

The Impact of Covid-19 on Indian Economy

Pranav Karthikeyan* and VV Padmaja Veturi

SRM Institute of Science and Technology, Department of Commerce, College of Science and Humanities, Vadapalani Campus, Chennai-600026, India

***Corresponding Author:** Pranav Karthikeyan, SRM Institute of Science and Technology, Department of Commerce, College of Science and Humanities, Vadapalani Campus, Chennai-600026, India, Tel: 9003199457, E-mail: pranav1611@gmail.com

Received Date: October 24, 2023 **Accepted Date:** November 24, 2023 **Published Date:** November 27, 2023

Citation: Pranav Karthikeyan, VV Padmaja Veturi (2023) The Impact of Covid-19 on Indian Economy. J Vir Res Adv Vac 2: 1-9

Abstract

The COVID-19 pandemic has had a significant impact on the Indian economy, leading to disruptions in trade, investment, and consumption. The country saw a sharp contraction in its GDP in 2020, with many sectors struggling to stay afloat. The strict lockdown measures implemented to contain the spread of the virus resulted in a severe blow to the economy, particularly the informal sector. Millions of migrant workers were forced to leave their places of work and return home, leading to a loss of income and livelihoods. The pandemic also led to a decline in domestic consumption, as people were reluctant to spend amid the uncertainty of the pandemic. This, in turn, affected many sectors such as hospitality, tourism, and retail. The Indian government responded to the economic challenges by introducing several measures such as stimulus packages, loan moratoriums, and interest rate cuts. However, the impact of these measures has been limited, given the depth of the economic slowdown. Going forward, the Indian economy is expected to recover gradually, with the easing of restrictions and the rollout of vaccines. However, the recovery may be slow and uneven, with some sectors continuing to face challenges. Overall, the COVID-19 pandemic has had a significant impact on the Indian economy, highlighting the need for greater resilience and preparedness in the face of future crisis.

Keywords: GDP; Affection Advanced Economies; Indian Economy

Introduction

The COVID-19 pandemic has caused unprecedented dislocations in the global economy, and India has not been an exception. With a population of over 1.3 billion, India is one of the world's largest countries and has been significantly impacted by the pandemic. The strict lockdown measures to contain the spread of the contagion led to a severe blow to the economy, with numerous sectors floundering to stay afloat. The informal sector, which employs a large number of workers, was hit the hardest, leading to job losses and financial difficulty for millions. The pandemic also resulted in a decline in domestic consumption, which negatively affected sectors similar to hospitality, tourism, and retail. The Indian government introduced several measures to support the economy, including encouragement packages, loan moratoriums, and interest rate cuts. Still, the impact of these measures has been limited, given the depth of the economic slowdown. As the country continues to grapple with the pandemic, it is essential to examine the impact of COVID-19 on the Indian economy and the measures taken to alleviate its effects. This paper aims to give an overview of the impact of COVID-19 on various sectors of the Indian economy and the government's response to the crisis. The COVID-19 pandemic has had a significant impact on the Indian economy, disrupting the country's trade, investment, and consumption patterns. With a population of over 1.3 billion, India is one of the world's largest countries and has been severely affected by the pandemic. The strict lockdown measures implemented to contain the spread of the contagion have had a devastating impact on various sectors, especially the informal sector, leading to a loss of jobs and livelihoods for millions of people. The pandemic has also resulted in a decline in domestic consumption, affecting sectors similar to hospitality, tourism, and retail. The Indian government has taken several measures to support the economy, including encouragement packages, loan moratoriums, and interest rate cuts. Still, the effectiveness of these measures has been limited, given the depth of the economic slowdown. The Indian economy is anticipated to recover gradually as the country eases restrictions and rolls out vaccines. Still, the recovery may be slow and uneven, with some sectors continuing to face challenges. This paper aims to give an overview of the impact of

