

# A Study on Repercussions of Covid-19 on Indian Economy

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**Abstract – The erupt of the Covid-19 pandemic is an exceptional shock to the Indian economy. The economy was by then in a parlous state before Covid-19 struck. With the postponed country-wide lockdown, overall monetary decrease and related interference of interest and supply chains, the economy is most likely going to go up against an all-inclusive season of stoppage. The significance of the financial impact will depend on the range and earnestness of the prosperity crisis, the term of the lockdown and the way wherein the condition spreads out once the lockdown is lifted. In this paper we depict the state of the Indian economy in the pre-Covid-19 period, study the normal impact of the daze on various sections of the economy, take apart the courses of action that have been announced so far by the central government and the Reserve Bank of India to improve the monetary shock and put forth a lot of technique ideas for express territories.**

**Keywords – Repercussions, Covid-19, Indian Economy**

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## INTRODUCTION

We are in an overall Covid-19 pandemic, which is administering two kinds of staggers on countries: a prosperity paralyze and a financial shock. Given the possibility of the disease which is especially irresistible, the ways to deal with contain the spread fuse system exercises, for instance, bother of social eliminating, self-isolation at home, finish of establishments, and public workplaces, impediments on transportability and even lock-down of an entire country. These exercises can provoke frantic consequences for economies all through the planet. Accordingly, convincing control of the disease requires the economy of a country to stop its standard working. This has set off anxieties of a significant and deferred overall decline. On April 9, the head of International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the most discernibly dreadful overall monetary outcome since the Great Depression during the 1930s, with in excess of 170 countries responsible to experience negative per capita GDP improvement in light of the enraged Covid pandemic.<sup>34</sup> The world has seen a couple of sicknesses like the Spanish Flu of 1918, erupt of HIV/AIDS, SARS (Severe Acute Respiratory Syndrome), MERS (Middle East Respiratory Syndrome) and Ebola. Previously, India has expected to oversee ailments like the little pox, plague and polio. These freely have been very limit scenes.

At any rate the Covid-19 what began in China in December 2019 and throughout the span of the

accompanying very few months immediately spread to basically all countries of the world can wind up being the best prosperity crisis in our arrangement of encounters. Various experts have successfully called this a Black Swan event for the overall economy. India recorded the essential case of the infection on January 30, 2020. Starting now and into the foreseeable future the cases have extended reliably and basically. At the hour of making out of this part (July second week, 2020), and as shown in figure 1, India has recorded the third most raised Covid-19 caseload in the world after the United States and Russia with more than 1,000,000 attested cases and more than 25,000 passings .5 The increasing rate has reliably gone up to around 18-22 days (figure 2) and the step by step new asserted cases are around 28,000-30,000. In any case, as exhibited in figure 1 the improvement in unique cases is lower than the advancement in complete cases proposing a for the most part high recovery rate which has continued improving. Also figure 3 shows that, not at all like other impacted countries the amount of step by step new cases is yet to show up at the top in India. Overall there have been more than 13million insisted cases and close to 6 lakh passings (World Health Organization). To check the spread of the contamination, the public authority of India announced a crosscountry lock-down starting March 25, 2020 which continued for around two months. Every immaterial organization and associations, including retail establishments, informational foundations, spots of severe love, the country over stayed shut during this period and all strategies for

development were stopped, alongside some between state transport permitted towards end April and early May to let transient workers, deserted pilgrims, explorers and understudies return to their neighborhood spots. At the time this was the most extensive measure endeavored by any organization due to the pandemic and till date remains the world's most noteworthy lock-down in setting of this disorder. Subsequently from end May early June ahead the lock-down was consistently free in an arranged manner anyway continued in high-risk zones or 'control' zones.

This was required given the disproportionate spread of the pandemic the country over for specific states like Delhi, Gujarat, Maharashtra, Tamil Nadu, West Bengal, etc declaring higher than typical certified cases and besides given the gigantic trouble that the crosscountry lock-down had begun driving on the overall economy. With the continued with flood in cases, after a basic time of relaxations in June, the crosscountry lock-down was connected till July 31 yet in a less demanding manner stood out from the lock-down of March 24. Assessed relaxations have been permitted in zones outside the 'control or high-risk zones' including opening of inconsequential establishments, and associations. Local flights have been allowed subordinate upon the principles gave by the public position to ensure safe travel of the voyagers amidst the pandemic. In any case constraints on informative associations, spots of public gathering like retail plazas, exercise centers, pools, film theaters, entertainment meccas, spots of severe love, action of metro train organizations, etc continue. While vehicular advancement inside states is allowed there stays set up a night check in time span in essentially all states. The re-burden of the lock-down has deferred any chance of monetary recovery that was normal once the essential time of 'opening' had begun in June.

