

# IMPACT OF COVID-19 ON INDIAN ECONOMY: THREATS AND OPPORTUNITIES

CS. Yogesh Sharma \*

## ABSTRACT

At the eve of new-year on 31st December 2019 the Chinese government informed WHO about a pneumonia of unknown causes detected in Wuhan. On 30th January 2020 this outbreak was declared as a public health emergency of international concern and on 11th February 2020 the name of new corona virus was announced as COVID-19 by WHO. COVID-19 is an infectious disease in which CO stands for Corona, VI for virus and D for disease. This virus has affected all the countries of the world disturbing their political, social, economic, religious and financial structure. The world's top economies are at the verge of collapse. The stock markets around world have been pounded, oil prices have reached in negative, millions of people have become jobless.

*Keywords:* COVID 19, Impact, Opportunities, Stimulus.

## INTRODUCTION

Explaining about the after effects of Covid 19, the Managing Director of International Monetary Fund (IMF) Mr. Kristalina Georgieva has warned about the worsening condition of global economic and financial structure “as a recession at least as bad as during the Global financial crisis or worse”. Professor Bernard M Wolf of Schulich School of Business has said “it is catastrophic and we have never seen anything like this, we have a huge portion of the economy and people under lockdown that's going to have a huge impact on what can be produced and not produced”.

To combat covid-19 and meeting the staggering situation an emergency meeting G-20 Nations was held. In its joint statement it was said that combating covid-19 pandemic calls for transparent, robust, coordinated, large scale and science based global response in the spirit of solidarity. G-20 nations further agreed to spare no effort to

- a. Protect lives
- b. Safeguard people's jobs and incomes
- c. Restore confidence, preserve financial stability, review growth and recover stronger
- d. Minimise disruption to trade and global supply chain
- e. Provide help to all countries in need of assistance
- f. Co-ordinate on public health and financial measures

In addition to the commitment, over \$5 trillion were injected in the global economy to counteract the social, economic, and financial impact of the pandemic.

## IMPACT OF COVID-19 ON DIFFERENT SECTORS OF INDIA

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\* Assistant Professor, Maharaja Agrasen University, Atal Siksha Kunj , Baddi. Himachal Pradesh.

**1. AVIATION INDUSTRY:** The aviation industry is one of the most adversely affected sectors of the economy due to covid-19 pandemic. According to the report by CRISIL the aviation industry will crash land this fiscal with the loss of Rs 24,000 to 25,000 crores. This figure may rise if travel restrictions last longer in Mumbai, Delhi, Chennai, Kolkata and other hubs.

In aviation industry the Airlines will be worst affected with the loss of around Rs. 17,000 crores, followed by airport operations suffering a loss of around Rs. 5,000 to 5,500 crores. The airport retailers, food and beverages, duty free etc will suffer a loss of about Rs1700 to 1800 crores. Jagan Narayan Padmanaban director of practice leader transport and Logistics CRISIL said “these are preliminary estimate and aggregated losses could increase if the lockdown is extended beyond first quarter”

**2 TOLL PLAZA:** The developers and toll operators under the Road and Highway sector are expected to lose Rs. 3,450- 3,700 Crores during March to June while National Highway Authority of India (NHAI) will lose Rs. 2,100 to 2,200 during the same period. Losses due to accrued interest, increase in cost of under construction projects, time overrun etc will be additional.

**3 TOURISM SECTOR:** According to KPMG the Indian tourism and hospitality sector will suffer a job loss of around 38 million which is around 70% of the total workforce. This crisis is greater than the crisis occurred after 9/11 and financial meltdown of 2008-09. Impact is likely to be felt on both white and blue collar jobs. Outbound and inbound travels will be at an all time low.

Besides this Indian tourism industry is estimated to book a revenue loss of Rs. 1.25 trillion in 2020 as a fall out of the shutdown of hotels and suspension in flight operations. Indian total foreign tourist arrival stood at 10.9 million and foreign exchange earning stood at Rs. 2,10,971 Cross during 2019. The federation of association of Indian tourism and Hospitality (FAITH ) inform that over 95% MSME's of 53,000 travel agents, 1,15,000 tour operators, 15,000 adventurers, 9,11,000 tourist transporters, 53,000 hospitality and 5 lakh restaurant are facing heat due to lack of cash flows. This industry employs an estimated 3.8 crore jobs.

