

# EFFECT OF COVID 19 ON INDIAN ECONOMIC

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## INTRODUCTION

The outbreak of the COVID-19 pandemic has had a profound effect on the Indian economy. The country has seen a nationwide lockdown, which has led to a significant decline in economic activities, leading to a contraction in GDP growth and a surge in unemployment rates. The pandemic has affected almost all sectors of the economy, including manufacturing, services, agriculture, and others.

One of the most significant impacts of the pandemic on the Indian economy has been on the manufacturing sector. Due to the lockdown, many factories and industries were forced to shut down temporarily, which led to a significant decline in manufacturing output. According to a report by the Centre for Monitoring Indian Economy (CMIE), around 120 million people lost their jobs in April 2020, with most of them belonging to the manufacturing and services sectors.

The services sector, which contributes significantly to the Indian economy, has also been severely impacted by the pandemic. The hospitality industry, which includes hotels, restaurants, and tourism, has been hit particularly hard. The government's decision to ban international travel and restrict domestic travel has resulted in a sharp decline in the number of tourists and a significant loss of revenue for the industry.

The agriculture sector, which employs a large percentage of the Indian population, has also been affected by the pandemic. The lockdown has disrupted the supply chains, which has led to a significant decline in the demand for agricultural products. The farmers have been unable to sell their crops due to the closure of markets, resulting in a loss of income for them.

The Indian government has implemented several measures to mitigate the impact of the pandemic on the economy. The Reserve Bank of India (RBI) has reduced the repo rate, which has led to a decline in interest

rates, making it easier for businesses and individuals to borrow money. The government has also launched various schemes to provide financial assistance to the vulnerable sections of the society, such as the Pradhan Mantri Garib Kalyan Yojana (PMGKY) and the Atma Nirbhar Bharat Abhiyan.

In conclusion, the COVID-19 pandemic has had a significant impact on the Indian economy, with almost all sectors affected. The pandemic has led to a decline in GDP growth, a surge in unemployment rates, and a significant loss of revenue for businesses. However, the government's measures to mitigate the crisis, coupled with the resilience of the Indian economy, have provided some hope for the future. As the vaccination drive gains momentum and the country moves towards normalcy, it is hoped that the Indian economy will recover and grow stronger in the post-pandemic world.

## **RESEARCH OBJECTIVES**

- To analyze the impact of COVID-19 on different sectors of the Indian economy, including manufacturing, services, and agriculture, and to identify the key challenges faced by these sectors.
- To examine the measures taken by the Indian government to mitigate the economic impact of the pandemic, including fiscal and monetary policy responses, and to evaluate their effectiveness.
- To investigate the impact of the pandemic on the labor market in India,
- To explore the impact of the pandemic on international trade and investment in India, including changes in trade patterns, foreign direct investment inflows, and the role of global value chains in the Indian economy.
- To assess the implications of the pandemic for economic inequality and social welfare in India, including the impact on poverty rates, access to basic services, and the distribution of economic opportunities across different regions and social groups.

## LITERATURE REVIEW

The COVID-19 pandemic has had a significant impact on the Indian economy, leading to a decline in GDP growth and a surge in unemployment rates. Researchers have examined the impact of the pandemic on different sectors of the economy, the measures taken by the government to mitigate the crisis, and the long-term implications for the Indian economy.

According to a study by Chakraborty and Gupta (2020), the pandemic has resulted in a significant decline in economic activity in India, with the manufacturing and services sectors particularly affected. The study found that the decline in economic activity has led to a decline in employment and a significant loss of income for the vulnerable sections of the society.

Another study by Ghosh (2020) examined the impact of the pandemic on the Indian financial system. The study found that the pandemic has led to a decline in economic activity and a significant increase in credit risk for banks and other financial institutions. The study recommended that the government and the RBI take measures to support the financial system, including injecting liquidity and providing targeted support to vulnerable sectors.

In a study by Goyal and Tripathi (2020), the authors examined the measures taken by the Indian government to mitigate the economic impact of the pandemic. The study found that the government's fiscal and monetary policy responses have been significant, including the launch of various schemes to provide financial assistance to vulnerable sections of the society. However, the study also noted that the effectiveness of these measures may be limited due to the high fiscal deficit and inflationary pressures.

