

## **Covid-19: Impact on the Indian Economy**

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### **Abstract**

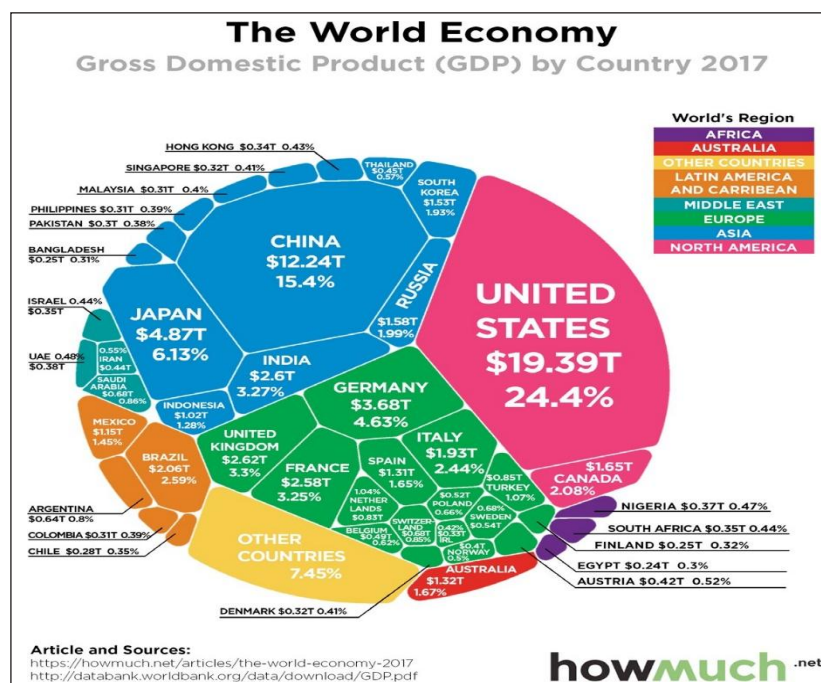
*The epidemic caused by the COVID-19 virus has proved devastating to India's economy. The economy was already in a vulnerable position before Covid-19 came. It is projected that the economy would continue to be slow for a long length of time due to the widespread economic crisis, the statewide lockdown, and the disruption of demand and supply networks. The magnitude of the economic impact will depend on the nature and severity of the health crisis, the duration of the lockdown, and the situation thereafter. This article provides a concise overview of the Indian economy prior to the period known as Covid-19, investigates the steps that the Indian government and the Reserve Bank of India have taken thus far to cushion the impact of the economic downturn, and concludes with a number of policy suggestions pertaining to various industries. This article investigates the impact that the recent epidemic of the Covid-19 virus has on the Indian economy. India's economy had already been suffering from stagnation in growth and significant increases in unemployment and poverty before the virus struck. Even after the infection had spread, this behaviour persisted. Because of this, India was not ready to cope with the epidemic when it first appeared in March of 2020. In 2020, India's economy as a whole was plagued by a severe economic crisis that lasted the whole year. This crisis began in March and only worsened. The agricultural sector is plagued by a variety of problems, each of which makes life difficult for farmers. Supply chain issues, a lack of retail locations, tepid interest from consumers, and a drop in selling price were all factors. Micro and small firms, which may be found in almost every market, felt the consequences of this more acutely than their bigger counterparts. At least 15 million jobs were lost as a direct result of the economic slump. Using the input-output (I-O) model, we may predict four possible outcomes for the impact on the Indian economy. The range of our projections for the rate of growth of India's GDP in 2020–2021 is from -4.3% to -15%. As of October in the year 2020, the government's reaction to the economy from the demand side was severely lacking. Administration officials were reluctant to propose spending increases for fear of worsening the budget deficit. Under these fiscal measures, it's hard to see the Indian economy bouncing back.*

*Keywords: COVID-19, India's economy, Tourism Sector, Hospitality Sector, Agriculture*