The lock-down was essentially wanted to postpone to set up the prosperity structure and to collect a game plan of how to deal with the erupt once the case-load started accelerating. India's overall prosperity system is decently more delicate than various countries. The public authority spends only 1.5% of the total GDP on broad prosperity on account of which the structure remains appallingly under-organized to deal with a prosperity crisis like this.

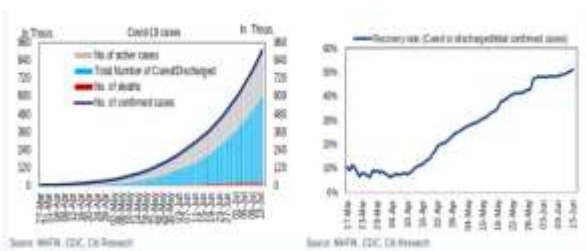


Figure 1: Confirmed Covid-19 cases in India

To the degree possible, the lock-down period was used to expand testing, contact-following, separating confirmed patients in allocated disconnect centers and setting up therapy workplaces including extemporized clinical facilities. In any case the clinical benefits system continues being overwhelmed by the rising number of patients reliably especially in the most incredibly horrible affected states.

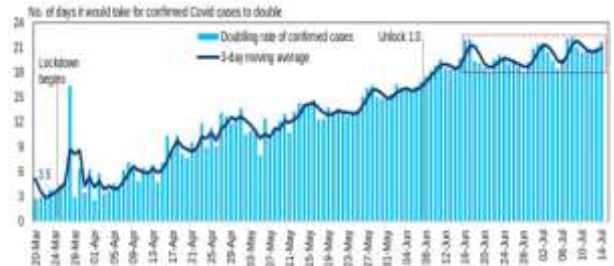


Figure 2: Doubling rate of confirmed Covid-19 cases in India

Source: Ministry of Health and Family Welfare; Citibank Research. Doubling rate represents the number of days it would take for the cases to double if the daily percentage increase in confirmed cases remains unchanged.

The excellent lock-down ominously affects the economy. Countless occupations and occupations are presently being referred to. As activity around the country halted, with no work or pay, more than 50 million transient workers either returned to their nearby towns or moved to camps inside the metropolitan networks since state borders were fixed. While there are reports of some of them returning back to the metropolitan territories currently searching for occupations and employments larger part have not yet returned in this manner driving a massive strain on work supply in the metropolitan zones. Transportation of rough materials and finished product across states was moreover truly constrained. Countries have closed public lines conveying worldwide trade and exchange to a startling end. All these are genuinely disturbing stock instruments and spread chains in essentially all regions. At the same time, there has been a completed breakdown of use interest as countless people stay at home and defer their immaterial utilizations.

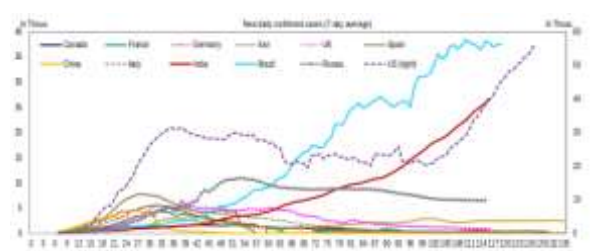


Figure 3: New daily confirmed cases across the world

The overall size of the impact of the pandemic will depend on the length and reality of the prosperity crisis, how much intermittent lock-downs are required in different districts of the country and the manner by which the situation spreads out as and when the crosscountry lock-down is finally lifted and conventional money related development is permitted. The incident to the economy has adequately been extensive.

This crisis comes when India's GDP advancement was moving down, and joblessness was on the rising inferable from poor financial execution throughout the latest a serious drawn-out period of time. The insecure condition that the economy was in before getting hit by this daze will potentially disintegrate the effect of the daze. This is especially because the money related territory which is the frontal cortex of the economy has not been functioning true to form and the macroeconomic game plan space to respond to such a crisis is truly confined. Earlier, Indian economy was basically experiencing an interest stoppage however now both interest and supply have been upset. There are four channels through which the impact is getting conveyed to yield improvement. These are: external market revenue objectives as a result of overall plunge and interference of overall reserve chains, local stock unsettling influences, and decline in local premium. The money related shock is influencing both formal and easygoing regions. It may require some venture for the economy to recover from this daze whether or not the lock-down is totally lifted by August or September, 2020. For the most part the recovery will depend upon the technique responses of the public power and the Reserve Bank of India (RBI) during the crisis time span. The policymakers have viably revealed a fundamental round of exercises. Fundamentally more ought to be done to restrict the impact of the stagger on the economy. In this part we analyze the Indian economy in the pre Covid-19 period and assess the conceivable impact of the daze on various segments of the economy. We inspect the methodologies that have been proclaimed so far to improve the money related shock in conclusion end with some system ideas.