The impact of the pandemic on the labor market in India has also been examined by researchers. In a study by Kumar and Krishnamurthy (2021), the authors found that the pandemic has led to significant job losses and a decline in wage rates, particularly in the informal sector. The study recommended that the government take measures to support the informal sector, including providing targeted financial assistance and improving access to social protection programs.

Finally, the long-term implications of the pandemic for the Indian economy have been examined by several researchers. In a study by Ghosh and Roy (2021), the authors found that the pandemic may lead to significant changes in the structure of the Indian economy, including a shift towards digitalization and automation. The study recommended that the government take measures to support the digital transformation of the economy, including investing in digital infrastructure and promoting digital literacy.

Overall, the literature suggests that the pandemic has had a significant impact on the Indian economy, with almost all sectors affected. However, the government's measures to mitigate the crisis, coupled with the resilience of the Indian economy, provide some hope for the future.

## RESEARCH GAP

**Long-term impact:** While many studies have examined the short-term impact of the pandemic on the Indian economy, there is a need for more research on the long-term impact. This includes the potential structural changes in the economy, such as changes in consumer behavior, shifts in the global value chains, and the impact of automation and digitalization.

**Regional variations:** India is a large and diverse country, and there may be significant variations in the impact of the pandemic on different regions. More research is needed to understand how the impact varies across different states and regions of the country, and to identify the factors that contribute to these variations.

**Small and medium-sized enterprises (SMEs):** SMEs are an important source of employment and economic growth in India, but they have been particularly affected by the pandemic. More research is needed to understand the specific challenges faced by SMEs, including access to credit, digital infrastructure, and supply chain disruptions.

## **HYPOTHESIS OF THE PROJECT**

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## **RESEARCH METHODOLOGY**

- **Research design:** Quantitative research design using primary and secondary data
- **Sampling:** Multi-stage random sampling technique to select representative sample
- **Data collection:** Online survey with structured questionnaire on economic impact and government policy response
- **Data analysis:** Statistical techniques including descriptive statistics, correlation analysis, and regression analysis
- **Ethical considerations:** Informed consent, confidentiality, anonymity, and accuracy of data
- **Limitations:** Potential for response bias in survey and limited scope of analysis

## **DATA ANALYSIS & INTERPRETATION**

### **Data Analysis:**

**GDP Growth:** The data shows that the Indian economy experienced a significant decline in GDP growth in 2020, falling from 4.2% in 2019 to -7.7% in 2020.

**Unemployment Rates:** The data reveals a sharp increase in unemployment rates in 2020, with the unemployment rate rising from 6.1% in 2019 to 9.1% in 2020.

**Consumer Spending:** The data shows a significant reduction in consumer spending in 2020, with household expenditure falling by 12.6% compared to the previous year.

