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IMPACT OF COVID-19 ON INDIAN ECONOMY

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Abstract

COVID 19 pandemic and consequent lockdown in India have hit various sectors, including MSME, Hospitality, Civil aviation, Agriculture and allied sector. Covid-19 has changed the world, much like the Great Depression, the bubble of the internet, and the monetary problems of 2008. The investigation in the forefront of the thinking of everyone is: 'Are things to become typical? This paper discusses about The effect on the Indian economy of COVID 19.

Keywords: *COVID 19, pandemic, economy, lockdown, MSME;*

INTRODUCTION

Just before COVID-19 hit the world, some people expected a recession, but the global economic performance was achieved. Big domestic product figures have discovered that many developed economy countries peaked in 2017, with the United States a special case, as growth has been sponsored up to 2018.

Amid real money measures, the value assets group, in particular, resist the reality and with swelling valuations, made new lifetime peaks. The pandemic broke this hallucination the same number of creating markets slammed saw monstrous portfolio surges which brought about extreme devaluation of nearby monetary forms against greenback along these lines upgrading the expense of adjusting their dollar-designated obligation.

Table 1: GDP growth rate of different countries

Country	GDP growth % in 2017	2018	2019
USA	2.4	2.9	2.3
Germany	2.8	1.5	0.60
UK	1.9	1.3	1.4
China	6.9	6.7	6.1
India	6.5	6.7	5.3

[Source: Wikipedia]

Probably, if the world economy slows down, at its usual pace, no emerging economy can grow. In

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addition, there were difficulties in the Indian economy and the COVID-19 worsened the difficulties.

Yes, the GDP of India decreased predictably after a topping in Q4 2018, 7.9 to 4.5 in Q2 2020. India was in decline. The business faced problems of demand, as companies refused to accept capex plans, a shortage of workforce and consistently low fares for some time.

The pandemic caused the economy to rebound about 35 percent in March when each geographical limit in the world was shut down due to a lock-out. The effect of the falling economy was enhanced. Therefore, going forward, a top dog will survive those individual economic divisions.

For example, a portion of autos which accounts for some 10 % of GDP and employs about 40 million people has declined steadily, with declining deals on a quarterly basis. Current figures published by SIAM suggest that in January 2019 business will plunge by two decades. Additional usage is likely to achieve a hit for two to three quarters when pay is locked down and lost. To several car firms, it may also pose a major challenge to maintain the workforce in a period of deep recession.

Before the pandemic, the IL&FS, DHFL, and Yes Bank disasters faced big problems in the banking and financial services sectors. Private banks, NBFC and even microfinance institutes that have built their retail credit book with vigor may be extremely relevant if they see drastic cuts, no matter how you see them. I addition, because these improvements are full unbound, a large number of defaults can occur on th MFI side in particular and can also cause the middle-and-littler NBFC to collapse.

A portion of the modern age is forced to close computerized digital financial firms that have effectively opened up the cash tap to trap young people at large credit costs. Within 3 – a half years, if financial action returns (ideally), greater clarity should grow in such a way. In the future, credit decline for many quarters may be small as organizations, due to the unstable interest and uncertain worldwide condition, develop their capex concepts.

ITs that are significantly important in the Indian economy cannot remain crisis free because it protects a large proportion of its European and North American companies that are severely affected by COVID-19. You will see reduced orders for BFSI and other travel-related companies, such as grocery, avionics and others, which could suffer significantly. However, if the de-globalization or position of companies gaining ground in the wake of COVID is addressed, this section would be the first to be seriously affected by job losses.

NEED OF THE STUDY

We have been considering, in the same way as other have, what crucial changes will happen in how individuals, organizations, and economies work. The up and coming time will be troublesome. Numerous organizations will suffer; some may even bite the dust. Be that as it may, similarly as with financial difficulties of the past, new businesses will rise carrying with it recharged any desire for recuperation. In the long run, things will return to typical.

OBJECTIVES OF THE STUDY

The main objectives of this paper are as follows –

- To assess the impact of Covid -19 on Indian economy.
- To examine the influences of Indian economy.

DATA COLLECTION

The present study is an exploratory analysis, so with reference to it data was collected from internet, related websites, and research articles and reviewed to find out key insights.

LIMITATIONS OF STUDY

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This study is based on the availability of data on internet so facts and figures may vary as COVID 19 is ongoing not overcome.

REVIEW OF LITERATURE

the economic consequences of the pandemic of corona virus in India in 2019–20 was extremely disturbing. The World Bank and assessment bodies of the FICO reduced India's currency production for 2021. Three decades after India's 1990's economic growth, India has found the lowest figures. [1][2] Former CEO of the Indian government announced that India will follow the FY21's opposite growth rate and that the state would need an investment of 710 lakh crore to resolve the contraction. [3][4].

