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Impact of a poignant pandemic COVID-19 on Indian Economy

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ABSTRACT

Coronavirus disease (COVID-19) is a contagious disease caused due to a "Severe Acute Respiratory Syndrome Coronavirus -2 virus" (SARS-COV-2). People who fall ill will experience mild to moderate fever and will retrieve without any special treatment. This pandemic was first seen at Wuhan, China in December 2019. After seen it's dreadfulness it was declared as a "public health emergency of international concern" (World Health Organization, WHO). As on 1 May 2020 more than 35000 cases have been reported in India resulting in more than 1147 deaths in India till date. It has also led severe socio-economic global disruption. Presently significant slowdown is experienced by Indian economy over the past few quarters. To rectify sluggish consumption demand and investment a numeral of incentive measures has been taken to retrieve the economy towards prosperity. The last quarter of the current fiscal exhibits robust prospect of improvement. However, the new COVID-19 epidemic has contrived the recovery exceptionally arduous in the near to middle terms. The pandemic has thrown new threats for the Indian economy from demand as well as from the supply side. This study is descriptive. The objective of the current study is to find out the impacts of the outbreak of COVID-19 on different sectors of our country. In conclusion, this study suggests policy measures to safeguard the Indian economy from the outbreak of it and bring it back on the growth path.



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INTRODUCTION

Coronavirus disease (COVID-19) pandemic has severely disorganized various sectors in India such as education sector, service sector, agriculture etc. We cannot scorn that hardly any sector has remained unaffected. The impact may be more

or less. It has even seriously disturbed every aspect of human life. Novel coronavirus dispersed around the globe; alarm bells are now reflecting in education sector. Higher education intuitions are forced to shut down temporarily leading to chaos in education sector. According to recent reports more than 1.2 billion students across 190 countries are seriously impacted by this shutdown, creating uncertainty and anxiety. Immediate action should be taken for undisturbed functioning, if not taken it may lead to socio-economic crises in the country.

COVID-19 is a contagious disease caused due to a virus SARS-COV-2. This pandemic was identified in "Wuhan, China in December 2019". Through the ISR report, 2020, it was declared as a "public health emergency of international concern" (World Health Organization, 2020). As on 1 May 2020 more than 35000 cases have been reported in India resulting in more than 4000 deaths in India till date (The Covid-

19 fallout, 2020). It has also led severe socioeconomic global disruption. Presently significant slowdown is experienced by Indian economy over the past few quarters (Suri, 2018). To rectify sluggish consumption demand and investment a numeral of incentive measures has been taken to retrieve the economy towards prosperity. The last quarter of the current fiscal exhibits robust prospect of improvement, but with this coronavirus epidemic, the recovery in the middle term seems exceptionally difficult. The pandemic has thrown new threats for the Indian economy. Present paper studies the impacts of COVID-19 on Indian economy.

Impact of COVID-19 on Indian economy

A significant slowdown is experienced by Indian economy over past few quarters. Economy increased at a “six-year low rate of 4.7%” during third quarter of current fiscal year. Therefore, pandemic has made recovery extremely difficult. Novel coronavirus pandemic has presented new threats for Indian economy creating impact on supply and demand. (Suri, 2018)

Demand Side

The major downfall is faced by tourism, aviation, and hospitality sector in the present crises. Declining footfall in various sectors has affected consumption of both discretionary and essential items. Sharp decline in income levels and wages of daily wages earners is severely impacted. With pervasive panic along with fear is rising among humankind leading to postponement of purchasing and consumption decisions. Transport sector is severely impacted by travel restrictions. (Suri, 2018)

Supply Side

Shortage in supply of goods due to shut down of factories. Many Indian sectors are facing difficulties which source their immediate ultimate product from republic of china. Shortages of raw materials is faced by various sectors impacting imports and exports of the country. (Suri, 2018)

Objective

COVID-19 pandemic has severely disorganized various sectors in India such as education sector, service sector, agriculture etc. Presently significant slowdown is experienced by Indian economy over the past few quarters. To rectify sluggish consumption demand and investment a numeral of incentive measures has been taken to retrieve the economy towards prosperity. The pandemic has thrown new threats for the Indian economy, so the main objective is to study the impact of outbreak of COVID-19 on the economy like Indian and trying to suggest some policy measures and precautions to safeguard

the Indian economy from the outbreak of coronavirus and to retrieve the economy on productivity path.