### **Introduction**

The purpose of this article is to assess the immediate and far-reaching consequences of COVID-19 on India's economy. The impact of COVID-19 on the Indian economy, both now and in the future, is an important question. With the use of a decision tree methodology, we have been able to assess the impact. We accounted for a wide range of scenarios while

estimating the financial impact. The 'best case,' 'average case,' and 'worst case' scenarios described here follow the standard format often used in this setting (Hyndman & Athanasopoulos, 2018). The majority of projections allow for a scenario framework in which the economic recovery is either robust, moderate, or feeble, according to the three main options. Since the economy of India is linked to that of the rest of the globe, it was important to determine how this might affect other countries. In the paper, the method for estimating the impact on the Indian economy is outlined in the assessment section. Experts in the local economy have been contacted, as have the reports of famous financial experts from throughout the globe. It was the policy's preference that agency research citations be used rather than those of individual writers. Studies backed by an organisation have higher weight. The impact was measured using a battery of standard economic metrics, including GDP growth rate, inflation, unemployment rate, interest rate, and industrial output. The article's primary results are current and future projections of these economic indicators. Each economic indicator is examined, and then they are supplied and debated. Both of these have been combined into one before the last paragraph. The last section includes some suggestions for further work. Since the COVID-19 pandemic began, economists everywhere have been in a mad dash to anticipate the worst possible outcomes for the world economy. With each day that passes, the forecasts portray a more worse picture. U.N. forecasts for global economic growth in 2020 were revised downward, from 2.5% to 1%. (The Economic Times, 2020c). Estimates put the whole impact as 3.5%. It is estimated that in 2017, the size of the global economy was \$80 trillion (Figure ).



FigureWorldGDP,2017

Source:Howmuch.net(2018).

Table Global Economic Forecast of Some Leading Agencies

Sr. No.	Agency	Date of Report	Forecast
1	Goldman Sachs(2020)a	20March2020	USGDP-2%in2Q,arecorddrop
2	Deutsche Bank(2020)a	18March2020	The worst global recessionsince World WarII
3	JPMorgan(2020)a	12March2020	The United States and Europe will be hit by recession in July.
4	Bank of America(2020)a	19March2020	We are currently experiencing a recession in the United States.
5	Pacific Investment Management(2020)a	16March2020	Inevitable recession
6	Morgan Stanley(2020)a	17March2020	Basecaseisa global recession
7	UBS(2020)a	19March2020	Deep recession by July

Source: *Business Insider*(2020b).

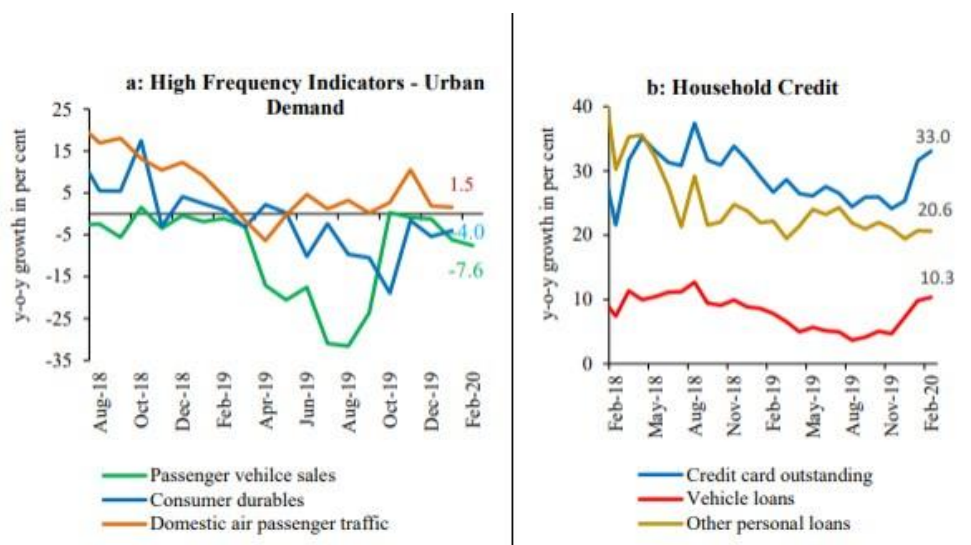
Note:<sup>a</sup>Ascitedin *Business Insider*(2020a).

