP growth of 1.9% by IMF “International Monetary Fund” for India during the financial year 202122 is the maximum among G-20 nations. Just in single month, the unemployment percentage rose from 6.7% on 15<sup>th</sup> Mar to 26% on 19<sup>th</sup> Apr. In the above chart it is revealed that the consumer and retail business sector has the highest GDP contribution that is 18%. Then comes the food and agriculture sector which is an essential commodity and it contributes 16.5% GDP. Transportation and logistics sector, which is also an essential commodity, contributes 14% of GDP. Telecom is one of the most significant sectors during this pandemic since it helps the employees to work from home, enhances timely communications of businesses, and its contribution to GDP is 6.5%.

#### **Recommendations**

1. All pending payments to vendors are required to be passed immediately by the Government Departments.
2. There is an urgent need to increase overdraft facilities to state governments from the RBI.
3. Improvisation in the Supply Chain network is a must.
4. There is a need to provide income support to low-income families through Direct Benefit Transfer.

6. GST waivers or tax incentives will provide relief to retailers.
7. Fair and transparent pricing of all relevant transport and logistic services through price caps, etc. Policy support and standardization of hygienic travel.
8. There should be shift towards localization – “Vocal by Local”
9. There is a need to shut down shops in many cities, but there should be proper time announcements to open these shops to ensure sufficient accessibility of essential goods to consumers.
10. Policies will need to evolve faster than the market and policy makers will have to be more responsive and inclusive.

#### **Conclusion**

Corona virus pandemic is a disaster and these are very uncertain to predict. This has many consequences such as changing the mindset of people, challenging the industry and shaking up the world economic order. This is a high time to reset everything as the world order has become standstill for the past few months. We are all allowed to rethink, redesign and restructure everything. If we are involved in doing the right things, we may be able to fix challenges in new platforms that can face and bear humankind's environmental damage. It may be the pollution, self - centered growth or

inequality or concentration of economic power and wealth. Most firms have increased resilience to work remotely and allow their employees to work from home. While these many measures were already on the track, they are now going to be the new normal very soon. Risks to supply chains are significant and will have long term impact. Hence it is very necessary to enhance our capabilities in order to counter the consequences of unforeseen events. There is an urgent need to strengthen our power. We need to quickly restore the profit of business and resume the original state which was destroyed by the risk. One small virus has devastated 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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