Methodology and data sources

This study is descriptive and solemnly depends on secondary data extracted from various reputed sources. This include relevant books, data published by various esteemed organizations like CRISIL, FICCI, (Amit and Sinha, 2020), World Bank, Statista etc. Methodologies considered this study relies upon extensive literature survey, tables, and figures to highlight the basic findings and making comparisons based on these as well as online lectures during the locked down period. The study year has been selected as 2020 as to cater the post COVID 19 situations.

Findings

The study was conducted with the key objective of analyzing the impact of coronavirus or COVID-19 on different sectors of Indian economy (Table 1) and suggest some precautions and policy measures to retrieve economy on productivity path (Figure 1). As observed coronavirus epidemic is the foremost human disaster of 2020. Growth in recent cases has increased to twelve lakhs and more than sixty-six thousand deaths confirmed by WHO. India is a developing economy, facing high unemployment, demand depression and supply slow down due to extended down announced by prime minister Narendra Modi for the well being of millions. Due to increasing cases of coronavirus all public private offices, various services have been locked by government. Some economists projected that there is job loss to forty million people specially will be “affecting the unorganized sector and semi-skilled jobholders”. Even at early stage there was a noticeable impact of outbreak of about 53 percent on Indian markets.

Cash flows of businesses have been adversely impacted with the sudden imposition of lockdown with some businesses reporting up to 80% decrease in cash flow. The combined effect of outbreak and lockdown resulted in supply chain disruptions as indicated by more than 60% respondents (Dilipkumar, 2020). However, India has a little scope to give a worthwhile push to growth and pandemic is making more difficult. While India’s trade and global growth will decline sharply, what is ambiguous is the extend of impact on economy through private channels of consumption and production as shown in Figure 1. (The Covid-19 fallout, 2020)

The root of this pandemic, Republic of China is expecting to revive but economies of other major

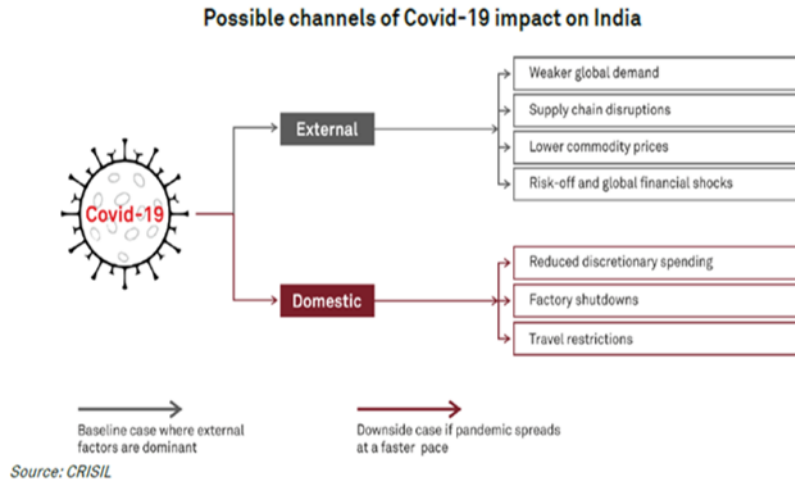


Figure 1: Possible channels of Covid-19 impact on India

countries are on the verge of slowdown in the quarter of April-June, 2020 (Table 2). In India, GDP is expected to contract by -9.3%. Financial, Travel & tourism and real estate sectors are expected to be the worst affected. Other impacted sectors would include mining, shipping and manufacturing sectors, construction and trade related sectors. While certain sectors that would show negligible impact would include the likes of Telecommunications, agriculture and IT service sectors. The trend seems abysmal in the short term and is expected to follow pattern (Figures 2 and 3). Author’s own compilation on the basis of data “Observer research foundation” (Mukhopadhyay, 2020), Data estimated quarter on quarter

