



# OPEN ACCESS INTERNATIONAL JOURNAL OF SCIENCE & ENGINEERING

Multidisciplinary Journal

## RUNDOWN COVID19:INDIAN ECONOMY AND THE CONTAGION IMPACT

Vinita Jagdev<sup>1</sup>

*Assistant Professor, Department of Economics, Motilal Nehru College, University of Delhi<sup>1</sup>*

**Abstract:** The study examines how individual wellbeing marred by pandemic, changed into a Social-Psychological-Economic trauma. The spread of the coronavirus has brought the worldwide economy to its feet. Health emergencies prompted the shutdown of markets, corporate workplaces, organizations, schools and colleges due to imposition of lockdown, leading to economic emergencies. The study is centred around the period from the beginning of the pandemic to till date, when the coronavirus has started spreading into different nations, markets and economies. Impact of the corona crisis on different segments of the economy, health, business, is being descriptively analysed through the use of various secondary data sources. Lack of proper treatment, medication and unavailability of vaccine, makes the situation more volatile. The study uncovers that the imposition of lockdown, international and domestic travel restrictions have significantly brought global economy into recession, with special reference to India.

**Keywords-**Covid19; Lockdown; Economy; Coronavirus; Recession

### I INCLUSIVE OVERVIEW OF COVID19 TILL DATE

COVID-19 Dashboard- AC-46008-Cured-22554-Death 2293	Expected Loss 2020- USD235 Billion
Worldwide 1.4 million Infected (206 country)	Decrease in government income-80%
Collapse of the tourism industry and hospitality Industry and Reduced Consumer activity	High-pitched rise in unemployment-27%
India Lockdown restricting 1.3 billion people.	Inflation Rate increased during Crisis 2.4%
Government Announces -20 lakh crore package	55% online activity increase in India
WHO Risk assessment Global Level- Very High	MSME which contributes 30% to GDP, decreases
GDP growth projections indicates contraction	Office Culture Transformed in to Home Based Model
MOHFW Behavioural Health Psycho social toll free helpline- 08046110007	45% People Psychologically scared from Media Reports during covid19
Indians Concerns-Food-35% Health 70% (M-health34%) Eco-Situation 40%, Job 30%	Expected new born 2 crore Children till year end due to covid19

## II INTRODUCTION

The country is in the middle of the world's biggest pandemic lockdown. This is an emergency unlike any other, and there is a lot of doubt about how it will affect people's lives and jobs. Numerous nations are confronted with a series of crises that are exceedingly difficult to anticipate. This is a true global emergency, as no nation is secure. Several nations entered this crisis with a myriad of difficulties.

The first study of a coronavirus flare-up was released in December 2019 in Wuhan, China. The virus that causes coronavirus disease in 2019, the respiratory disorder that caused the COVID-19 pandemic, is known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Many people infected with COVID-19, are experiencing mild to moderate respiratory illness and recover without the need for extraordinary care. Individuals, who have concealed health conditions such as cardiovascular disorder, diabetes, chronic respiratory ailment, and related issues, are more likely to suffer serious effect of the contagion. The best way to prevent and delay transmission is to spread awareness about the COVID-19 virus, its symptoms, and how it spreads. One can avoid infection by washing hands or using liquor-based rub regularly and not touching the face. At this time, there are no possible cure or best treatment in medicine, for COVID-19. There are numerous progressing clinical preliminaries assessing potential medications.

The majority of nations have declared a complete or partial lockdown to track the spread of Covid-19 infection. A complete lockdown would mean that people would not be permitted to leave their homes except in the event of medical emergencies. Economic and general well-being frameworks have been significantly affected by these interventions. The government responded by declaring a general health crisis of national and universal concern, as well as by implementing phenomenal steps to avoid the virus and break up the pandemic flare-up. A large number of lives have been completely changed, and a phased and challenging pressure for adaptation process is in progress.

### ***COVID19- Psychological, Behavioural and Interpersonal Effects***

Social distancing is the most notable public health response to the COVID-19 pandemic. Scientist are trying to figure out the impact of this isolation from the world on mental and psychological well-being of individuals. Human beings are social animal, definitely stay-at-home orders (which are compulsive in nature) and individual's social isolation, would lead to negative consequences like symptoms of depression, anxiety due to unpredictable future and being alone, intrusive thinking, insomnia, and acute stress.