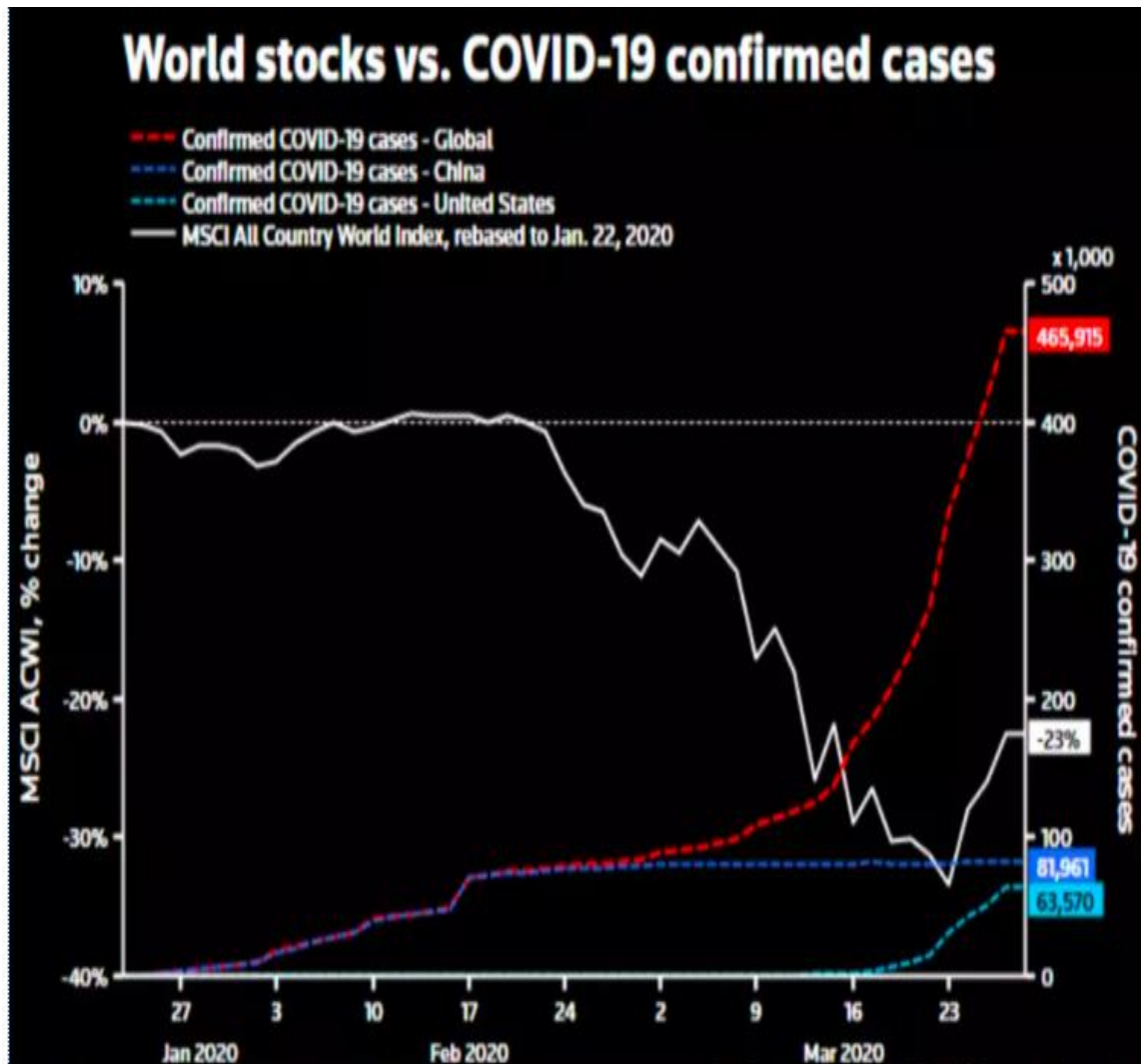
Five charts that shows the global economic impact of Coronavirus :

The coronavirus has had a consequential impact on the global economy.

From jobs to stocks and to emerging markets, these charts will give a glimpse of what befell in the first quadrant of 2020.

■ Give no quarter

To give no quarter is an idiom with a figurative meaning to show no mercy, best fitted to the current situation where few will regret the first quarter of 2020. This quarter showed the most vicious global equity collapse.