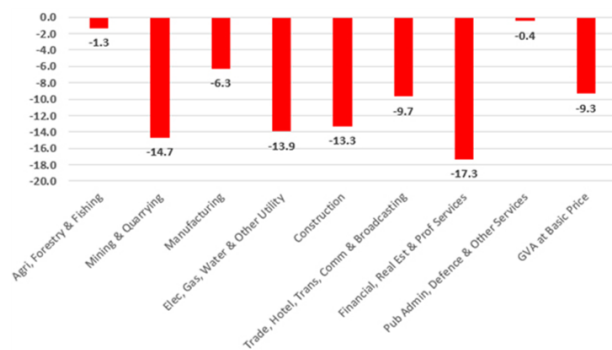


Figure 2: Estimated sector wise growth rates in Gross Value Added in April-June quarter 2020 (%)

Therefore, to minimize the impact of pandemic some precautions and policy measures should be formulated.

General precautions during covid-19

General precautions during COVID-19 can be classified into Precautionary measures to educate staff, Sanitization and health safety measures and Modifi-

cation made in Human resource practices.

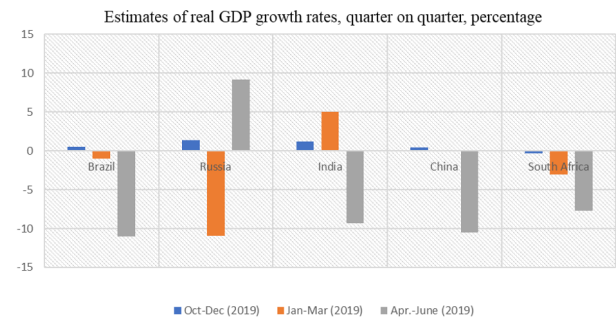


Figure 3: Real GDP growth rates (percentage)*, 2019

Precautionary measures to educate staff on COVID-19

1. Advisory regarding no handshake.
2. Avoid traveling through public transportation.
3. Avoid social gatherings.
4. At various locations posters have been put up in institutions. (Suri, 2018)

Sanitization and health safety measures

1. Availability of sanitizers, gloves and masks in office admin staff.
2. Office complexes are equipped with isolation rooms.
3. At entry points, there is temperature check.
4. Routine Doctor visits
5. Door handles, taps and other surfaces have been repetitively sanitized and premises have been sanitized by spraying disinfectants.

Table 1: Impact of outbreak on different sectors of economy

Sectors with high risk	
Service Sector	<p>Present social distancing measures will hamper service sector leading to havoc in service industry such as airlines, hotel industry etc.</p> <p>Loss of up to US\$113 billion in passenger revenues globally was estimated by international air transport association.</p> <p>As compared to last year during same period i.e. January to February there has been a decline in both outbound and inbound (52% and 67% respectively) due to restrictions imposed by various countries by blocking their borders for outside tourists. Domestic travel was also impacted by lockdown restrictions.</p>
Sector with moderate risk	
Education Sector	<p>Until March 31st, 2020 state governments have ordered closure of colleges and schools which may be extended due to the outbreak of pandemic worldwide.</p> <p>Education institutions for now have delayed examination conduction</p> <p>As compared to last year during same period i.e. January to February there has been a decline in both outbound and inbound (52% and 67% respectively) due to restrictions imposed by various countries by blocking their borders for outside tourists. Domestic travel was also impacted by lockdown restrictions</p>
Automobile sector	As consumers cut off their discretionary spending domestic automobile demand is expected to be impacted for a longer period.
Consumer durables and electronics	Due to lockdown spending by customers on non-essentials durables and electronics have been postponed for eg, despite extreme high temperatures demand air conditioners and coolers have been significantly lower.
Sectors with low risk	
Pharmaceuticals	<p>Country imports accounted for about 68% by value of last fiscal.</p> <p>Raw material has already been sourced by domestic drug makers and credited sufficient inventory therefore putting forward pressure on prices of medical services for precise period of time.</p> <p>A total of 85% of total requirement of active pharmaceuticals (API) is imported by India from china as estimated by trade promotion council of India. About 67% total imports of drug intermediaries and bulk drug were imported from republic of China.</p>
Power	<p>Power demand is likely to be affected by the outbreak of coronavirus and negative growth (-3.6%) has already been reported in the first two weeks of March 2020 according to recent data in power consumption.</p> <p>Average Power demand per MU fell to 2945.33 MU during the period 21st March 2020 to 10th May 2020 against an average of 3778.67 MU during the same period of previous year.</p> <p>Daily average power consumption as of 25th May 2020 has reached the average daily power demand in May 2019. (Suri, 2018)</p>