#### **OBJECTIVES:**

The major objectives of this study are:

1. To understand impact of Covid-19 on overall Indian Economy
2. To understand impact of Covid-19 on different sectors
3. To find out the challenges for different sectors in Indian economy

#### **Impact of COVID 19 on Indian Economy**

The countrywide lockdown has conveyed basically all money related activities to an unforeseen stop. Nonetheless, the stock of key things including prescription has been ensured consistent by the public position. The interference of interest and supply powers are presumably going to continue even after the lockdown is lifted. It will require some venture for the economy to return to a normal state and shockingly then cordial eliminating measures will continue anyway long the prosperity daze works out. Along these lines demand is presumably not going to get restored in the accompanying some time, especially interest for unimportant product and adventures.

There is likelihood that the three critical pieces of complete interest - use, theory, and passages are presumably going to remain controlled for a postponed time period. Despite the astounding breakdown mainstream, there will in like manner be inevitable stock organization interferences in view of the unavailability of rough materials, flight of millions of voyager workers from metropolitan districts, moving back overall trade, and shipment and travel related constraints constrained by essentially totally impacted countries. The reserve secures are most likely not going to normalize for a long time to come. The more drawn out the crisis continues onward, the more problematic it will be for firms to stay above water. This will antagonistically impact creation in basically all local endeavors. This may furthermore impact the endeavor, business, pay and use, pulling down the complete advancement speed of the economy. There will similarly be colossal degree falling effects for the aeronautics, neighborliness and the movement business ventures. Past the local issues, the Indian economy will moreover get impacted by the overall plunge that is representing a potential danger not very far away. This will without a doubt have spill over impacts through financial and trade linkages of India with the rest of the world. Successfully new monetary sponsor have been pulling cash out of the Indian money related business areas and are getting away to safe assets as protections trades have crushed. At this starting stage it is difficult to totally get a handle on the level of the mischief that the Indian economy may achieve once the plague vanishes. Some early appraisal includes the earnestness and length of the money related log jam may understanding in future. Regardless, according to UBS, the Indian economy would be genuinely hit by the Covid-19 and could even go into a withdrawal, dependent upon the reality of the pandemic, yet the slump would be the most short on record.

## THE ECONOMIC IMPACT OF COVID19 CAN BE SEEN ON FOLLOWING MAJOR SECTORS OF INDIAN

### GDP Growth

The International Monetary Fund (IMF) cut India's advancement check for FY21 to 1.9% from 5.8% surveyed in January, notice that the "most observably awful slump since the Great Depression" will prevail the monetary damage achieved by the overall financial crisis 10 years back. It moreover said that India and China would be the lone two huge economies inclined to select turn of events, with all others contracting. The Covid-19 pandemic will draw back world yield by 3% in 2020, IMF said in the April update of its World Economic Outlook (WEO), the first after the significance of the scene ended up being clear. Basically, Domestic rating office CRISIL cut its projections for India's monetary advancement rate to 1.8 percent, from 3.5 percent it had before expected for 2020-21. Moody's Investors Service, moreover, cut India advancement figure for plan year 2020 to 0.2 percent, from 2.5 percent projected in March. For 2021, the rating office expects that India's development should skip back to 6.2 percent.

### Agriculture and Rural Activities

The cultivating territory is fundamental as huge number of workers and the entire country's general population is dependent upon this space. With the erupt of Covid-19 the condition in common India is presumably going to fall apart essentially. The lockdown and related interferences will impact cultivating practices and the significant store chains through a couple of channels: input assignment, gathering, acquisition, transport deterrents, exhibiting and planning. Constraints of improvement and work lack may obstruct developing and food dealing with (FAO, 2020). Walk April is the zenith season for the proposal of the rabi produce yet harvesting will get hampered in view of the trip of thousands of transient trained professionals. Lacks of composts, veterinary prescriptions and distinctive information sources could in like manner impact cultivating creation. Terminations of bistros, transport bottlenecks can decrease interest for new produce, poultry and fisheries things, affecting creators and suppliers. An examination by Sudha Narayanan (2020) of Indira Gandhi Institute of Development Research shows that farmers are left with procure as APMC (plant thing market board) mandis are closed in a couple of states appropriately upsetting food supply break from the creation to the usage places. The above examination shows that the public authority should focus in on postharvest activities, rebate and retail advancing and start securing errands. Some state governments have successfully taken exercises.