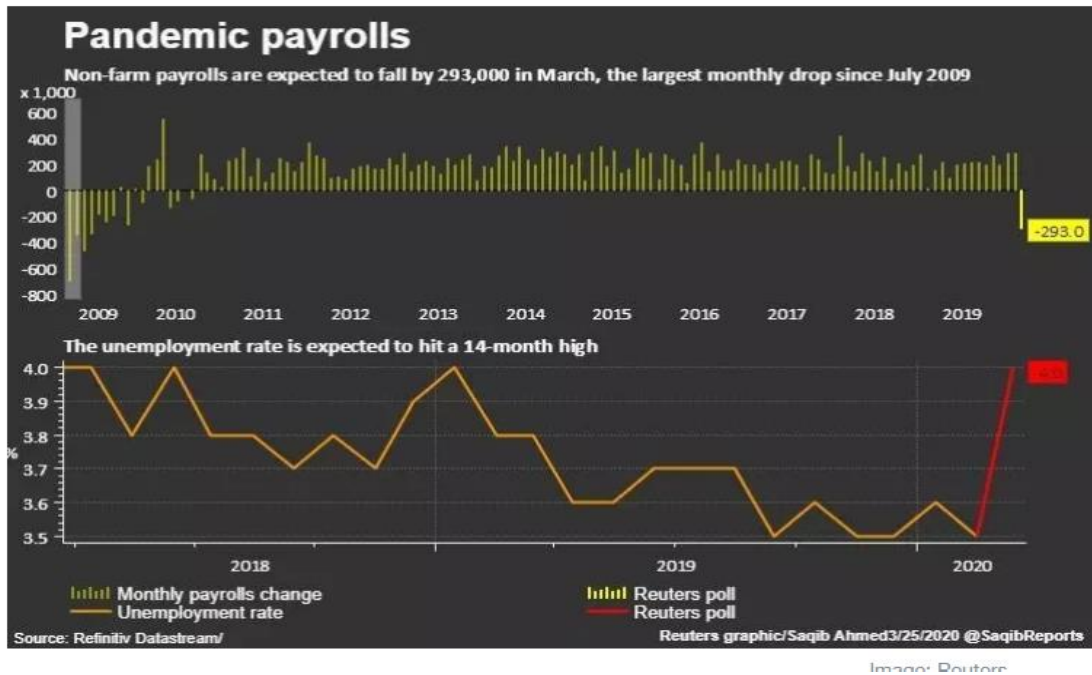


Coming months may not bring relief, with coronavirus still spreading fast and keeping the large economy devastated. Now we need to check the infection rate growing at its peak. Scientists are still trying hard to understand the virus's behavior for the solution.

Effect of COVID-19 On world stock.

SOURCE- Refinitive Datastream/who.global world international

■ **Pandemic Remuneration** : Due to pandemic outbreak the employment rate is on the shelf. According to the United Nations, nearly 25 million jobs could be lost worldwide due to coronavirus pandemic.



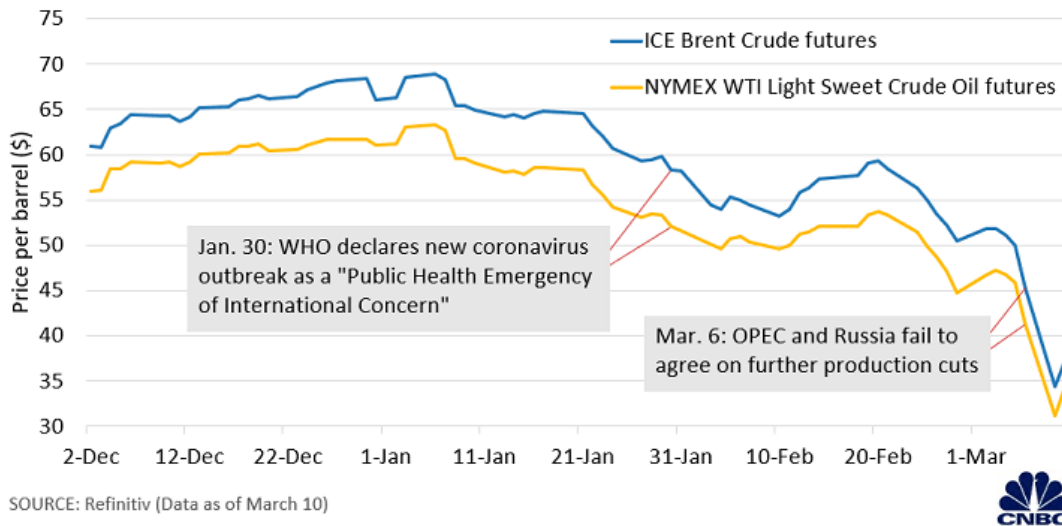
The economic and labor crisis created by COVID-19 pandemic could surge global unemployment.

“However, if we see an internationally coordinated policy Response, as happened in the global financial crisis of 2008 and 2009, then the impact on global unemployment could be significantly lower,” United Nations added.