After the main encounters of covid-19 in China, clinical institutions like AIIMS, Ministry for Health and Family Welfare (MOHFW) and other institutions, have opened online stages to provide assistance and guidelines to individuals. Since lockdown has restricted people to stay at home, is likely to impact their physical as well as mental health. The most vulnerable to this change are children and old-age citizens. Children staying at home due to lockdown spend more time in front of TV and using internet, which can lead to eye problems, lower self-esteem and increased irritability. Internet addiction, lack of physical exercise and cyberbullying can have direct consequence on development of cognitive abilities of children.

### ***The economic impact of Covid19 pandemic***

#### **On Trade:**

The economic costs of the coronavirus crisis are rising rapidly as the global economy stagnates. The impact of the coronavirus outbreak on businesses in India is estimated to be around \$ 348 million, with production in China being slow due to the coronavirus (COVID-19). Exports in global value chains drop by \$ 50 billion. "The most affected economies are the European Union (USD 15.6 billion), the United States (USD 5.8 billion), Japan (USD 5.2 billion), South Korea (USD 3.8 billion), Taiwan Province of China (USD 2.6 billion) and Vietnam (USD 2.3 billion). Relatively, the trade impact for India is less as compared to other economies such as EU, the US, Japan and South Korea. Trade impact for Indonesia is 312 million dollars. The trade impact, in Indian context, is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, automotive sector at 34 million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars."<sup>i</sup>

As far as India is concerned, during the lockdown, an expected 14 crore (140 million) individuals have lost work. Families have been registering salary cut. Flexible chains have been put under worry with the lockdown limitations set up. Those in the casual workers and daily wage earners are the most in danger. The Government of India has declared an assortment of measures to handle the circumstance, from food security and additional assets for social insurance, to segment related motivations and duty cut off time augmentations.<sup>ii</sup> Finance Minister Nirmala Sitharaman on 26th March, 2020, announced a relief package worth Rs 1.70 lakh crore to help the nation's poor tackle the financial difficulties arising from Covid-19 outbreak. The economic relief package primarily focused on migrant labourers and daily wage labourers. Under the Pradhan Mantri Gareeb Kalyan Ann Yojna (PMGKY) which is a part of the relief package, at least 80 crore poor people will be covered. Under

the scheme, an additional five kilos of rice/wheat will be given to 80 crore individuals -- over the 5 kilo they already get -- along with a one-kilo pulse per household for a period of three months. The government estimated a spending Rs 45,000 crore for undertaking these measures.<sup>iii</sup>

### **Effect on Employment:**

The Indian Economic Monitoring Centre (CMIE) have estimated that the unemployment rate increased significantly in March 2020. The employment rate in the economy fell to an all-time low of 38.2% over the same period. The spread of the coronavirus is one of the reasons for the decline in activity. However, this decline appears to have been recorded before the lockdown. The situation worsened after the restrictions were imposed. The macroeconomic scenario could be much worse than we currently think. Current calculations may not give an accurate picture of the situation. Migrant workers who leave big cities may not return immediately due to job losses or business closures. Much of the economic activity has ceased and the feeling of working conditions has remained weak.

### **Sectoral Impact during COVID19 (Primary Sector Trends in India)**

#### **Agriculture and Food processing—**

Impact of COVID-19 on agriculture can be summarized as:

- It has already been hit by uneven monsoon.
- Coronavirus lockdown seems to be another disruption.
- Crop damaged faced by the farmers; specially the ones growing wheat, mustard and pulses.
- Lockdown will hinder the movement of transportation which would disrupt supply chain of agricultural commodities.
- Labour shortages have been adding on to the farmer woes along with unavailability of machines for harvesting.