### Informal sector

India has a very high bit of easygoing work in full scale business. The offer, which fuses cultivating trained professionals, has declined scarcely from 94% in 2004-05 to 91% in 2017-18. Out of a total of 465 million trained professionals, 422 million were easygoing workers in 2017-18. In reality, even in non-farm territory (amassing and organizations), the part of easygoing workers was around 84% around a similar time. The easygoing workers were by then managing issues with low wages and profit in the pre-Covid-19 period. Consistently wage laborers and other easygoing experts are the most really horrible hit during the lockdown time period and will continue being inimically affected regardless, when the lockdown is free. With essentially no financial development particularly in metropolitan regions, the lockdown has incited gigantic degree incidents of occupations and compensations for these subject matter experts. There are around 40 to 50 million infrequent voyager workers in India. They help in the advancement of metropolitan constructions, roads, plant creation and participate in a couple of help works out. There was an enormous extension mass movement set off by the lockdown. In the legitimate territory to the extent that associations don't close down, agents will regardless have their positions and get their pay. The easygoing region works in a surprising manner. It depends basically upon people's each day interest. With a huge piece of the normal customers of the easygoing territory staying at home as of now and pulling out from pointless utilizations, the perseverance of easygoing region units will get tricky over the long haul, especially as the prosperity crisis and the connected lockdown delays. Various associations in the easygoing region will be constrained to shut down.

### Micro, small and medium enterprises (MSMEs)

The smaller than normal, little and medium endeavors generally speaking design a huge chunk of gathering in India and expect a huge part in giving enormous extension work and moreover in the country's admissions. Continuous yearly reports on MSMEs show that the region contributes around 30% of India's GDP, and reliant on moderate appraisals, uses around half of mechanical subject matter experts. Beyond what 97% of MSMEs can be named small scale firms (with a premium in plant and equipment not as much as Rs 25 lakh), and 94% are unregistered with the public position. An enormous number of the smaller than normal endeavors are pretty much nothing, family run associations. Yet all associations have been impacted by the pandemic, the MSME territory would be seriously hit by diminished salaries achieved by the crosscountry lockdown. Their store organization would be disturbed, and they would be impacted by the mass movement of transient workers, constraints in the openness of rough materials, by the interference to passages and imports and besides by the wide travel blacklists, finish of malls, motels,

theaters and informational establishments, etc This, accordingly, would enormously hamper the MSME associations. As a result, countless people who work for these free organizations may end up with work and remuneration disasters.

### **Employment**

The data from the Consumer Pyramid family level outline of the Center for the Monitoring of Indian Economy (CMIE) shows that the joblessness rate in metropolitan zones extended distinctly to 30% in the week completing March 29, about 3.5 events the speed of 8.7% for the week completing March 22. For provincial zones, the contrasting figures were 21% and 8.3%. The general joblessness rate extended from 8.4% to 23.8%. The data for the week completing April 5 measures the rate at 30.9% for metropolitan areas, 20.2% for common domains and 23.4% at the all-India level

### **Financial markets and institutions**

With the country-wide lockdown extended, the risk aversion of the monetary system gets in a general sense exasperated. As a consistently expanding number of firms fight to stay above water and can't repay their obligation amidst the immense premium and supply interferences, corporate unfortunate activities will go up and the level of NPAs in the inside and out fragile monetary system will augment steeply. Moody's Investors Service has successfully changed the perspective for the Indian monetary system to negative from stable, as it expects disintegrating in banks' asset quality in view of break in financial activity. Credibility is there that defaults will not only rising in the monetary structure yet also in the NBFCs who advance to the MSME (Micro, Small and Medium Enterprises) region as the last's benefit will fall strongly. Particularly upsetting might be the significance of financial pressing factor looked by the colossal smaller than normal record territory (NBFC-MFIs) that offers assistance to endless little and scaled down attempts all through the country. Smaller than normal cash associations (MFIs) serve various low compensation penniless people with their saving and credit organizations. The monetary parts of smaller than usual record requires high repayment rates. Any slip in repayment rate makes these establishments obligated. Repayment rates may fall certainly now as borrowers fight to earn enough to pay the bills in spite of the unexpected compensation daze. Most of MFI customers work in the smaller than expected or significantly more humble endeavors and get for the current second. On account of the lockdown, their livelihoods will thoroughly collapse. Likewise, most of the MFI credits are in genuine cash and in a lockdown, whether or not borrowers can repay, variety of the portions is a critical issue. As the NPAs on existing advances keep hoarding, the as of now peril reluctant monetary structure is most likely going to end up being significantly more reluctant to widen new credit, especially if the banks are not

agreeably advanced. Toward the day's end there are various channels through which a for the most part sensitive money related structure may get smothered as the crisis crumbles, appropriately irritating the log jam.

