Economic Impact of COVID-19 on India

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Abstract

COVID-19 has emphasized establishments to ponder upon new-fangled conducts, as the situation itself is novel so far. Strategies and tactics to outmanoeuvre challenge is vital. Business continuum is a risk, but is taken up in a phased manner. Consider an instance of chemical industry – as they have shown resilience in their operations. Supply chains too are disarranged across the globe. Risk preparedness, discerning, exploration and then, operation may enable protection and seems to be one of the optimum measures to combat the situation. Economies as a whole have dwindled across the globe but majority of them have thought upon some relief package to combat with the situation. This paper is an attempt to evaluate the economic impact on India.

Keywords: COVID-19, Economy, India, Industry, Risk


1. Introduction

WHO (2020) earmarked COVID-19 risk as “too high” as earlier it had the stature of global risk. Rapid health actions need to be commemorated to safeguard the natives. None of the fragments of an economy seems to be excluded from its effect as summarized below:

- 94% of those listed as Fortune 1000 companies have undergone supply chain distractions
- 75% companies among the globe have either negative or sturdy adverse business influence.
- 55% organizations have lowered their growth potentials.

To gear up the situation businesses may:

- Develop a response plan in accordance to the prevailing circumstances.
- Identifying new risks that arose due to COVID like default risk etc would add as a relief to the situation.
- Identify alternate as well as standing scenarios.
- Tailor to suit the stream but with protocols.
2. Review of Literature

Alvarez F, Argente D and Lippi F (2020) employed SIR (Susceptible, Infected and Recovered) epidemiology to ascertain the lockdown strategy which may be referred to as optimum. Atkeson A. (2020) utilised SIR model to predict the spread of pandemic among the US population. The population is categorised as one those who are infected, second those are on the path of retrieval or deceased and third as those who have non-transmissible infection. Fernandes N (2020) found that service dependent countries would have major impact in comparison to the others. Guerrieri V, Lorenzoni G, Straub L and Werning I (2020) believed that the current situation may lead to Keynesian supply shocks. McKibbin W and Fernando R (2020) studied the pandemic outburst through model developed by Lee and McKibbin which intend to explore seven varied situations to engulf better understanding.

Base on the aim of the review, you need to expand the introduction: Although you are writing on economy evaluation, you need to discuss where the virus first originated, what are the figure in relationship to the epidemiology? What are the economic burdens of the pandemic in relation to global focus then to narrow it to India?

3. Altruistic

COVID-19 is one of the altruistic challenges to the human diversity. Virus is spreading rapidly. Government is trying hard to control its impact. Government introduced lock down with an intention to flatten the curve but because of its pandemic status, this has resulted in profound economic crisis situation. The effect on India’s GDP can be described in three varied scenarios as:

Fig.1 Business gear up tactic (Source: Accenture 2020)
Sequence 1: Nation’s economy is expected to dwindle to about 10%, along with a GDP of 1-2% in the first quarter, 2021. Furthermore, the livelihood of nearly 8 million workers, inclusive of those who are uninformed would be influenced. Moreover, there would be some nonperforming loans too; expected percentage is around 3-4%. Government may also require spending around 6 lakh crore rupees to fortify the residents.

Sequence 2: Definitely a shrink of -2 to -3% growth rates is anticipated but reinstate of supply chain would augment. Nonperforming loans may bulge as there may be several across whose payments are stuck and would in fact affect the entire chain. It is even believed that amount required to stabilize the livelihood of the residents may surpass 10 lakh crore or higher than 5% of GDP.

Sequence 3: Economic progressions may shrink. Intense shrinking of the economy may happen. It may lead to more lockdowns and recovery may take much longer time. Sectors such as agricultural etc are struggling to attain the targeted growth:

Fig. 2 Scenario Analysis (Source: India Ministry of Statistics & Programme Implementation; National Accounts Statistics; press search; Mckinsey analysis)
It’s presumed that several MSME and SME would default in comparison to the leading 6% of the corporates and 3% of retail sector.

