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Covid 19 and its Adverse Impact on Indian Production and Economy

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ABSTRACT

Outbreak of the Covid-19 pandemic is an unprecedented shock to the Indian economy. The Government of India has announced a variety of measures to tackle the situation, with the prolonged country-wide the lockdown, global economic downturn and associated disruption of the economy is likely to face a protracted. This study revealed the potential impact on various sectors like manufacturing, financial services, banking, infrastructure, real estate.

Keywords: Indian Economy, Economic Downturn, Pandemic, sector.

INTRODUCTION:

The Indian economy has been experiencing drastic destroyed and worst source over the past few months. The impact on the Indian economy could be significant if the virus continues to penetrate the country which will have a longer lasting effect in countries like China, S Korea, Japan it could be more damaging if there is any shutdown in India.

IMPACT OF COVID-19 ON INDIAN ECONOMY:

The impact of corona virus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives demand and exports sharply plummeted with some notable exceptions.

FOOD & Agriculture:

Since agriculture is the backbone of the country and a part of the government announced essential category, the impact is likely to be low on primary agricultural production several state governments have already allowed exploration.

AVIATION & TOURISM:

The contribution of the Aviation Sector and Tourism to our GDP stands at about 2.4% and 9.2% respectively. The common consensus seems to be that COVID will hit these industries harder than 9/11 and the Financial Crisis of 2008, which translates to 70 percent.

TELECOM:

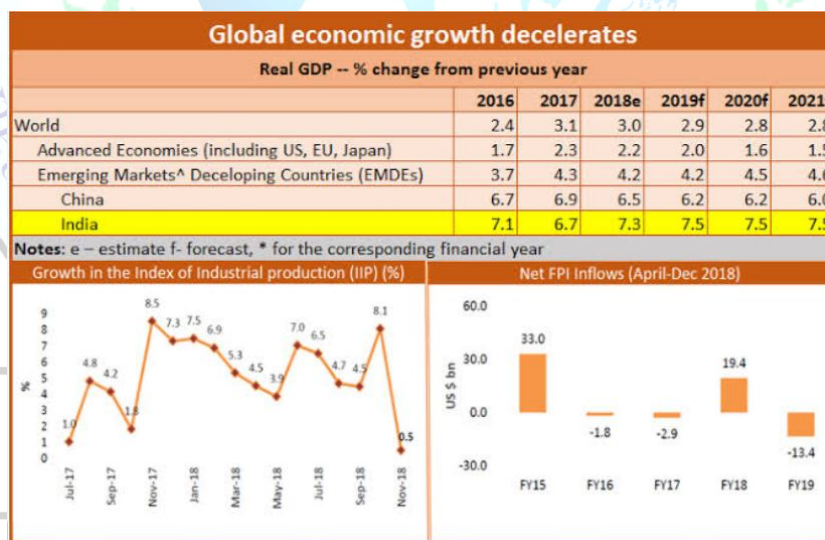
Most essential services and sectors have continued to run during the pandemic thanks to the implementation of the 'work from home' due to restrictions. However, the Telco's are bracing for a sharp drop in adding new subscribers.

PHARMACEUTICALS:

The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs. With a market size of \$55 billion during the beginning of 2020, it has been surging in India, exporting Hydroxychloroquine to the world.

OIL & GAS:

The Indian Oil & Gas industry is quite significant & it is the third-largest energy consumer only behind USA and China which delivers to 5.2% of the global oil demand. In lockdown period fuels (accounting for 2/3rd demand in oil & gas sector) as auto & industrial manufacturing declined and goods & passenger movement (both bulk & personal) fell.



BEYOND COVID-19: THE NEW NORMAL

It is evident that the current downturn is fundamentally differed. Supply chain resilience and innovation' will help businesses in trading a new path in this uncertain environment.

The countrywide shutdown has brought an immediate end to almost all economic things the instability of demand and supply powers is continuing even after restarting the economic activities.