**4 RESTAURANTS AND RIDE SHARING:** Indian restaurant industry is Rs. 4 lakh crores. This sector provides employment to around 8 million people. This sector is at complete stand still. The sector is largely affected as online and home delivery is not allowed. After the lockdown is over, this sector will have to make change in their functioning as they have to follow social distancing rules and it is expected that many people coming under this sector will lose jobs.

Similarly ride sharing sector gives employment to around 5 million people directly and 1 million people indirectly. This sector will take huge time to recover because people will fear sharing their ride with others. This sector will also suffer future job cuts and their functioning will have to be monitored properly. Strict safety norms have to be followed as the sector is vulnerable to respond of covid-19.

**Table 1: Growth rates of different sectors between April to June 2020**

S. No	Name of Sector	Growth Rate
1	Financial, real estate and professional services	-17.3%
2	Mining and quarrying	-14%
3	Electricity, gas, water supply and others services	-13.9%
4	Trade, hotels, transport, communication	-9.7%
5	Broadcasting services	-6.3%
6	Agriculture	-1.3%

Source: *www.statista.com* and compiled by the researcher.

India is expected to grow 1.5- 2.8 % according to the World Bank while International Monetary Fund project GDP growth of 1.9% in 2020.

### POSITIVE IMPACTS OF COVID-19

**1 DROP IN POLLUTION LEVEL:** There has been a significant Global decrease in the air pollution levels. Experts believe that drop in air pollution level maybe saving significant amount of lives globally. In Delhi the Nitrogen dioxide level from 25th March 2020 to 2nd May 2020 have average of 90 mol/m<sup>2</sup> compare to 158 mol/m<sup>2</sup> during the same period in 2019. Similar trend was observed in Mumbai also, the level of NO<sub>2</sub> from March 25 to May 2, 2020 averaged at 77 mol/m<sup>2</sup> compared to average of 122 mol/m<sup>2</sup> in 2019 during the same period.

With the Imposition of *Janata curfew* on March 22nd there was a significant drop in air pollution level in almost all cities of India. The average air quality index of Delhi, Kolkata and Bengaluru was within 2 digits. On 23rd April 2020 the residents of Jalandhar a city in Punjab could see the Dhauladhar mountain ranges situated 213 km away.

Yamuna and Ganga rivers saw a significant improvement in water quality during Lockdown. According to report of Central pollution control board (CPCB) the average water quality of 27 points was seen in Ganga river during the lockdown.

**2 DROP IN CRIME RATES:** Cities such as Delhi, Bengaluru, Lucknow and Kolkata have reported 60- 90% drop in crimes as compared to previous years. The decrease in crime is due to less people on roads. This is also the case with other cities in India but there has been a sharp increase in domestic violence.

**Table 2: Drop in Crime rate in cities during April-May 2020**

S. No	Name of City	Drop in crime rate
1	Kolkata	50%
2	Lucknow	65%
3	Delhi	42%
4	Cheennai	90%
5	Bengaluru	50%

Source: *www.thefederal.com* and compiled by the researcher.

**3 ROAD ACCIDENTS:** According to reports of world road statistics, India ranks first in the number of road accident deaths across 199 countries. India account for 11% of accident related deaths in the world. Due to nationwide lockdown there has been reduction in number of road accidents and casualties. The dip in number of accidents is due to suspension of public transport and general mobility. During the first two phases of lockdown, as many as 140 people died due to Road Crashes across the country out of which over 30% were migrants travelling back home.