COVID-19 on the Indian economy, analysing the effects of the pandemic on different sectors, and examining the government's response to alleviate the economic impact. The COVID-19 pandemic had a profound impact on various sectors around the world, including India. The country, with a population of over 1.3 billion, has faced significant challenges due to dislocations in trade, investment, and consumption. The strict lockdown measures implemented to contain the spread of the contagion had a severe impact on numerous sectors, particularly the informal sector, resulting in millions of job losses and financial difficulty. Also, the decline in domestic consumption due to people's disinclination to spend amid the pandemic further aggravated the economic slowdown. The Indian government responded by introducing several measures to support the economy, but the impact has been limited, given the scale of the economic slowdown. Going forward, India's economy is anticipated to recover gradually, but the recovery may be slow and uneven, with some sectors continuing to face challenges. This paper will explore the impact of COVID-19 on the Indian economy, analysing its effects on various sectors and the measures taken by the government to alleviate the economic impact of the pandemic. India reported its first case of Covid-19 on 30 January 2020. The first-known Indian patient was a student at Wuhan University who had returned to Thrissur in Kerala after the outbreak in Wuhan. The virus claimed its first victim in India on 12 March 2020 in Karnataka. A 76-year old man, who had returned from Saudi Arabia, died in Kalaburagi. However, after the first case was discovered, the next month was relatively quiet. While countries like the US and Italy had been gripped by the virus, along with China, India was preparing for the oncoming onslaught. Dr V.K. Paul, working with the NITI Aayog, and Prof. K. VijayRaghavan, then principal scientific advisor to the PM, had started working on understanding the virus and its spread, which was the immediate concern for a large and relatively resource-constrained society and economy like India.

By March, the virus started entrenching itself in India. The spread in India was rapid – a foregone conclusion, given the size of the population and deep interstate as well as international linkages. By March 23 2020, lockdowns were imposed in 20 states and union territories (UTs). As different states and UTs took their own initial measures to

combat the unknown, the Union government stepped in to bring a uniform initial response to the pandemic.

Objectives of the study

The objectives of this paper on the impact of COVID-19 on the Indian economy are:

- To analyse the effects of the pandemic on different sectors of the Indian economy, including the informal sector, hospitality, tourism, and retail.
- To examine the government's response to the economic challenges posed by the pandemic, including the stimulus packages, loan moratoriums, and interest rate cuts.
- To assess the effectiveness of the measures taken by the government in mitigating the economic impact of the pandemic.
- To explore the implications of the pandemic on India's economic growth and future prospects.
- To provide insights and recommendations on how India can build greater resilience and preparedness in the face of future crises.

Overall, the objectives of this paper are to provide a comprehensive understanding of the impact of COVID-19 on the Indian economy and its implications for the country's economic development.

Analysis of the study

The COVID-19 pandemic had a significant impact on the Indian economy. Then are some of the crucial goods:

Decline in GDP: The pandemic has led to a significant decline in India's gross domestic product (GDP). The country's GDP contracted by 7.7% in the fiscal time 2020-21, the worst performance in four decades.

Job losses: The pandemic has led to job losses across colourful sectors of the economy. According to the Centre for Monitoring Indian Economy (CMIE), around 18 million jobs were lost in April 2020 alone. Numerous busi-

nesses, particularly small and medium-sized enterprises, were forced to shut down due to the pandemic. Trip was fully disintegrated leading to significant impact on hospitality and airlines assiduity.

Dislocations in force chains: The pandemic led to dislocations in force chains, particularly in sectors similar as manufacturing and husbandry. This redounded in dearth's of raw accoutrements and other inputs, leading to product detainments and a decline in affair.

Modus operandi: Numerous companies changed their functional strategy due to covid due to frequent lockdown adverts. Major investments had to be put to accommodate online or remote working. This included educational institutions which solely depended on physical presence. The country and people that were not ready for such complete lockdowns, had to change the mode of operations to keep the business handling.

The COVID-19 pandemic has had a severe impact on the Indian economy, causing dislocations in trade, investment, and consumption patterns. The strict lockdown measures imposed assessed to contain the spread of the contagion have had a devastating impact on various sectors, especially the informal sector, leading to a loss of jobs and livelihoods for millions of people. In this section, we will assay the impact of COVID-19 on the Indian economy, fastening on its goods on different sectors and the government's response to the extremity.

Manufacturing Sector: The manufacturing sector, which accounts for a significant portion of India's GDP, has been oppressively affected by the pandemic. The lockdown measures have led to a decline in product and disintegrated force chains, leading to a deficit of raw accoutrements and finished goods. The check of manufactories and businesses has also rebounded in a loss of jobs and inflows for workers.

Services Sector: The services sector, which includes hospitality, tourism, and retail, has been hit the hardest by the pandemic. With trip restrictions and social distancing measures in place, the tourism assiduity has come to a deadlock, leading to a loss of jobs and earnings. The retail assiduity has also been oppressively affected, with many businesses forced to shut down due to reduced consumer de-

mand.