A drop of 3.5% in world GDP is a loss of \$2.8 trillion, or the entire GDP of India in fiscal years 2018-2019. (India Today, 2019). The economic depression's domino effect has started to take hold. Everything seems to be falling into place as consumption, demand, pricing, supply, job cuts, spending cuts, and consumption all fall to lower levels. Recent forecasts from some of the world's greatest minds on the bleak future of the global economy are included in Table

**Objective of Paper**

- Discuss about **Impact of Covid-19 On Indian Economy**
- Discuss about The Banking And Corporate Sectors, Tourism Sector, Aviation and Travel sector, Real Estate and Construction sector etc.
- Discuss about Packages to different sector
- Discuss about The Economic and Governmental Emergency Response to COVID-19 in India

**Impact of Covid-19 On Indian Economy**



A 7.3% decline in GDP was recorded by the Indian government between April and June of the current fiscal year. Since the government began collecting this data in 1996, this is the greatest quarterly drop in GDP. An estimated ten million migrant labourers went back to their home countries in 2020, the year the lockdown was implemented. It was startling, however, to see that neither state nor federal officials had collected information on the migrant labourers who could have been killed or left without employment as a consequence of the lockdown. To aid second-wave corona migrants who had returned to their home countries, the government did more than merely build up a computerised central database system. Covid-19 wave 2 has highlighted and exacerbated dangers to India's economy. During the lockdown period, the \$2.9 trillion Indian economy was completely shut down, including the provision of necessities. During the shutdown, business slowed dramatically as stores, restaurants, factories, and transportation hubs shut down. The worldwide pandemic has had the greatest impact on uncontrolled markets. If India's unofficial economy is also taken into account, the country's GDP might contract by as much as 8% in the months of April, May, and June. **(Chaudhary, P. R, & Das, 2020)**

Private consumption and investment may have had a significant role in driving India's economic growth. The agriculture industry was the only one to avoid losses. When the second wave hit, the Indian economy was already in a bad condition. Covid-19 occurs at the same time as the humanitarian catastrophe and government indifference, bringing to light and worsening existing economic disparities in India. Over the next four quarters, the economy is projected to continue to contract, raising the probability of a recession. The gross domestic product of India is expected to fall this year, according to economic forecasts. The unemployment rate is expected to increase from 7.9% to 12% between April and June of 2021, according to the Centre For Monitoring Indian Economy. As a consequence of the recent economic downturn, many small and medium-sized businesses (SMEs) are going out of business. **(Sahoo, Mukunda , & Sahoo, 2020)**

The best way out of this jam would be for the government to step in with a massive injection of cash on the order of billions of dollars. After the unexpected breakdown at the hub, GDP growth plummeted by 23.9%. India's GDP shrank by 7.3% in the 2020-21 fiscal year. In the decades following India's independence, this has been the worst year by far. In 2019, India's GDP growth might be lower than 10%. During the 2020-21 fiscal year, the federal government is expected to bring in 20 trillion rupees in gross tax revenue (GTR), and 14 trillion rupees in net tax revenue, according to projections made by the Controller General of Accounts Data. Revenue from taxes is expected to increase by 12.0% to a total of 22.7 trillion rupees and a net of 15.8 trillion in the next fiscal year of 2020-21. This would mean that the central government will get an extra Rs. 0.35,000 crores in tax income over and above what was originally projected. Capital gains from sources other than taxation may be the single largest source of deficit funding. **(Mallya, 2020)**

### **Hospitality Sector**

As a consequence of numerous states adopting localised lockdowns, the hotel sector risks a repetition of the year 2020. The hospitality business includes eating and drinking enterprises such as restaurants, hotels, bed and breakfasts, taverns, and nightclubs. This industry has been

a major contributor to India's yearly GDP, but it has been hit hard by the restrictions and curfews enforced by the states. (Singh, 2020)

### **Tourism Sector**

Inextricably intertwined are the travel and hotel industries. The industry that provides jobs for millions of Indians began to recover after the first wave, but the covid were back for round two of destruction. Nearly 7% of India's GDP comes from the tourist industry. It includes not only conventional hotels, but also B&Bs, inns, and motels. Travel and tourism have been hit particularly hard by the limitations brought on by the second wave; these industries were already reeling from the losses they sustained in 2020. (John, 2020)

### **Aviation and Travel sector**

During the pandemic's second wave, aviation and other businesses had a very hard time operating. As a result, the tourism industry since a whole is suffering as individuals are too afraid to leave their houses. If individuals choose to forego such services in the future, the airline industry and the tourism industry as a whole will have a hard time getting back on their feet. The aviation and tourism industry as a whole does not have a bright future ahead of it right now. (Misra U. , 2020)

### **Real Estate and Construction sector**

During the second wave, many migrant workers left urban areas, creating a shortage of workers in the construction and real estate industries. As of the year 2020, the situation in this area is not catastrophic.