**4 PHARMACEUTICAL INDUSTRY:** Pharmaceutical industry has outperformed during covid-19 lockdown. The stocks of Pharmaceutical Companies like Abbott India, The Dr Reddy's labs, Biocon, Aurobindo Pharma, Sun Pharma etc have advanced between 10% to 100%. Even the lesser known Pharma Companies like Cobra drugs advanced nearly 300%, Lasa supra-generics soared 104 % and Ortin Laboratories jumped 100% during the pandemic.

India which was not manufacturing even a single PPE kit before the the pandemic is now producing 2.06 lakh PPE kits daily. The government has identified 110 domestic manufacturers of which only 52 companies are manufacturing PPE kits right now. India has become top exporter of PPE kits in just 2 months.

### STIMULUS PACKAGE ANNOUNCED BY THE GOVERNMENT

The finance minister announced rupees 1.7 lakh crore stimulus which includes food grains and cooking gas to poor for 3 months. According to the stimulus

- a. 80 crore poor ration card holders will get 5 kg of wheat or rice and 1 kg pulses free of cost every month for next 3 months.
- b. 20.4 crore women having *Jan Dhan* bank account will get cash help of Rs.1,500 over 3 months i.e. rupees 500 per month.
- c. 8.3 crore women will get LPG refills for next 3 months absolutely free.
- d. Widows and disabled will get ex-gratia cash of rupees 1000.

Stimulus package of 20 lakh crores i.e. 10% of GDP was announced by the Government of India to deal with the pandemic. It also includes stimulus of Rs 1.7 lakh crores announced earlier. Bold reforms were declared by The Prime Minister Mr Narendra Modi to make the country self-reliant and avoid crises such as the Covid-19 pandemic in future. Main focus was on supply chain reforms for agriculture, rational tax system, simple and clear laws, capable human resources and a strong financial system. The package will also focus on empowering the poor, labourers and migrant workers, both in the organised and unorganised sectors.

Sh. Narendra Modi further added that these reforms will promote business, attract investments, and further strengthen 'Make in India'. It is expected that the package will focus on land, labour, liquidity and laws, and will cater to various sectors including the cottage industries, micro, small & medium enterprises (MSMEs), the working class, middle class and industry, among others. The Reserve Bank of India has also launched various programmes to help borrowers and boost liquidity, besides cutting interest rates to a record low. Some features of the package announced by the Government of India are as follows:-

1. Salaried workers and taxpayers were provided relief in form of extended deadline for IT returns the new due date is November 30 2020
2. The rate of TDS and TCS have been cut by 25% for next year
3. Statutory provident fund payments have been reduced from 12 % to 10% for the next 3 months.
4. MSME were given Rs. 3 lakh crore providing relief to 45 lakh units with access to working capital to resume business activities
5. Rs. 90,000 crore liquidity injection to power distribution companies facing unprecedented cash flow crisis
6. Rs. 45,000 crore partial credit guarantee for non banking financial companies

The detail of the Stimulus package of 20 lakh crores provided by the government has been announced. The tables provide a detail with respect to the item and the amount of package allocated.

**Table 3: Stimulus provided by announcement in Part-1**

S.No	ITEM	Rs. Cr.
1	Emergency W/C Facility for Business, incl MSMEs	3,00,000
2	Subordinate debt for stressed MSMEs	20,000
3	Fund of fund foe MSNE	50,000
4	EPF support for business & workers	2,800
5	Reduction in EPF rate	6,750
6	Special liquidity scheme for NBFC/HFC/MFIs	30,000
7	Partial credit guarantee scheme 2.0 for liabilities of NBFCs/MFIs	45,000
8	Liquidity injection for DISCOMs	90,000
9	Reduction in TDS/TCS rates	50,000
	SUB TOTAL	5,94,550

Source: [www.financialexpress.com](http://www.financialexpress.com) and prepared by researcher.

**Table 4: Stimulus provided by announcements in Part-2**

S. No	ITEM	Rs. Cr.
1	Viability gap funding	8,100
2	Additional MGNREGS allocation	40,000
	SUB TOTAL	48,100

Source: [www.financialexpress.com](http://www.financialexpress.com) and prepared by researcher.