Authors own compilation taken from, (The Covid-19 fallout, 2020)

Modification made in Human resource practices Need for policy intervention

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| <ol style="list-style-type: none"> 1. Discontinuation of biometric attendance. 2. Allowed work-from-home for employees. 3. To reduce human contact, interviews are done only via web-based meeting applications. 4. Reduction in physical presence of workforce in office premises with introduction of work from home facility (Suri, 2018) | <p>Immediate steps should be taken to minimize the spread of outbreak but also review the areas of the economy suffering from higher pain which can help in reducing the impact of outbreak on Indian economy, therefore there is a combine need of monetary, fiscal and financial market measures to survive through crises. Through decrease in policy rates, we can further bring down the cost of funds.</p> |
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Table 2: Sector wise growth rates and GVA estimates in April-June 2020 quarter

Sectors	April-June 2019 (Crore)	GVA 2019-2020 (Crore)	Sectoral share GVA (Percentage)	Estimated GVA April-June 2020 (Crore)	Sectoral growth rates April-June 2020 (Percentage)
Agriculture Forest Fishing	4,33,547	19,07,605	14.1	4,27,810	-1.3
Mining & Quarrying	98,887	3,76,119	2.8	84,351	-14.7
Manufacturing	5,68,104	23,74,176	17.5	5,32,446	-6.3
Electricity Gas Water supply	78,682	3,01,966	2.2	67,721	-13.9
Construction	2,81,262	10,87,210	8.0	2,43,824	-13.3
Trade Hostels	6,49,698	26,16,095	19.3	5,86,700	-9.7
Transport Communication					
Financial Real estate services	8,21,198	30,27,407	22.4	6,78,943	-17.3
Public administration Defense Other services	4,16,628	18,49,803	13.4	4,14,847	-0.4
GVA at basic price	33,48,005	1,35,40,380	100.0	30,36,641	-9.3

(Ministry of Statistics & Programme Implementation, 2019), Government of India, NSO

Easy access to Credit should be made available to MSMEs especially businesses with higher operating cycles so that they could function properly till the time lockdown restrictions are completely lifted. Banks should provide due assistance by providing prompt disbursements of loans with limited or no exception on account of COVID-19.

RBI has instructed the banks to provide moratorium on loans to all the banks for 6 months to all the banks so that during these uncertain times businesses could thrive and survive due to which an option has been given to all persons to either pay their EMIs or wait out till 6 months but such non repayment would not be considered as default. Furthermore, an increment in credit limits can be provided by the banks for working capital facilities of businesses (Sinha, 2020)

Reserve Bank of India(RBI), desired to engender conducive financial conditions and normal functioning working of financial markets by providing appropriate system level liquidity as well targeted liquidity to the sectors experiencing market constraints in market access (Dayal, 2020). Recently RBI decreased repo rate to 4.00 due to which availing of loans would become cheaper for general public and businesses. Significant expansion of health facilities for e.g: development of quarantine facili-

ties with increased number of beds to accommodate patients, ventilators for critical patients, storage of sufficient HCQ tablets etc. along with adequate supplies like PPE kits, gloves and masks for all medical personals.

CONCLUSIONS

It can be concluded that people are juggling with coronavirus or "THE NEW NORMAL". It can't be affirmed that absolute efficient international mobility and feedback "coordination mechanism" cannot be handled countrywide. "Global cooperation, collaboration and investment" are very much required to ensure a safe future. This implies that a multidimensional policy to manage this issue of this "global disease" which includes governments, international organizations, industries, private and public financial organizations, civil society as well as academia. All of whom have authorities for construction of "global public health security" for Indian economy to bring it back on right path.

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Conflict of Interest

The authors declare that they have no conflict of interest for this study.

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