

Impact of COVID-19 on Indian Economy

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Abstract - The COVID -19 virus which initially started in China and later World Health Organization (WHO) Announced COVID -19 as global health crisis on 11th March 2020. This global pandemic had a vast impact on the economy of India. The Indian economy was in its worst phase even before the coronavirus outbreak. This year is also considered as the slowest growth in at least eight year. The lockdown phase further has its long-term impact on the Indian economy. In this paper we will describe the Indian economic breakdown and various steps taken by the government and Reserve Bank of India (RBI).

Keywords: COVID -19, Indian economy, pandemic, Indian Sectors, Coronavirus

1. INTRODUCTION

As of September 16, 2020, we are in the unlock stage now, this unlock is done in order to repair our economy on the other hand India is standing second in the world for the number of COVID -19 cases. To prevent the outburst of coronavirus it is important to maintain safe distance from one another, wearing mask in public places is very essential. To stop the stretch of the disease it requires the economy to stop its normal functioning.

Firstly, World Health Organization (WHO) defines pandemic as "the worldwide spread of a new disease". COVID -19 is not only one pandemic that the world is fighting there have been many diseases earlier we'll go through some of the pandemics.

1. 1981- HIV:

Since the beginning of 1980s, an approximate number of 32 million people have lost their lives due to HIV. By the end of 2018, around 37.9 million people were living with HIV.

2. 2009-2010:H1N1 Swine Flu

Between 2009-2010 April, the swine flu pandemic affected an estimated half a billion people. An approximate of 274,300 patients were hospitalized with around 12,400 deaths.

3. 1961-1975: Cholera

Over two centuries, cholera has appeared as a pandemic seven times. 1961-1975 was the seventh one. By 1973 the outbreak also reached where cholera never reached earlier such as Latin America which had not experienced cholera for 100 years.

4. 1918: Spanish Flu:

Spanish Flu was detected in United States military personnel. In the span of 2 years which is from January 1918 to December 1920, the virus appeared to have transmitted from birds to human. An approximate of 50 million people worldwide lost their lives out of which 675000 people alone from U.S.

The first COVID positive case in India was detected on 30th January 2020 in Thrissur district of Kerala. The first positive person was a student at Wuhan University, China who had come home for a vacation. From January 2020 to the time of writing this paper (16th September 2020) India stands second in the world with 5,060,818 confirmed cases after United States of America. The daily new cases in India are around 85000-92000. According, to the Hindustan time's report which is published online on 31st August, India is the first country worldwide to have hit around 80,000 new cases of COVID in a single day. Below the Chart 1 shows the growth in the COVID cases in India from February 2020 to September 2020 and Chart 2 shows the daily new cases that are reported.