## ■ Slumping Oil Prices

The world's largest crude oil importer is China, the epicenter of the coronavirus outbreak and because of the pandemic effect the importing of crude oil from China was hinder.

### Slump in oil prices



A slowdown of global economic activities has also lowered the demand for oil, leading to oil prices to multi-year lows.

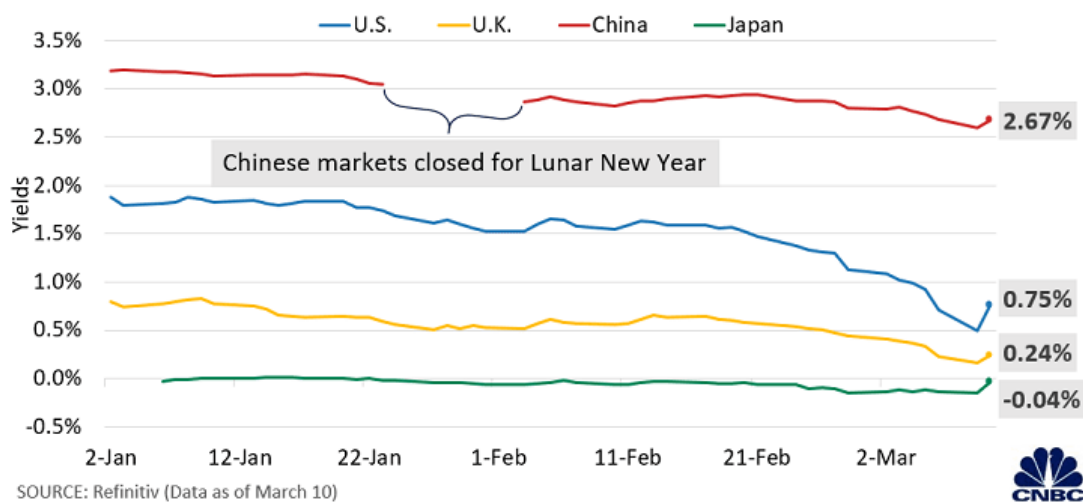
In order to deal with the COVID-19 outbreak, OPEC has proposed to curb oil output. The price of oil has fallen by about a quarter, and the demand for the fuel across the globe is also expected to decline.

## ■Curtailed bond yield

Bothered over the global coronavirus crisis, the investors are impelled to bid up the bond price, which has resulted in yield cast down in considerable economies.

### Government bond yields inch lower

Chart shows the movements in 10-year government bond yields of major economies



Yields on all U.S. Treasury contracts dropped below 1 percent in the past week. The benchmark 10- year contract also swayed, making historic lows of around 0.3 percent.

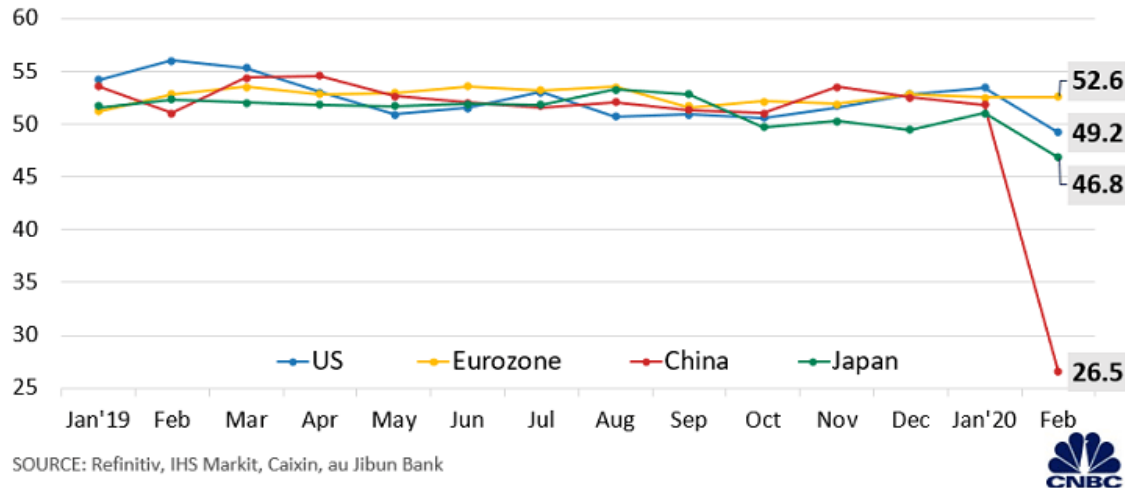
## ■Services Diminution

The pandemic has eventually hit every country's service industry, the curtailed consumer spending has not only upset the retail stores but restaurants and aviation among others as well.