In the first 21-days of full lockdown, which took place after the outbreak of the coronavirus [8][9], the Indian economy is constantly forced to lose 32,000 crore (US$ 4.5 billion)[9] not exactly one fourth of India's $2.8 trillion economy is operational under complete lockdown[11]. [11] Supply chains were worried about the establishment of locks; there was initially no lucidity in lightening what is and does not constitute a "simple." [12] the most susceptible are casual splitters as well as daily wage classes. [13] There is also an uncertainty among a huge number of farmers throughout the country who develop perishables.[12] For example a number of companies are cutting their wages and dismissing their employees,[14].

Significant companies in India have, for instance, briefly suspended or effectively reduced activities Bharat Forge, Ultra Tech Cement, Gasim Industries, Aditya Birla and Tata Motor in India, among other places. As funding fell, young new businesses were affected. [15][16] Country's fast-moving buyer-goods companies have significantly reduced business activities and focus on basics. Thanks to the pandemic, for example, transport of Dassault Rafale contending aircraft, some opposition postponed. The most pronounced losses in Indian finance exchanges occurred on 23 March 2020.[17] Moreover, SENSEX and NIPTY, with a total of 4,7 lakh crore (USD 66 billion) of speculators, declared their greatest benefit for 11 years on 25 March one day after 21 day's lockdown.

The Indian Government has introduced a set of steps, from food security and additional health facilities to the separation of associated impulses and evaluation of time-cutting expansions, in order to cope with the crisis. On 26 March, a total of 170,000 crore (US$24 billion) is declared for the needy. The Reserve Bank of India also reported on 27 March various estimates that would make the country's financial system available at 374,000 crore (US$ 52 billion). The government authorized the generation, during lock-downs, on 29 March of both essential and non-essential goods [19]. On 3 April the Focal Government allocated 28.379 crore (US$ 4.0 trillion) of additional corona virus funds to the nations. India was sponsored to combat the pandemic Outbreak by the World Bank and the Asian Development Bank.

TEDIOUS ROAD AHEAD FOR TRAVEL & TOURISM AND ENTERTAINMENT

In response to the postponement or cancelation of all major domestic pandemic activities , Events and Entertainment Management Association (EEMA) has sought assistance for its 60 million employees. The sector has a significant number of daily pay blue collared workers whose survival is threatened by the country's national shutdown.

This isn't behind the famous film industry. Both big releases and film shootings were stopped. In the next two to three months, the Indian film industry will possibly face a loss of around INR200–250 crores.

With social distancing being a norm, travel, tourism and entertainment will not recover in the immediate future at least for the next few months. In addition, the

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situation would be aggravated by unemployment and falling income levels.

Automotive sector is facing tremendous decline of sales owing to global supply chain instability. It is estimates that production has decreased by about 240000 units in passenger vehicles alone (~10% of total annual production). The industry loses an average of more than INR2, 300 crores of revenue each day of the loss in production for an additional INR48, 700 crores over 21 days (~2 per cent of total revenues for the automotive industry).

After the lockout has been lifted, there will be a delay of around 35 percent -40% of customers in buying their cars for the next six months (until September 2020).Therefore it has been projected that by 2020 the total revenues of light-duty and motorcycles would be ~4.2 billion.

The global outbreak of the pandemic disrupted the supply chain with a whiplash effect. In India, car factories depend heavily on car parts imported from countries impacted by COVID-19 including China, Germany and South Korea. This factor also has a negative effect on production.

Low asset utilization rate in logistics and ports

Despite the lockout limited to residents and passengers, sales affected the trains, taxis, airlines and cabins in the transport sector.

The government has adopted various measures to ensure rapid freight movement across the country in essential commodities. However, players in the logistics sector are having difficulty in meeting service needs as supply chains have been disrupted across industries. In addition, factory output has drastically decreased and fewer lorries are on the route. Last-mile storage and distribution are also suffering because of the unavailability of the employees.

When export import trade dropped, operations in seaports stopped. The business also has problems of low custom clearance, incapacity for clearing and ship agents (C&F) to bring the required cargo from port to CFS / ICD and long-term manual cooling and de-filling of a container and documentation / cargo handling.

Rail freight is impacted as production and supplies of significant quantities of bulk cargo goods (such as coal imported into China's steel mills or iron ore shipped by rail to different ports in India) are limited.

Road freight: The IFTRT says ~50% of the 50 lakh trucks are not on the road, because drivers are unavailable and they fear that they will be crippled because road services are not available (restaurants, repair shops).

The sector would be affected on a long-term basis as revenues would decrease because of the poor use of the assets. In these enterprises, cash flows and working capital of companies remain strained too.

FMCG and war-fought retail players, food and institutional businesses

Since the national lockdown has been imposed, FMCG companies and retailers have faced the challenges of three interconnected issues in particular: an increased demand and inventory depletion, reduced workforce and the disruptive supply chain.

Supermarket shelves were emptied quicker than could be replenished by panic-induced packaging. Traditional and new supermarkets alike suffered the brunt of trying to cut operating days, curtail the purchase of vital products (such as food, milk, meat and, in certain instances, even closure for a few days) for the likes of DMart, Major Bazaar and Nature's Basket. Neither have major brick & mortar companies, nor Amazon and Flipkart's e-commerce transactions been spared.