India's growth fell to 3.1 percent in the fourth quarter of the fiscal year 2020, according to the Ministry of Statistics. The unemployment rose to 26% in April, from 6.7% in March 2020. The 140 million people lost employment during this lockdown, and others got salaries cut. During the first phase of lockdown (25 March-14 April 2020), the Indian economy was expected to lose \$4.5 billion each day. For the complete lockdown period, the economic loss predicted to near \$2.8 trillion.

- The entire supply chain is interrupted
- The export and import of India go to the downfall side.
- Oil prices dropped sharply due to COVID-19 in 2020.
- The entire tea industry will see a substantial decline in revenue.
- The tourism sector is on the downside in the entire world.
- The people most affected are those who can make their living at daily wages and lower-middle-income people.
- Starvation and depression.

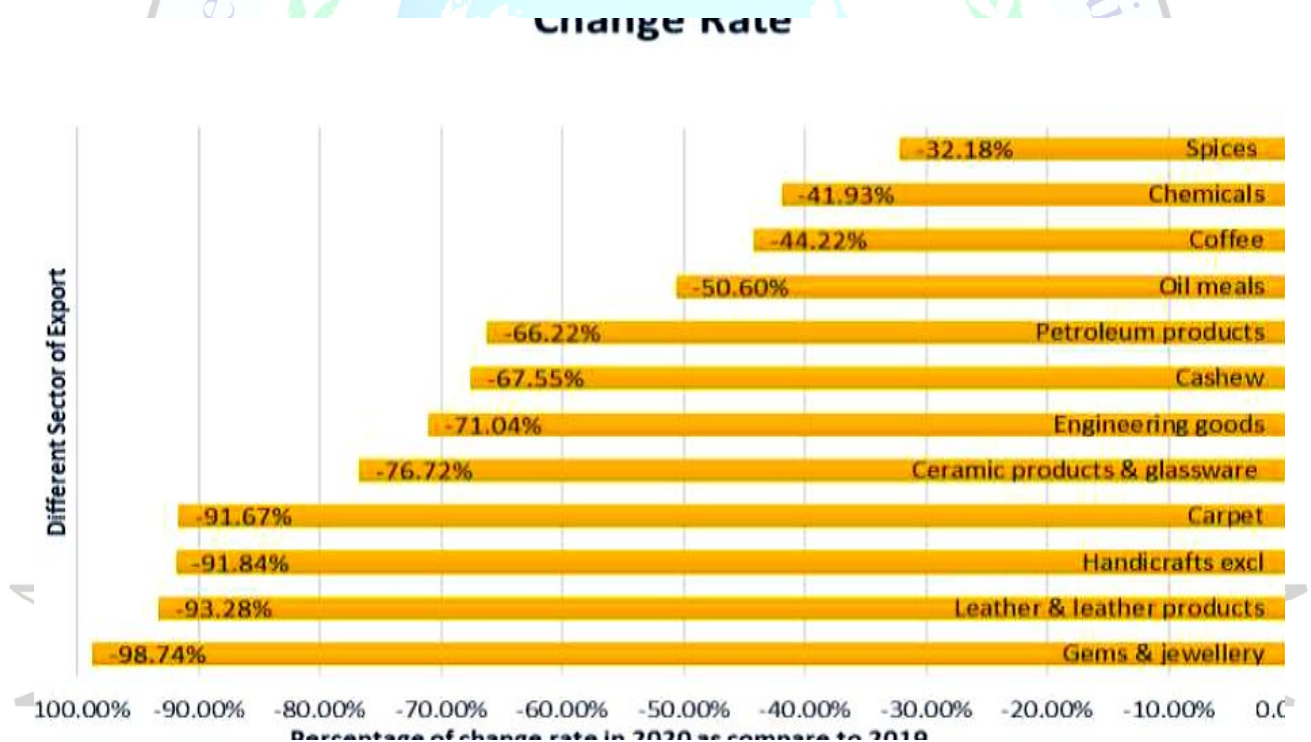


Fig 2. Impact of COVID-19 on Export of India in April 2020

This corona virus pandemic also impacts on export and imports. The Ministry of Commerce & Industry, Government of India had released press information regarding the export and import of India in April 2020. According to this document, Export and Import of India in April 2020 drop to 36.65% and 47.36% compare to the previous year. Figure 2 shows the reduction in export for the different sector in April 2020 as compared to April 2019; export of Gems & jewelers drops to