Agriculture Sector: The husbandry sector has remained fairly flexible during the pandemic, with the government taking way to insure the smooth functioning of force chains and support the growers. Still, the check of mandis and reduced transportation installations have led to a decline in prices and income for growers.

Government Response: The Indian government has introduced several measures to support the economy, including encouragement packages, loan doldrums, and interest rate cuts. The government has also blazoned relief packages for vulnerable sections of society, including growers, diurnal pay envelope workers, and small businesses. However, the effectiveness of these measures has been limited, given the depth of the economic slowdown.

Impact on Employment: The pandemic has had a severe impact on employment in India, with millions of workers losing their jobs and livelihoods. The informal sector has been hit the hardest, with diurnal pay envelope work-

ers and migrant workers facing significant challenges. The government has blazoned several schemes to support employment and income, including the Garib Kalyan Rojgar Abhiyaan and the Atmanirbhar Bharat Abhiyaan.

Impact of COVID-19 on Indian Economy

The country arrestment has brought an immediate end to nearly all profitable exertion. The instability of demand and force powers is continuing indeed after the lifting of the lockdown. The Indian economy will need time to return to its normal state. India's growth fell to 3.1 per cent in the fourth quarter of the financial time 2020, according to the Ministry of Statistics. The severance rose to 26% in April, from 6.7% in March 2020. The 140 million people lost severance during this lockdown, and others got hires cut. During the first phase of lockdown (25 March – 14 April 2020), the Indian economy was anticipated to lose \$4.5 billion every day. For the complete lockdown period, the profitable loss predicted to near \$2.8 trillion. It has significantly affected the small and large business in the country.

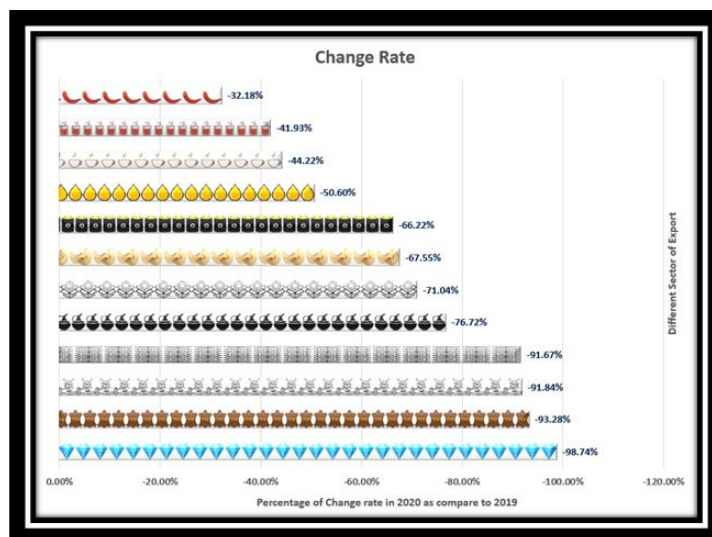


Figure: 1

This coronavirus pandemic also impacts exports and senses. The Ministry of Commerce & Industry, Government of India had released press information regarding the import 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% compared to the former time. Figure 2 shows the reduction in import for the different sector in

April 2020 as compared to 2019; import of Gems and jewellery drops to 98.74% in April 2020, the import of leather and leather product falls to 93.28%, the import of Handcraft excels, and Ceramic products drop to 91.84% and 91.67%.

Global profitable recovery was well on track until the Russia-Ukraine conflict broke out in February 2022. The conflict has now continued for nearly a time, dismem-

bering the restoration of the force chains disintegrated before by lockdowns and limited trade business. In the last eleven months, the world economy has faced nearly as numerous dislocations as caused by the pandemic in two times. The conflict caused the prices of critical goods similar as crude oil painting, natural gas, diseases, and wheat to soar. This strengthened the inflationary pressures that the global economic recovery had touched off, backed by massive financial stimulants and ultra-accommodative financial

programs accepted to limit the affair compression in 2020. Affection is advanced economies, (AEs), which reckoned for utmost of the global financial expansion and financial easing, traduced literal highs. Rising commodity prices also led to advanced affection in the Emerging Market Economies (EMEs), which else were in the lower affectionation zone by virtue of their governments bearing a calibrated financial encouragement to address affair compression in 2020.