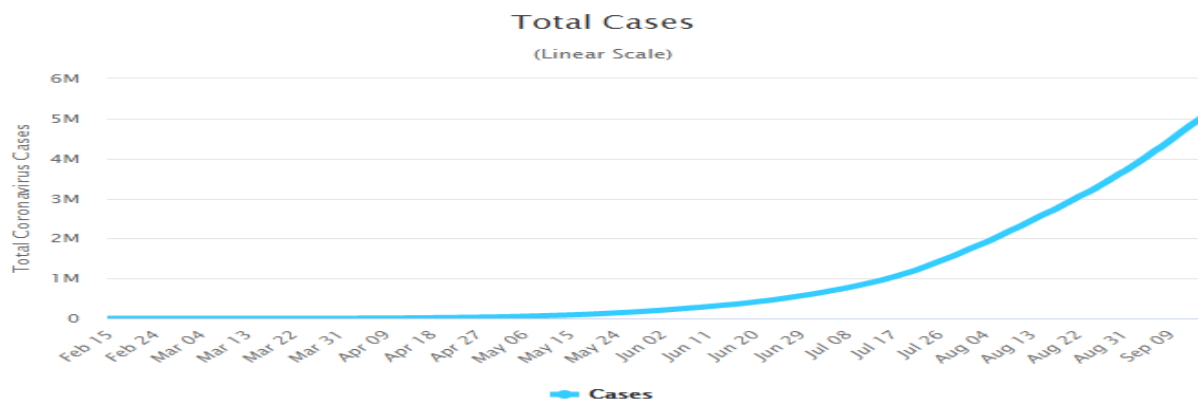


Chart 1: Total increase in cases month wise in India

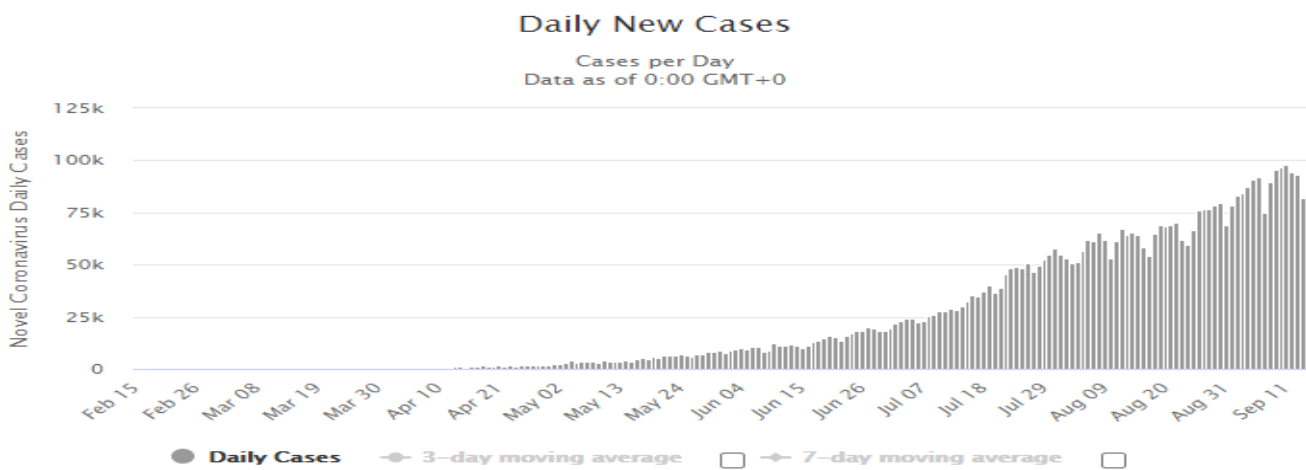


Chart 2: Daily New Cases in India

With the unlock 3.0, life in India is getting to the new normal with mask and social distancing being the mandatory rules that are to be followed everywhere around the country. Since everyone is waiting for the

COVID vaccine union health minister said the vaccine will be developed early next year, However Serum vaccine of India chief executive Adar Poonawalla told the financial times, “It’s going to take four to five years for everyone to get the vaccine on this planet”.

COVID pandemic has affected our economy in many ways, one bigger and long-term crisis of COVID will be unemployment. Estimations show that almost 80 percent of jobs are affected in the urban economy, majority of which are self-employed, and 54 percent of jobs are affected in the rural economy.

2. UNDERSTANDING THE INDIAN ECONOMY

First, we start by understanding how our economy is divided into three sectors:

1. **Primary Sector:** In Primary sector of economy, activities are undertaken by directly using natural resources. Agriculture, Fishing, Forestry, Dairy, Mining etc. are some examples of this sector. It is called so because it is the base for all other products. Since most of the natural products we get are from agriculture, dairy, forestry, fishing, it is also called Agriculture and allied sector. People who work in primary activities are also known as red-collar workers due to the outdoor nature of their work.
2. **Secondary Sector:** It includes the industries where finished products are made from natural materials produced from the primary sector. Industrial production, cotton fabric, sugar cane production etc. activities comes under this sector. Hence, it’s the part of a country’s economy that manufactures goods, rather than producing raw

materials. Since this sector consists of involvement with different kinds of industries, it is also called industrial sector. People who work in secondary sector are known as blue-collar workers, examples of manufacturing sector: Small workshops producing pots, artisan production. Mills producing textiles, Factories producing steel, chemicals, plastic, car. Food production such as brewing plants, and food processing. Oil refinery.