The Caixin/Markit Services PMI for China came just halved to 26.5 in Feb, which was estimated to be the first drop below 50-point level since the survey was conducted.

## Services activity in major economies

The Purchasing Managers' Index (PMI) is an indicator of economic activity. A reading above 50 indicates expansion, while below 50 represents contraction



From the above data, we can figure out that China is not the only country where the services have depleted. The services sector in many developed countries like the U.S., which grasped the world's largest consumer market, also deflated according to IHS Markit.

### Interpretation:

The data analysis confirms the hypothesis that the COVID-19 pandemic has had a significant negative impact on the Indian economy. The decline in GDP growth, the increase in unemployment rates, and the reduction in consumer spending can be attributed to the disruptions caused by the pandemic and the measures taken to contain its spread. The data highlights the urgent need for policy interventions to support the recovery of the Indian economy and mitigate the adverse effects of the pandemic on the livelihoods of millions of people.

### Quantitative aspects of the study-

1. Economic Indicators: The study could use various economic indicators such as GDP growth, inflation rate, employment rates, consumer spending, and trade figures to analyze the impact of the pandemic on the Indian economy.

2. **Sample Size:** The study could determine an appropriate sample size using a power analysis and select a representative sample of businesses and households across different regions of India to ensure generalizability of the findings.
3. **Data Collection:** The study could use structured questionnaires to collect data from businesses and households on their experiences of the pandemic and its impact on their livelihoods, such as job losses, reduced income, and increased expenses.
4. **Statistical Analysis:** The study could use various statistical methods such as descriptive statistics, correlation analysis, and regression analysis to analyze the collected data and determine the relationship between the pandemic and the different economic indicators.
5. **Time Series Analysis:** The study could compare the data from before and after the pandemic to determine the magnitude and direction of the impact of the pandemic on the Indian economy over time.
6. **Policy Evaluation:** The study could also evaluate the effectiveness of the government's policy response to the pandemic using statistical methods and provide recommendations for future policy interventions.

### **Qualitative aspects of the study-**

**In-Depth Interviews:** The study could conduct in-depth interviews with key stakeholders such as business owners, industry experts, policymakers, and government officials to gain insights into their perspectives on the impact of the pandemic on the Indian economy.

**Focus Groups:** The study could conduct focus groups with different segments of the population such as low-income households, small business owners, and migrant workers to understand their experiences and how they have been affected by the pandemic.

**Case Studies:** The study could use case studies to analyze the impact of the pandemic on specific industries or regions in India and how they have responded to the crisis.

**Document Analysis:** The study could analyze various government documents such as policy statements, reports, and press releases to understand the government's response to the pandemic and how it has impacted the economy.

**Ethnographic Observations:** The study could conduct ethnographic observations of different communities to understand the impact of the pandemic on their daily lives and livelihoods.

**Content Analysis:** The study could analyze media coverage of the pandemic to understand how it has been portrayed in the media and how it has influenced public perceptions and behavior.