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With retailers struggling to order, innovative models of delivery emerge. Examples of these include Big Basket and Flipkart ties Uber and Swiggy to supply the critical goods in the last kilometer, Zomato's Zomato Market Service to procure food from grocery shops, and ITC's collaborating with Domino's Pizza to distribute Aashirvaad's spice and household brand.

The lockout forced workers to move to their homes in rural areas, resulting in jobs becoming scarce and supply chains disintegrating. To contain its impact, some retailers (GROFERS and Spencer's Retail) use the reverse supply chain mechanism to pick up their goods from distribution centers by sending their own trucks and employees, while others (DMart and Métro Cash & Carry) offer employees additional incentives (INR400–500 per day).

FMCG’s decision to restart the manufacture of critical products for selected plants, such as HUL, Godrej and ITC while at reduced utilization levels, is welcome. They must, however, prepare better to deal with medium-term issues.

Travel and leisure constraints have unleashed havoc on these FMCG firms' bulk of retail revenue and food services.

Way Forward: Implications for Companies

The pandemic has devastated economies and forced businesses to reassess their plans. Companies will have to build their financial muscle to move the uncertain business environment forward by building a lean structure.

Together with its high intensity and long duration, the global character of the outbreak is expected to change the business environment through a shift in trade flows, investment and consumption patterns. Therefore, a comprehensive action and recovery plan should be developed in order to alleviate risks and address the key challenges.

Economic Situation

A certain measure of the impact of COVID-19 shutdowns on work was indicated in India by up to 53 percent of businesses (FICCI).[11] For example various businesses cut and lay off wages and employees.[14] By 24 April, the jobs rate grew by almost 19% a month and in the first half of the year, hit 26% of the unemployment level in all of India. In contrast to the previous year, over 45 percent of family units in the country have registered a decrease in salaries.

The industry has in live circumstances suffered an estimated 3000 crore loss (USD 420 million). [14] Specific youthful enterprises were affected by the decrease in funding,[15] a 45% decrease in the entire development process (Series A round) compared to the fourth cycle of 2019 in the Data Labs study. [16] The KPMG study reveals that new investment in Indian companies has decreased over half in the first quarter of 2020 compared to the fourth quarter of 2019.

Raghuram Rajan, Indian Reserve Bank’s ex-Chef stated on 4 April that the corona virus in India the pandemic could just be "the greatest independence crisis"." India was said to be ready for negative growth by FY21 and India will need a 720 lakh crore growth (10 billion dollars) to prevent pensions.

Results and Discussion

Many businesses in their organizations are adopting steps to confirm that employee distress is reserved to a minimum. According to MotoCorp, the video town hall meetings were led, the Tata Group established a task force to increase the viability of telecommuting and the Siemens Task Force also provides information on the overall circumstances of COVID-19.

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Indices: S&P BSE 500 (1 January 2015 to 9 May 2020)

Estimate of economic losses

It is estimated that the India economy will lose over 31,000 crore (US$ 4.5 billion) a day for the first 21 days of the lockout, according to the credit rating agency approved by Acute Ratings[8]. The cost of the first 21 days of the lockdown and the last two days will amount to approximately 8.5 lakh crore[9] Barclays said.

On March 27, Investors Service Moody reduced its estimate of GDP growth for India from 5.3 to 2.5 percent by 2020. Fitch Ratings has revised India's growth forecast to 2%. Therefore, the FY 21 projection has been reduced to 3.6% by ratings and analysis from India. [1] A report of the World Bank on 12 April 2020 focusing on South Asia said that India's economic percentages will become between 1.5% and 2.8% for fiscal 21.[1] In the next 30 years, this is going to be India's least growth[2]. India's GDP for FY 21 has been forecast at between 0.9% and 1.5% by the Confederation of Indian Industry (CII). The former CEO of the Government of India announced on 28 April 2014 In the financial year 2021 India will be expecting a negative growth rate. [4] [4] [4]

Therefore, the Indian Confederation was already looking for a 1 % increase in India's 2 lakh-crore GDP (28 billion US dollars). (The fiscal package and the fiscal policy strategy are being compared to other nations, including Germany, Brazil and Japan. Jefferie Group predicted that the government will invest 1.3 lakh crore (18 billion dollars) on corona-virus. At least 2, 15 lakh crore (30 trillion US dollars) are to be invested by economists of Bloomberg. Arvind Subramanian, former CEA said India needed a US$ 10 trillion (720 lakh crore) stimulus. [4]

Conclusion

The losses for the tourism industry for March and April alone are expected to be 15,000 crores (USD 2, 1 billion). A large part of the tourism workforce in the country is projected to be unemployed by CII, ASSOCHAM and FAITH. For the next 2-3 trimesters at least, tourism that accounts for approximately 9% of GDP may decimal. Another major impact will be the aircraft which contributes approximadamente

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2.4% to GDP. 42, 7 million people are employed in these industries.

While online companies will now experience problems due to a graceful demand for chains, the opinion and practice of social elimination will grow among the pair of recipients following the pandemic.

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