### **The BankingAnd CorporateSectors**

The financial sector is one component of the economy that must step up during times of crisis in order to ease stress on the real economy. Businesses, consumers, and other participants in the economy need continued access to credit if they are to weather the present economic storm. As the stock market continues to reach new lows, most firms will turn to banks for financial intermediation. Banks must take steps to remedy the current economic crisis. It's vital to underline the role that banks play in the debt market as well, given their standing as financial institutions. On the other hand, the Indian economy is in shambles. Non-performing assets on bank balance sheets have been a substantial source of loss for financial institutions, especially those in the public sector. Because of problems in the banking sector, credit growth has slowed, and by the time the pandemic hit India, the debt markets, which play a crucial role in the framework of financial intermediation, were already suffering. This scenario has the potential to create a bottleneck as the Indian economy tries to adapt to this unanticipated issue. Twin Balance Sheet (TBS) concerns have been putting pressure on India's banking and commercial sectors for a while now. (Sengupta & Vardhan, 2017)

### **Changes Due To COVID-19**

Consequently, India has made modifications, such as establishing backup procedures in case the number of patients rises more quickly than anticipated. The facility went from having 30,000 beds to 40,000 beds thanks to the addition of these sterile isolation units. One "COVID fighter" was assigned to every 250 residents, and this ratio formed the basis of the government's monitoring programme. There are 15,896,093 people who have been designated at the municipal, district, and state levels as volunteers, veterans, homoeopathic

and ayurvedic practitioners, medical students, instructors, doctors (including retired physicians), and others to take different measures against COVID-19. When there are more medical facilities and professionals available, more people can get the care they need. When for-profit hospitals started becoming more engaged in medical care, the need for PPE skyrocketed. **(India, 2020)**

### **The Economic and Governmental Emergency Response to COVID-19**

There are now jobs for 80.9% of the working-age population in five South Asian countries, but India's informal sector is the most precarious. 27 The service sector, which accounts for 54 percent of India's gross domestic product, was hit the worst. There were about 122 million job losses in India in April of 2020 due to the COVID-19 countrywide shutdown. Almost three-quarters, or 91 million individuals, were low-wage workers earning only a few dollars a day. Approximately one hundred million individuals in India might lose their jobs as a result of the COVID-19 lockdown period ending soon. 28 The situation might become much worse, since many of these jobs may be removed altogether if companies decide that machines and online markets are more reliable than human labour. The norm of "work from home" has been institutionalised in many companies as a result of a reduction in the number of employees. After all, this serves two purposes at once: it reduces the need for costly infrastructure while facilitating more effective administration with a smaller staff. The already fragile Indian economy seems to be pushed to its limits as growth rates plunge into the red. Several commercial sectors are on the edge of collapse and cannot survive without government intervention. Nearly 80% of Indian enterprises have encountered a serious financial constraint, and over half have had issues with their operations. **(Misra , 2021)**

The government is desperately debating the options that can stimulate the economy without endangering the lives of the people of the country. If things don't turn around economically, poverty in India will explode, and famine might spread over the world. The inhabitants' safety is at risk, though, if normalcy is restored by whatever means required. The potential breakdown of the medical system is an additional difficulty. No matter what you decide to do, it will be rather costly. It's important for both parties to make concessions here. Since eradicating COVID-19 entirely seems unlikely, attention has switched to lessening deaths and minimising dangers caused by the virus. Over ten million low-wage employees in India recently took to the streets and started the long journey back to their villages from the urban centres, bringing with them illness, despair, and dashed hopes for a better life. Governments are unable to stop lawbreakers like this from carrying out their criminal acts. When someone is already homeless, out of work, and trying to support a family back home, it may be too late to take preventative steps like isolating themselves from society. Getting out of this jam is going to be difficult. The "Self-reliant India Mission" programme initiated by the central government and supported by a Rs.20 trillion emergency rescue package has contributed to the economy's gradual recovery. Even more money is required to get things back to the way they were in India before the COVID-19 epidemic. **(Golechha , 2020)**