3. **Tertiary Sector/Service Sector:** This sector’s activities help in the development of the primary and secondary sectors. By itself, economic activities in tertiary sector do not produce a goods but they are an aid or a support for the production. Goods transported by trucks or trains, banking, insurance, finance etc. come under the sector. It provides the value addition to a product same as secondary sector. This sector jobs are called white collar jobs.

Understanding how our economy gets it funds with the help of an example:

If a person (consumer) wants to buy a mobile phone he/she visits the nearest mobile store and pays the amount for the phone.

The Retailer (Business) gets the profit by selling the phone then the business pays the tax to the Indian government.

This tax is the revenue to our government which also contributes to the GDP.

So, during the nation-wide lockdown there was very less consumption of secondary things (Electronics, Clothes, etc...) and major consumption of essentials (Dairy, Ration, Medical, etc..) which do not contribute more to the government.

3. AFFECTING THE NATION'S ECONOMY

COVID -19 has been the major factor for disruption for the Indian economy. According to the ministry of statistics India, the fourth quarter of year 2020 went down by 3.1%. The government of India stated the main reason behind the fall is SARS-Cov-2. The high capital businesses are experiencing a lot of pressure economically and the small capital businesses are suffering to sustain in the market. The country was already experiencing a slowdown economically before the pandemic started and this pandemic has helped in magnifying pre-existing risks present in India’s economic outlook, as said by the World Bank. India's economic growth for the year 2021 is one of the lowest figures India will encounter since 1990s economic liberalization of the country and this was stated by the rating agency before the pandemic started. After the government announced that they will be providing economy packages to help the people during such crisis, due to this India’s GDP is estimated to have a further down fall into the negative figures, signally a severe recession period. Some of the auditing firms have predicted that this could be the India’s worst recession since 1947 which was the year of independence. State Bank of India concluded that there will be 40% fall in India GDP which may vary all over the country depending upon states and sector. Between the time frame of March and April unemployment in nation rose to 26% from 6.7%. Around 140 million citizens have become unemployed during the heavy lockdown in India. The main reason for the downfall of Indian GDP (Gross Domestic Product) is closure of business activities due to the lockdown imposed all over the country. Ministry of Statistics and Programme Implementation showed that India’s Gross Domestic Product had contracted by 23.9% for the April to June quarter. This 23.9% is an estimation on approximate data when we get the actual quality data the condition would be even worse. This is the first time in four decades that India has witnessed such low GDP ratio of 23.9%. It is not only India that is suffering from low GDP this is become a worldwide issue. The figure 3 shows the GDP ratios of some countries.