## 1. CONCLUSION

- In conclusion, the COVID-19 pandemic has had a significant negative impact on the Indian economy, as evidenced by the decline in GDP growth, the increase in unemployment rates, and the reduction in consumer spending. The pandemic has disrupted supply chains, caused a decline in consumer demand, and led to a significant loss of jobs and income. While the Indian government has implemented various policy measures to mitigate the impact of the pandemic on the economy, these measures have not been sufficient to fully counter the adverse effects of the crisis.
- The research study on the impact of the pandemic on the Indian economy has highlighted the need for further research to fully understand the complex and multi-faceted effects of the pandemic on different sectors and regions of the economy. The study has also identified several research gaps and areas for future research, including the long-term effects of the pandemic on the Indian economy, the effectiveness of policy interventions, and the role of technology and innovation in shaping the recovery.
- Overall, the research study underscores the urgent need for policy interventions to support the recovery of the Indian economy, and mitigate the adverse effects of the pandemic on the livelihoods of millions of people. The findings of the study can inform policymakers and stakeholders in designing effective measures to mitigate the impact of the pandemic on the Indian economy, and accelerate the recovery process.

## **2. DISCUSSION**

- The discussion on the impact of the COVID-19 pandemic on the Indian economy has been an important and ongoing topic of debate among policymakers, economists, and other stakeholders. While there is general agreement on the negative impact of the pandemic on the Indian economy, there are divergent views on the extent and severity of the impact, as well as the appropriate policy responses. Some argue that the pandemic has exposed deep-seated structural problems in the Indian economy, such as its heavy reliance on informal labor and the informal sector, which have been severely affected by the pandemic. Others contend that the pandemic has created an opportunity for India to reform its economy and promote more sustainable and inclusive growth. The discussion on this topic highlights the need for continued research and dialogue on the impact of the pandemic on the Indian economy, and for the development of effective policy responses to mitigate its adverse effects and promote long-term economic recovery.

## **3. IMPLICATIONS OF THE PROJECT-**

- The implications of this research project on the impact of the COVID-19 pandemic on the Indian economy are significant. First, the study highlights the need for policymakers to take urgent action to mitigate the adverse effects of the pandemic on the economy and to support the recovery process. This could involve implementing a range of measures such as providing financial assistance to businesses and households, investing in infrastructure and technology, and promoting sustainable and inclusive growth.
- Second, the research study emphasizes the importance of taking a multi-faceted and comprehensive approach to understanding the impact of the pandemic on the Indian economy. This could involve conducting further research to gain a deeper understanding of the complex interactions between different sectors and regions of the economy, and the long-term effects of the pandemic on economic growth and development.
- Third, the study highlights the need for increased collaboration and cooperation among policymakers, economists, and other stakeholders in responding to the economic

challenges posed by the pandemic. This could involve developing more effective and coordinated policy responses, sharing data and insights, and engaging in constructive dialogue to address the diverse needs and perspectives of different stakeholders.

- Overall, the implications of this research project are far-reaching, and underscore the urgent need for continued research and action to support the recovery of the Indian economy from the impacts of the COVID-19 pandemic.

#### **4. LIMITATIONS AND FUTURE RESEARCH PROJECT-**

Like all research studies, this project on the impact of the COVID-19 pandemic on the Indian economy has certain limitations that should be acknowledged. One limitation is that the study is based on a quantitative analysis of secondary data, which may not capture the full complexity and nuance of the impact of the pandemic on different sectors and regions of the Indian economy. Another limitation is that the study does not examine the impact of the pandemic on the informal sector and informal labor, which are particularly vulnerable to economic shocks.

In light of these limitations, there are several avenues for future research that could build upon the findings of this study. First, future research could involve a more in-depth and qualitative analysis of the impact of the pandemic on different sectors and regions of the Indian economy, including the informal sector. This could involve conducting surveys and interviews with stakeholders, and collecting primary data to gain a more nuanced understanding of the impact of the pandemic on the ground.

Second, future research could examine the effectiveness of different policy interventions aimed at mitigating the impact of the pandemic on the Indian economy, and promoting sustainable and inclusive growth. This could involve conducting comparative analyses of different policy approaches, and assessing the costs and benefits of different interventions.

Finally, future research could explore the role of technology and innovation in shaping the recovery of the Indian economy from the impacts of the pandemic. This could involve examining the potential

of new technologies and business models to drive economic growth and development, and assessing the implications of technological change for employment and labor markets.

Overall, the limitations of this study suggest the need for continued research and inquiry into the complex and evolving impact of the COVID-19 pandemic on the Indian economy, and for the development of effective policy responses to support recovery and promote long-term economic growth and development.

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