Source: Reserve Bank of India survey, March 2020

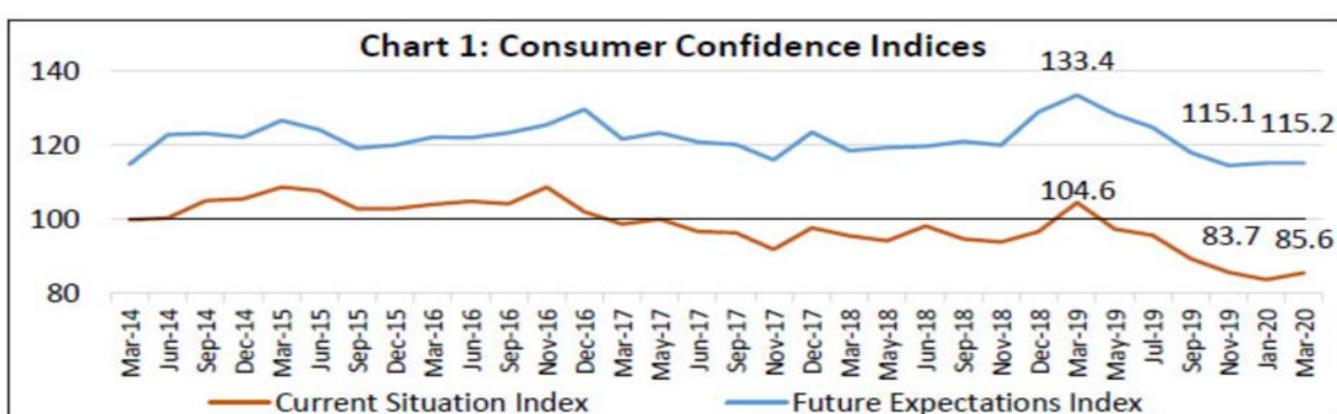
- Poultry, fisheries and buffalo meat sectors are facing challenges, as there is suspicion of the virus being spread through their intake.
- A dip will be witnessed in farmers' income due to these disruptions

#### *Food processing:*

RBI released Monthly Bulletin for March 2020, wherein India is a major producer of a variety of agricultural products in the world, but only less than 10% of them are processed. The food processing industry has emerged as the largest provider of employment among the industrial groups. However, its share of manufacturing and total gross value added decreased, reflecting slower growth compared to other sectors of the economy. Closures of restaurants due to lockdown, caused a ripple effect among related industries such as food and beverage, hospitality industry, liquor, wine, and beer production, online food delivery, fishing, and farming.

### **Sectoral Impact during COVID19 (Secondary Sector-Manufacturing)**

Industrial manufacturing is a major growth sector for the Indian economy with a wide range of sub-sectors, including those engaged in the manufacture of machinery and equipment, electrical and metal products, cement, building and construction materials, rubber and plastic products and automation technology products. A recent survey conducted by the Reserve Bank of India have painted a grim outlook on industries and consumer confidence.<sup>iv</sup> At the beginning of March 2020, consumer confidence, as measured by the Current Situation Index (CIS), remained close to the all-time low of the previous survey round. Expectations for the year ahead (FEI) have remained largely unchanged since the last round.



Main Variables	Summary based on Net Responses					
	Current Perception compared with one-year ago			One year ahead Expectations compared with current situation		
	Jan-20	Mar-20	Change	Jan-20	Mar-20	Change
Economic Situation	-27.8	-23.9	↑	11.9	15.1	↑
Employment	-33.1	-30.5	↑	13.0	14.7	↑
Price Level	-88.7	-84.6	↑	-66.7	-70.4	↓
Income	-5.0	-2.2	↑	42.7	44.2	↑
Spending	73.1	69.2	↓	74.7	72.3	↓
<b>Consumer Confidence Index</b>	<b>83.7</b>	<b>85.6</b>	↑	<b>115.1</b>	<b>115.2</b>	↑
↑ Positive Sentiments with sign of improvement compared to last round				↑ Negative Sentiments with sign of improvement compared to last round		
↓ Positive Sentiments with sign of deterioration compared to last round				↓ Negative Sentiments with sign of deterioration compared to last round		

Source: Reserve Bank of India survey, March 2020

Regarding the overall economic situation, the employment scenario and household income, the general view remained pessimistic; however, expectations for the coming year have registered an optimistic All responses are expressed as a percentage, which clearly shows that while households have perceived some decline in inflationary pressures, attitudes towards discretionary spending have continued to downward trend.

#### Clothing and Textiles –

India's textile and clothing (T&A) sector is the leading industry and accounts for approximately 4% of its global market. The sector is one of the largest and most important sectors of the Indian economy in terms of production, foreign exchange income. The sector faces significant barriers in terms of labour and employment, imports and exports of commodities and ready-made products, flows of checkout, supply chain. This is due to the national foreclosure. The situation could get worse if the situation doesn't change.