**Table 5: Stimulus provided by announcement in Part-3**

S. No	ITEM	Rs. Cr.
1	Food Micro enterprises	10,000
2	Pradhan Mantri Matasya Sampada Yojna	20,000
3	TOP to TOTAL: Operation greens	500
4	Agri Infrastructure Fund	1,00,000
5	Animal husbandry infrastructure development fund	15,000
6	Promotion of herbal cultivation	4,000
7	Beekeeping initiative	500
	SUB TOTAL	1,50,000

Source: *www.financialexpress.com and prepared by researcher.*

**Table 6: Stimulus provided by announcement in Part-4 and Part-5**

S.No	ITEM	Rs. Cr
1	Free food grain supply to migrant workers for 2 months	3,500
2	Interest subvention for MUDRA scheme loans	1,500
3	Special credit facility to street vendors	5,000
4	Housing CLSS-MIG	70,000
5	Additional emergency working capital through NABARD	30,000
6	Additional credit through KCC	2,00,000
	SUB TOTAL	3,10,000

Source: *www.financialexpress.com and prepared by researcher.*

## OPPORTUNITIES

The pandemic has provided many opportunities to India to improve its local manufacturing, local markets and local supply chains as its key elements. Since all the demands of India were met locally therefore it is an opportunity in the hand of India to be ‘vocal about local’ products and help them become global. Corona virus crisis had taught India the definition of self-reliance which is different from being self cantered. India’s culture considers the world as one family that is the reason why the world trusts that India has a lot to contribute towards the development of entire humanity not only during the pandemic but also after the pandemic.

For economic development the government should look for a “quantum jump” and not “incremental change”. Infrastructure should become the identity of India with a system based on 21st century technology-driven arrangements. India must try to be a self reliant economy taking its energy from its vibrant demography. The supply chain should be utilised to full capacity to meet strong

demand. The stakeholders of the supply chain must be strengthened to increase, as well as fulfil, the demand.

. The biggest opportunity for India is in consumer goods sector. In this sector the textile and clothing sector comprises 17.30 %, food products 12.30 % and crop and animal production comprises of 10 %. To give direct push to this sector the Government can provide stimulus to MSME firms involved in food product manufacture. Although 2020 is a lost year, India can think long term and build relations to occupy the space vacated by China.

Manufacturing companies should be invited through eye catching schemes. Land must be made available in mega special economic zones, ready to move in facilities must be provided. Government should make simple labor code; tax breaks etc so that manufacturing companies are able to compete with other destinations in Asia.

Sectors with strong domestic supply chain such as pharmaceuticals, mobile plants, machinery etc should be specifically aimed to gain momentum in attracting subsequent investment. These sectors are already running properly therefore Government will not face much problem in raising them to international level.

## **CONCLUSION**

The Corona Virus pandemic has instilled a shift in consumer psychology, and the outcome will be an altered behaviour towards the market, especially China and its products. This drive for alternate of china can be beneficial for India to enter multiple trade channels as a supplier of raw material and lifestyle goods. India imports variety of items from China, if Indian government could alternate Chinese goods then India can gain a lot. In case of global economic slowdown due to Covid 19 the first world economies will be looking out for low-cost outsourcing solutions in IT, Finance, non-core items etc. India can rise up to this challenge through its abundant skilled and semi skilled labour which could support bulk manufacturing, assembly and processing. The strategic location of India can be looked as a place to connect with Asia Pacific markets. It can be further used as an advantage to optimize supply chain and minimize transportation cost. Therefore by adopting a phased strategy and prioritising several immediate, medium and long term components India can capitalise these advantages and opportunities.

History has proved that India has always bounced back after the crises. The government has a chance to leverage the changing geopolitical tide to catapult India's manufacturing. It's time to vigorously concentrate on concept of "Make in India" in manufacturing, simultaneously incorporating new industries and creating millions of new jobs. Every crisis is an opportunity; the best example is the production of personal protective equipment (PPE). Before the corona virus pandemic struck, India didn't make PPE or N95 masks. Now the country makes 2,00,000 PPE kits and 200,000 N95 masks every day.

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