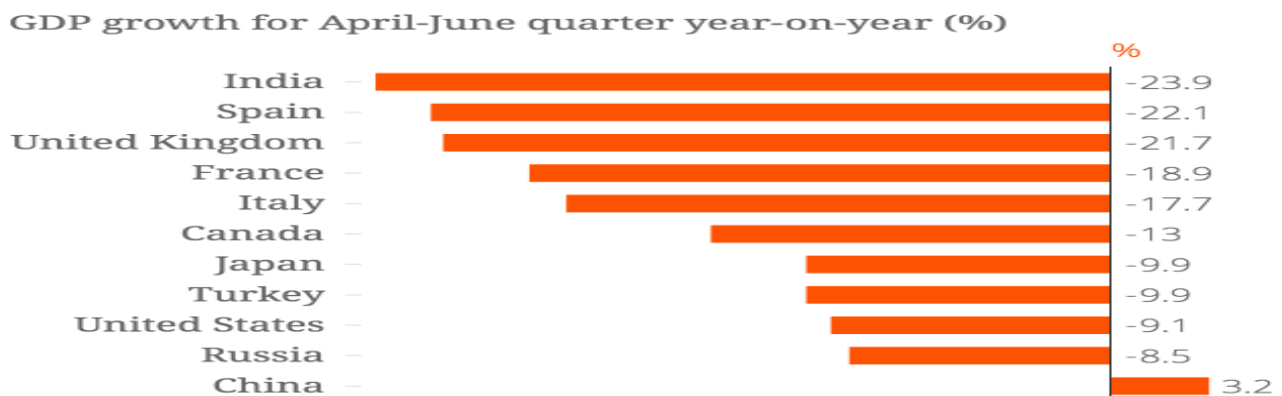


Chart 3: GDP Growth Q2

India GDP growth quarterly year-on-year (%)

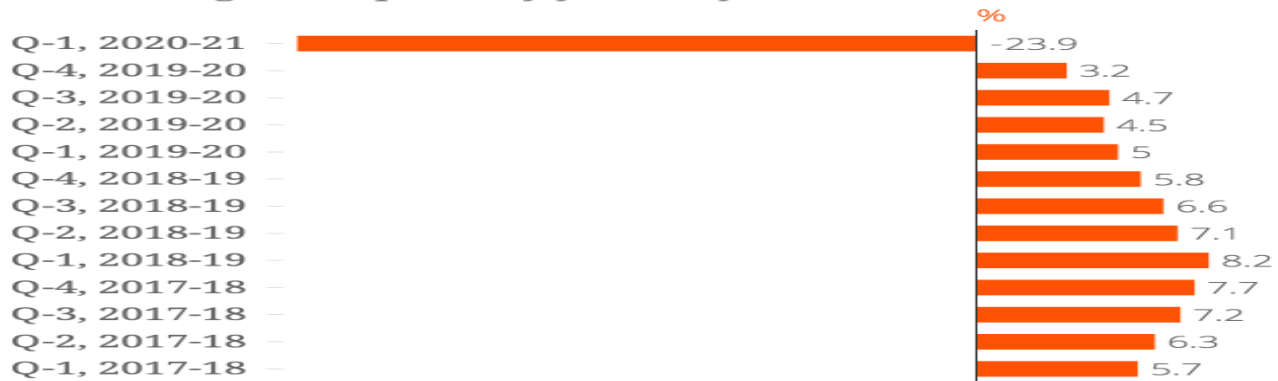


Chart 4: Indian GDP Growth

Due to the rising tension between China and India on borders, India has decided to take some serious steps by cutting down the imports of the Chinese products and also have banned major of the Chinese apps like Tiktok, PUBG, ShareIt etc. because of some suspicious activities happening behind the apps by collecting the user information. Also, the Indian consumers have openly accepted to boycott Chinese product and major percent of the consumers have stopped buying Chinese products and also stopped using apps which are made in China. India is now encouraging Indian manufacturing to come up and start exploring and manufacturing instead of importing products from China. The strict actions that are taken by India, China is losing its major consumer market.

Steps Taken by the government to help people economically:

- Enhanced testing:** Making people aware about the symptoms of coronavirus and how can they themselves understand the level of the virus infection and when they are needed to approach the doctors.
- Arogya setu app:** This app is developed by the Indian government to let people know which area is containment zone.
- Moratorium:** RBI announced that all the banks, housing finance companies and NBFC's can allow moratorium of 3 months to the clients and the moratorium period was further extended to more 3 months which helped many small businesses.

4. CONCLUSION:

COVID pandemic is an unpredictable worldwide emergency which caused a lot of harm to Indian economy. This paper explained how our economy is divided, how COVID is affecting the economy and also what steps are taken by the Indian government to overcome the fall of GDP. The economy will come back to normal only when people follow the government guidelines related to COVID and start adapting the "NEW NORMAL" life after COVID until the vaccine comes into the picture. Also, if India starts manufacturing electronics in India it will help our economy to boost. Indian consumers should prefer buying the MADE IN INDIA products and the consumers should be made aware of all the products. India is also interested in investing in the start-up companies which will help in the growth of Indian economy.

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