#### MSME (Micro Small Medium Enterprises)

Gross domestic product parcel 30-35% and 114 million employment. Presently, India has more than 75 million MSMEs (Micro, Small & Medium Enterprises) and almost one fourth of these firms will face closure if the lockdown, led by Covid-19, goes beyond four weeks. Whereas 43 per cent will face shut down if the panic spreads beyond eight weeks. The sector has already faced demonetisation and now the effect of national lockdown will have negative impact. Small-scale undertakings are highly affected. Consumer goods, clothing, footwear, utensils, sections will see a significant direct effect. Segments which are subject to high imports of raw material, for example, gadgets, consumer

durables, pharma and etc are confronting bottlenecks due to the current situation.

#### OIL and Gas

Countries are witnessing fall in jet fuel due to disruption of national and international flights.Oil India, the country's second government-owned oil producer, posted a 10 per cent decline in gas production in March 2020, as compared to the corresponding month a year ago.

#### Pharmaceuticals

The US\$38 billion Indian pharmaceutical industry has played a pivotal role in ensuring access to innovative new treatments for patients in the country.<sup>v</sup> It has also developed India as a global manufacturing destination and a source of high-quality drugs that are affordable to the world.Indian pharmaceutical companies are the leading manufacturers of generic medicines. In addition to the involvement of prominent multinational firms, the generic market accounts for more than 50 per cent of the overall demand for these products. With the pandemic situation going on, the need for more medical supplies like masks, PPE kits, sanitizers, gloves, etc. has increased tremendously. Dependency on China for raw materials, have been a major inhibitor in the production process. The companies can also work towards developing vaccine for the coronavirus.

#### Sectoral Impact during COVID19 (Tertiarysector sales and services)

#### Education and Health

Considering India's demographic advantage of a large young population in the productive age group, improvements in the sectors like education, health careleaves a great impact on the quality of life of the people as well as to the productivity of the economy.<sup>vi</sup>

The COVID-19 pandemic has impacted education systems worldwide, contributing to the near-total closure of schools,

universities and colleges. School closures affect not only students, teachers and families, but also have far-reaching economic and social implications. School closures in response to the pandemic have led to issues like student debt, digital learning (inaccessible to the poor), food insecurity and homelessness, access to childcare facilities and the internet. The effect would be more severe for poor, disadvantaged children and their families, causing interrupted schooling, disrupted nutrition (mid-day meals) and no income. In India, in the interest of the health and well-being of the students and the teaching community, exams for higher classes like ICSE and ISC 2020 have been postponed<sup>vii</sup>.

#### **Banking services:**

After the lockdown, the bad lending levels of the banks—especially in the case of small and medium-sized enterprises—may witness an increase. Banks have been encouraging people to use their digital banking platforms to bank from their homes as most banks are working with limited staff. Mobile ATMs have been deployed to avoid panic situation. Regularly information has been imparted to the customers on how to safely transact online. Public sector lenders including SBI, PNB and Bank of Baroda have provided their clients with information on deferral of SME loans and interest charges<sup>viii</sup>. This will help them overcome the financial hardships associated with the coronavirus outbreak and ensuing national isolation. The collapse of sectors such as travel, transportation, retail, entertainment and automobiles will exacerbate collapse, bankruptcies and the NPAs.

#### **Telecom-**

Telecom is one of the most important sectors amid the worldwide pandemic. It has been a key empowering agent in helping governments and organizations in opportune correspondence, following and furthermore helping execute work from home. Data demand has witnessed a 10% increase as people step up work from home due to pandemic lockdown. Government imposition on movement have forced people to work from home, as the country battles Covid-19, and strives to contain the spread of the coronavirus. The demand for data dongles has also doubled. Broadcasting and OTT (over-the-top) companies are witnessing positive trends with both, the number of viewers and new subscribers surging on their platforms<sup>ix</sup>.

#### **Aviation and Tourism –**

Aviation, travel and hospitality industry are the ones which have worst hit by the crisis with an at least Rs 8,500-crore hit in revenues due to suspension of visas over the fear of spread of coronavirus<sup>x</sup>. Simultaneously, drop in businesses for tour operators, hotels and aviation industry is also to be witnessed. Hotels and tour operators have seen a spurt in cancellations

especially after the declaration of the pandemic by WHO. The cost of sending cargo by air changed rapidly. The cost of sending cargo across the Pacific Ocean tripled by late March 2020.