### **Tourism, Hospitality & Medical Value Travel**

With enormous scope dropping of itinerary items by both unfamiliar and homegrown travelers, there has been a drop in both inbound and outbound the travel industry of about 67% and 52% individually since January to February when contrasted with a similar period a year ago. Of the relative multitude of fragments of the cordiality area, the Meetings, Incentives, Conferences and Exhibitions — famously known as MICE portion — has been hit the most. A portion of the significant global business occasions have likewise been dropped including tech occasions such Mobile World Congress (MWC), Google I/O, and Facebook's F8 occasion, which has prompted colossal financial misfortunes. The travel industry anticipates that the situation should additionally weaken in the impending summer season for example April-June. Typically, the quantity of Indian explorers to both homegrown and global objections top during the long periods of March and April. Nonetheless, this time around almost 90% appointments of inn and trips for the rush hour have been dropped. As per the Indian Association of Tour Operators (IATO), the inn, flight and travel area together may cause loss of about Rs 8,500 crore because of movement limitations forced on unfamiliar vacationers by India for a month. This is additionally expected to adversely affect occupations in the business.

### **COVID-19 Economic Response Task Force**

The development of the COVID-19 Economic Response Task Force was declared by Prime Minister Narendra Modi on 19 March 2020 during his live location to the country. The team is driven by the money serve, Nirmala Sitharaman.

- On 21 March the Uttar Pradesh government chose to give an immediate cash transfer of 1,000 to all every day wage workers in the state and the next day Punjab declared 3,000 each for all enlisted development laborers in state.
- On 23 March it was reported that Haryana workers, road merchants and cart pullers will be given a help of 1,000 each week straightforwardly saved into their financial balances. Beneath Poverty Line families will be given apportions (counting rice, wheat, mustard oil, sugar) liberated from cost for the period of April.

- On 24 March, in his location to the country, the Prime Minister reported a 15,000 crore store for the medical care area.
- On 24 March, the Finance Minister made various declarations identified with the economy, for example, expanding last dates for documenting GST returns and annual expense forms. The due dates for the Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019, traditions clearances and for consistence matters under the Customs Act and related laws has been reached out to June 2020.
- On 25 March the Modi government declared the world's biggest food security conspire for 80 crore (800,000,000 individuals) the nation over. Bureau Minister Prakash Javadekar made the declaration in a question and answer session that the proportion would be 7 kg consistently (which incorporates wheat at an expense of 2 per kg and rice at 3 per kg.)
- On 25 March the Uttar Pradesh government restricted the assembling and offer of dish masala, expressing in the request that "Spitting container masala can help in spreading Covid-19". Following 10 this, different states, for example, Andhra Pradesh, Rajasthan and Gujarat additionally prohibited spitting in broad daylight places.

On 26 March the Finance Minister declared various financial help measures for poor people. Rupees 170,000 crore will finance the Pradhan Mantri Garib Kalyan Yojana (PMGKY) which will give both money move and food security; with the point that nobody goes hungry in the midst of the lockdown.

## CONCLUSION

Coronavirus has addressed an extraordinary test for India. Given the huge size of the general population, the questionable situation of the economy, especially of the financial region in the pre-Covid-19 period, and the economy's dependence on easygoing work, lockdowns and other social isolating allots will be gigantically problematic. The central and state governments have seen the test and have responded anyway this response should be just the beginning. The unavoidable damage to the economy is most likely going to be through and through more horrendous than the current appraisals. On the interest side, the public position needs to change the compensation support required with the need to ensure the financial situation doesn't go wild. The balance struck so far is apparently a reasonable one anyway the public position needs to find a more significant augmentation for supporting the profit of destitute individuals. Commitment of the state and close by governments may in like manner be basic in the reasonable execution of extra monetary exercises.

Procedure makers ought to be set up to scale up the response as the circumstance unfold to restrict the impact of the paralyze on both the formal and easygoing zones and prepare for an upheld recovery. All the while they should ensure that the responses stay esteemed in a norms based framework and cutoff the action of watchfulness to avoid long stretch damage to the economy.

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