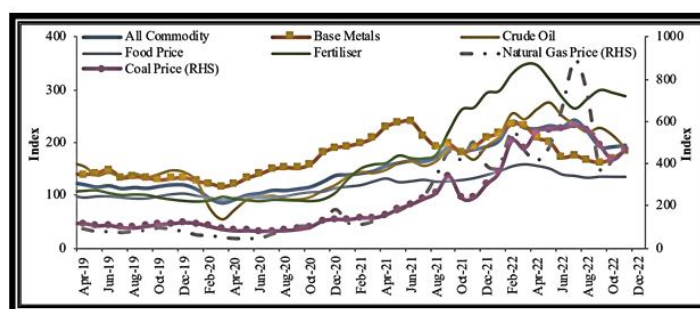


Figure 1.1: Sharp rise in commodity prices due to the Russia-Ukraine conflict; prices yet to reach pre-conflict situations

Source: IMF

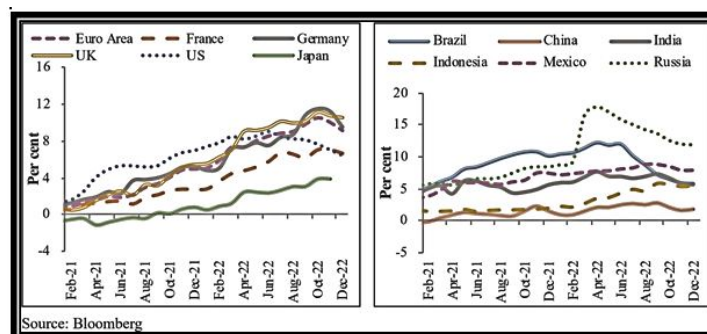


Figure 2: Affectionation stays high, driven by high food and energy prices

figure I.2a: advanced economies figure I.2b: emerging market

economies

Central Banks, which were slow to reply to price pressures erecting up during the nascent recovery from the pandemic, regarded them as transient only to realise, delinquently, the necessity and the ineluctability of a strong monetary policy response led by the US Federal Reserve, central banks have been hiking policy rates and rolling back liquidity to rein in affectionation synchronously. The pace of this tensing cycle has been rapid – the Federal Reserve’s pace of rate

hikes is the quickest since the inflationary occasion of the 1970s, with the central bank having raised interest rates by 425 base points since March 2022. As the impact of monetary policy conduct is felt with a pause, affectionation rates remained stubbornly high during the early phase of the rate hike cycle but have begun to decline recently. At the same time, synchronised rate hikes by the central banks haven’t tensed fiscal conditions sufficiently enough for central banks to end their tightening crusade.

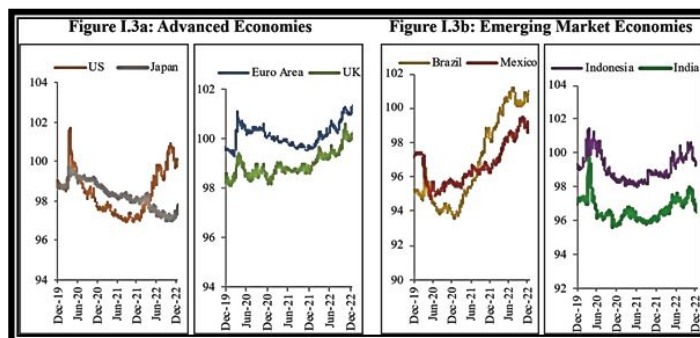


Figure 1.3: Financial Conditions tighten

Source: Goldman Sachs, Bloomberg

Note: All Y-axes are indicators; Data is recaptured from Goldman Sachs fiscal condition indicator

Affection and financial tightening led to a hardening of bond yields across economies and redounded in an exodus of equity capital from utmost of the husbandry around the world into the traditionally safe-haven request of the US. Unlike the history when the capital flight was more out of the EMEs given their fairly greater vulnerabilities, or the perception thereof, this time around, capital has

flown out from the advanced husbandry. The capital flight latterly led to the strengthening of the US Bone against other currencies – the US Dollar indicator strengthened by 16.1 per cent between January and September 2022. The consequent depreciation of other currencies has been widening the CAD and increasing inflationary pressures in the net importing economies.