#### **III CONCLUSION:**

The study investigated the coronavirus flare-up with effects on broad sectors of Indian economy. Lockdown, social distancing limitations has forced the nation, on the path of downturn. The impact of the Covid-19 on the global economy seems to be more profound than the global crisis of 2008-09. Almost all sectors of the economy are facing disruptions in demand and supply. The effect of coronavirus should be further evaluated at micro and macro levels. More comprehensive research is needed to predict the socio-economic consequences of the governance measures adopted during the coronavirus crisis.

#### **REFERENCES:**

1. Baker, S. R., Farrokhnia, R. A., Meyer, S., Pagel, M., & Yannelis, C. (2020). *How does household spending respond to an epidemic? Consumption during the 2020 COVID-19 pandemic* (No. w26949). National Bureau of Economic Research.
2. Baldwin, R., & Tomiura, E. (2020). Thinking ahead about the trade impact of COVID-19. *Economics in the Time of COVID-19*, 59.
3. Dhama, K., Sharun, K., Tiwari, R., Dadar, M., Malik, Y. S., Singh, K. P., & Chaicumpa, W. (2020). COVID-19, an emerging coronavirus infection: advances and prospects in designing and developing vaccines, immunotherapeutics, and therapeutics. *Human Vaccines & Immunotherapeutics*, 1-7.
4. Dhanwant, J. N., & Ramanathan, V. (2020). Forecasting COVID 19 growth in India using Susceptible-Infected-Recovered (SIR) model. *arXiv preprint arXiv:2004.00696*.
5. Han, Y., Lam, J. C., Li, V. O., Guo, P., Zhang, Q., Wang, A., ... & Downey, J. (2020). The Effects of Outdoor Air Pollution Concentrations and Lockdowns on Covid-19 Infections in Wuhan and Other Provincial Capitals in China.
6. Henriques, M. (2020). Will Covid-19 have a lasting impact on the environment. *BBC News*.
7. Ozili, P. K., & Arun, T. (2020). Spillover of COVID-19: impact on the Global Economy. Available at SSRN 3562570.
8. World Health Organization. (2020). Coronavirus disease 2019 (COVID-19): situation report, 72.
9. <http://www.ficci.in/publication.asp?spid=23195>
10. <https://doe.gov.in/>
11. <https://www.mohfw.gov.in/>
12. <https://www.mygov.in/covid-19>

<sup>i</sup>Trade impact of Coronavirus epidemic for India estimated at 348 million dollars: UN report

<sup>i</sup><https://www.indiatoday.in/business/story/finance-minister-nirmala-sitharaman-live-updates-economic-relief-package-india-coronavirus-1659912-2020-03-26>

<sup>i</sup><https://taxguru.in/finance/finance-package-avid-covid-19.html>, Finance Package Avid Covid-19

<sup>i</sup><https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=19415>

<sup>i</sup>Consumer Confidence Survey, Reserve Bank of India, March 2020

<sup>i</sup>Consistency, Collaboration and Care – A Foundation for The New Decade, S. Sridhar

<sup>i</sup>Economic Survey of India, 2019-20, Government of India

<sup>i</sup>Coronavirus: CISCE postpones ICSE, ISC 2020 board exams till March 31, Business Standard

<sup>i</sup>Coronavirus lockdown: Banks affirm deferment of EMIs, interest dues for 3 months, Business today

<sup>i</sup>[https://www.business-standard.com/podcast/current-affairs/how-telecom-sector-is-coping-with-a-10-data-demand-spike-amid-covid-19-120032301553\\_1.html](https://www.business-standard.com/podcast/current-affairs/how-telecom-sector-is-coping-with-a-10-data-demand-spike-amid-covid-19-120032301553_1.html)

<sup>i</sup>[https://timesofindia.indiatimes.com/business/india-business/coronavirus-visa-suspension-may-cost-rs-8500-crore-for-travel-tourism-aviationsectors/articleshow/74598202.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](https://timesofindia.indiatimes.com/business/india-business/coronavirus-visa-suspension-may-cost-rs-8500-crore-for-travel-tourism-aviationsectors/articleshow/74598202.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)