Probable assistances succour

Immense measures have already been put in place to cope with the needs of households, support programmes have already been initiated. Relief package includes:

- **Megabucks** (initial cash payment of ₹2,000) would be distributed to 8.69cr. crore Indian farmers through PM-Kisan.
- Increase in wages under the programme of MGNREGA to aid the COVID-19 impact which would be supplementary income for them.
- About 3cr. crore widows, elder citizens, disabled to get ex-gratia sum.
- Jan Dhan account holders too, are eligible to get ex-gratis under this relief package.
- Nearly 8.3cr. crore BPL women to receive free gas cylinders.
- **Loaning without any collateral amounting to Rs. 20 lakh 2 million** is to be dispersed.
- For a consecutive period of three months Provident Fund is to be contributed by Government which is inclusive to both employer as well as employee.
- Regulations of Provident Fund is modified in order to give employees 75% progression amount
- State government is directed to employ Rs. 31,000 crore through way of building and other construction workers fund.
- Front line fighters to coronavirus are to be medically insured with Rs. 50 lakh.

Asian Development prognosis can be delineated as:

Asian Development Projections

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**Fig. 3 Sector wise Impact (Source: Mckinsey)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Output change Q1FY 2021 vs Q4 FY 2020 (%)</th>
<th>GDP share, %</th>
<th>Bank credit FY 2019, %</th>
<th>Employment FY 2019, millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airlines and hotels</td>
<td>−70 to −75</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Auto and advanced industries</td>
<td>−50 to −60</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Construction and real estate</td>
<td>−50</td>
<td>11</td>
<td>54</td>
<td></td>
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<tr>
<td>Textiles</td>
<td>−60</td>
<td>2</td>
<td>3</td>
<td></td>
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<tr>
<td>Freight and logistics</td>
<td>−40 to −45</td>
<td>8</td>
<td>2</td>
<td>22</td>
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<tr>
<td>Metals and mining</td>
<td>−35 to −40</td>
<td>7</td>
<td>7</td>
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<tr>
<td>Oil and gas</td>
<td>−20 to −25</td>
<td>2</td>
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<tr>
<td>Power</td>
<td>−20 to −25</td>
<td>2</td>
<td>9</td>
<td>3</td>
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<tr>
<td>Consumer and retail</td>
<td>−20 to −25</td>
<td>11</td>
<td>11</td>
<td>47</td>
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<tr>
<td>Chemicals</td>
<td>−15 to −20</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>−15</td>
<td>15</td>
<td>18</td>
<td>205</td>
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<tr>
<td>IT services</td>
<td>−10 to −15</td>
<td>5</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>−10 to −15</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td>0 to -5</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>67</strong></td>
<td><strong>69</strong></td>
<td><strong>402</strong></td>
</tr>
</tbody>
</table>

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Fig. 4 ADP prognosis projection (Source: Delloitte)

The Worst case is merely a hypothetical projection considering if pandemic spreads a lot.

Four crucial vectors onto which India needs to look upon:

- Supplies: India’s dependence onto other nations for input supplies may temporarily halt due to pandemic spread.
- Demand: Lessen consumer spending is a setback which would hit the wealth of many. Hospitality, aviation has already lost a bit huge. Banking: Stress among industries as well as MSMEs as the credit extensions as well as loan default is another domain to look upon.
- Oil pricing: It seems to be a boon for India’s fiscal as well as current account.

Sector outlook

FMCG (Fast Moving Consumer Goods) saw immense increase in the consumption immediately after lockdown. Demand for grocery, sanitization products etc., increased. Most of the sellers believe will have a dissimilar pattern that there can be dissimilar pattern due to supplies disruption. Its anticipated that durables players have already stacked up the essential inventory which may protect them from the losses in the early quarter of 2021.

Restaurants and the associated businesses do not have enough consumers which has immensely affected their business routine. Travel industry as mentioned above, have hit too hard across the entire globe.

Going through these steady measures, they might focus down to instrument structural ameliorates in order to enhance productivity which will affect investments too. For instance, infra and construction reforms and augmenting investments in health and so. Institutions like NIIF (National Infrastructure and Investment Fund) may think to make use of domestic as well as long term foreign capital. Make in India sectors may be supplemented with global competitiveness.

4. Conclusion

COVID-19 pandemic eruption may have massive consequences is regarded as uncertain. Risk preparedness had undertaken by several. Indian economy is too influenced due to the proactive measures viz lockdown. Different sectors are projected to have a reduced growth. However, these measures are the saviour of the life of many. Several relief packages induced by government would guard the life of several. The paper offers some additional solutions too, which may become assistance during these turbulent times.

REFERENCES