98.74% in April 2020, the export of Leather & leather product falls to 93.28%,

INDIA'S GROWTH PROJECTIONS REVISED DOWN:

Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India keeping in view restrictions, supply chain disruptions, subdued consumption and investment levels on the growth of both global and the Indian economy.

MOODYS - Moody's fund raisers Service has revised down its growth forecast for India to 5.3% for 2020 from its earlier estimate of 5.4% made in February.

S&P GLOBAL RATINGS – S&P has lowered India's economic growth forecast to 5.2% for 2020. The country figures among the top 15 economies most affected as slowdown of manufacturing in China disrupts world trade, a survey by FICCI (2020) found that most industry respondents did not foresee positive demand account Demand side impact on tourism, hospitality and aviation is among the worst affected.



1. Relaxation / dispensation of labour law compliances
2. Contribution to PF & ESI funds
3. Facilitate ease of doing business for MSMEs
4. Facilitate trading across borders
5. Ease licensing requirement for production of Sanitizer

(Dev and Sengupta, 2020) We are in the middle of a global pandemic, a health shock and an economic shock. And while the health shock will be temporary, the economic crisis it is triggering will affect us for a much longer period.

OBJECTIVES:

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

RESEARCH METHODOLOGY:

In this study Researcher have taken study reports by various agencies like CRISIL, FICCI, PwC, ASSOCHAM, CII, McKinsey & Company and CARE Ratings for detail study.

RESULT AND FINDINGS:

It is revealed that when the global economy is on a slowdown mode no emerging economy can grow at its normal pace business houses were reluctant to undertake capex plans, unemployment was at its peak and exports which were consistently down for several months Due to the measures adopted to prevent the spread of the Corona Disease 2019 (Covid-19), especially social distancing and lockdown, non-essential expenditures are being postponed. This will negatively affect production in almost all industries. Gradually the shock will spread to manufacturing, mining, agriculture, public administration, and construction – all sectors of the economy. This will adversely affect investment, employment, income, and consumption, pulling down the aggregate growth rate of the economy.

Making the current situation a learning opportunity, now ahead India can work on capturing potentially 40% of their competitor's market share by looking at indigenous production of goods, furthering the country's Make in India campaign.

RECOMMENDATIONS;

1. To increase liquidity and increase consumer confidence, the Government of India should provide a pay roll tax holiday for a quarter to help support.
2. MSMEs should be provided concessional working capital loan, equivalent to one to three month's (based upon the extent of disruption) average turnover of last year. To support them, when the supply chains have been impacted globally, MSMEs should also be provided concessional finance at a rate of 5% for three months through SIDBI. The interest payment for such financing can be adjusted over the next three years as part of GST.
3. CSR spending by corporate organisations should be directed towards a response fund dedicated for the management of the pandemic.
4. A disaster management framework focused on managing disease outbreak will become essential in the large and densely populations on the earth.

CONCLUSION:

In India, this has not yet started in a systematic manner and needs to be prioritised alongside steps to deal with the health crisis.. About necessary measures to combat the economic impact from

the rapidly spreading coronavirus, the Government policymakers would need to implement a substantial targeted fiscal, broader monetary stimulus, and policy rate cuts to help normalize the economic situation. As the COVID-19 crisis continues to expand, manufacturers will likely face challenges some will be austere, but austerity measures should be tempered to preserve long-term objectives.

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