### **Monetary policy**

The framework for inflation targeting (IT) was developed specifically for use in emergency situations. To better respond to economic downturns, monetary policy is aided by IT's ability to stabilise inflation expectations. For this reason, efforts should be made to preserve and, preferably, enhance the reliability of this system. Accurately anticipating future inflation rates is crucial. Monetary policy should be framed within this framework to ensure the public that the RBI is vigilant in its pursuit of this vital goal and that errors of the past will not be repeated. The MPC must exercise caution since rate adjustments in India tend to take longer to percolate through the economy. For instance, it can take monetary easing a year to have a noticeable impact, by which time the issue might be solved and inflation might have returned, necessitating harsh measures to drive it back down. Rather than being a theoretical possibility, this really happened between 2009 and 2013. (Khera, 2020)

### **Analysis of Policies Announced**

This "Pradhan Mantri Garib Kalyan Yojana" has several moving pieces. Each person will get an additional 5 kilogrammes of wheat or rice per month for three months, and each household will receive an extra kilogramme of pulses. Ujjwala participants may be eligible for a three-month supply of free LPG; Poor retirees, single mothers, and the physically impaired would each get Rs.1000 as a gift from the government; Granting women's self-help organisations collateral-free loans of Rs.20 lakh; In 10 days, 87 million farmers will get Rs.2,000 under the PM Kisan Yojana; The minimum salary for MGNREGA workers has been raised to Rs.202 from Rs.182, and for the next three months, 200 million women who have opened Jan Dhan accounts will get a monthly payment of Rs.500. To companies with less than one hundred workers, the government provides EPF payments; The construction workers' welfare fund of Rs.31 crore will be used by the states; district mineral money will be used by the states for healthcare initiatives; and loans of 75% or 3 months' salary from the PF account would be non-refundable.

### **Atmanirbhar Package**

Finance Minister launched the "Atmanirbhar (self-sufficient) package" in the middle of May. It entailed (i) changes to the monetary system, (ii) changes to the fiscal system, and (iii) changes to the economic system. Budgetary acts like renaming current programmes, boosting money for existing programmes, and launching new initiatives are often part of policies that aim to help those on lower incomes. The Food Corporation of India will be releasing food to the public straight from its warehouses, with a value of Rs. 35 billion (\$490 million) (FCI). (RBI, 2020)

### **Package for Agriculture**

The following agricultural policies were announced in May of 2020 as part of the government's "Atmanirbhar" package. One trillion rupees will be made available from the Agri Infrastructure Fund to farmers so they may upgrade their farm-gate infrastructure. Twenty billion rupees (\$400 million) have been set aside under the Pradhan Mantri Matsya Samparda Yojana to assist fishermen. System to Legalize Small Food Businesses Worth 10 Billion Rupees The Investment of One Billion and Five Hundred Million Rupees Into the Development of the Livestock Industry Foot and Mouth Disease (FMD) and Brucellosis Control within the National Animal Disease Control Programme of Rs.13,343 cr,

while Herbal Cultivation has been allocated 4,000 cr, beekeeping projects have been allocated 500 cr, and supply chains for all fruits and vegetables have been allocated 500 cr. Developments in Agricultural Technology Price and Quality Guarantees for Agricultural Products: To ensure farmers can deal with middlemen like processors, aggregators, big box stores, exporters, etc. in an open and honest manner, a favourable legal framework will be drafted. The focus of these changes is on contract farming. The agricultural sector is benefiting from a favourable policy package that includes reforms. In the past several decades, individuals have been pushing for these kind of changes. The administration has proposed new laws that would require the implementation of the new policies. Nonetheless, the finances and changes for infrastructure development are beneficial in the long term, though not immediately helpful. (Sengupta R. , 2020)

## Conclusion

In the history of India, there has never been a threat quite like that posed by Covid-19. Lockdowns and other types of social isolation are having a significant effect on society, which is not surprising when one considers how dependent the economy is on undocumented workers. This is because there are an extremely large number of people living in the world today. The problem has been identified at the state and federal levels, and measures have been enacted; nonetheless, this should not be considered the conclusion of the conversation about the issue. If anything, the economic impact will probably become worse over the course of time. Concerning the level of demand, the government must come up with a solution that strikes a balance between assisting people who are in need and preventing a financial disaster. The current deal appears to make sense, but the government should look at additional methods to boost income for families who are struggling to make ends meet. It is possible that it will be helpful to include state and local governments in any future financial efforts. If policymakers want to reduce the effect of the shock on both the formal and informal sectors and pave the path for a durable recovery, they must be prepared to step up their reaction as the events that are transpiring unfold. In addition, in order to safeguard the economy, they should make certain that the proposed solutions are grounded on a framework that is governed by laws and that discretion is stringently regulated.

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