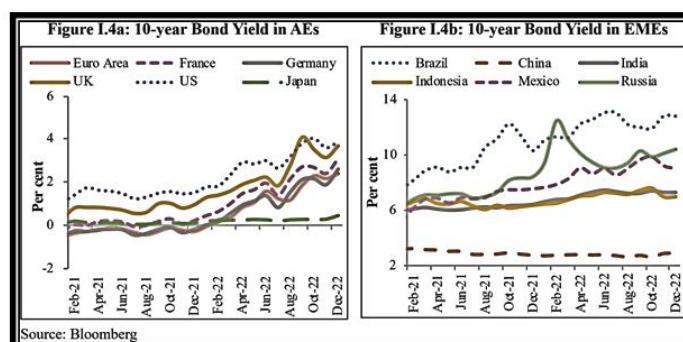
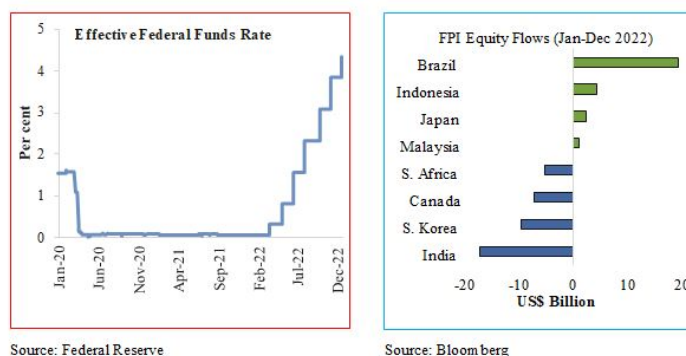


Figure 1.4: Hardening of bond yields across economies



Source: Federal Reserve

Source: Bloomberg

Figure 1.5: the civil finance Rate was raised by a cumulative 425 base points since Jan 2022 leading to capital flight from emes and aes

Rising affectation and monetary tightening led to a retardation in global affair beginning in the second half of 2022. The global PMI compound indicator has been in the contractionary zone since August 2022, while the yearly growth rates of global trade, retail deals, and artificial prod-

uct have significantly declined in the alternate half of 2022. The consequent dampening of the global economic outlook, also compounded by prospects of a farther increase in borrowing costs, was reflected in the lowering of growth vaticinators by the IMF in its October 2022 update of the World Economic Outlook (WEO).

Table I.1: Global economic challenges led to a downcast modification in growth cast across countries

	Growth protrusions (per cent)		change from Weo Update (July 2022) (per cent)	
	2022	2023	2022	2023
World	3.2	2.7	0	-0.2
advanced husbandry	2.4	1.1	-0.1	-0.3
United States	1.6	1	-0.7	0
euro area	3.1	0.5	0.5	-0.7
UK	3.6	0.3	0.4	-0.2
Japan	1.7	1.6	0	-0.1
Arising request husbandry	3.7	3.7	0.1	-0.2
demitasse	3.2	4.4	-0.1	-0.2
India*	6.8	6.1	-0.6	0

Source: IMF

Note: Protuberance for India is for its financial time (Apr-Mar), while for the other husbandry, it is from Jan-Dec.

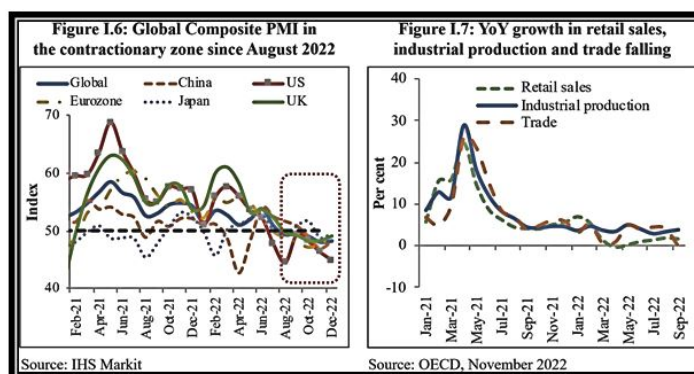


Figure 7

Compounding the bleak global growth outlook have been the retardation in profitable exertion in China caused by the government's zero Covid policy, a constricting real estate sector, and a tepid fiscal expansion. Still, China has ended or relaxed most of its restrictive policies relating to Covid. It's possible that profitable exertion picks up

in China sooner than anticipated. But it is too soon to tell.

Conclusions

The COVID-19 pandemic has had a severe impact on the Indian economy, causing dislocations in trade, invest-

ment, and consumption patterns. The strict lockdown measures assessed to contain the spread of the contagion have had a devastating impact on various sectors, especially the informal sector, leading to a loss of jobs and livelihoods for millions of people. The manufacturing and services sectors have been oppressively affected, and the husbandry sector has also seen a decline in prices and income for growers. The government has introduced several measures to support the economy, including encouragement packages, loan doldrums, and interest rate cuts. Still, the effectiveness of these measures has been limited, given the depth of the economic slowdown. The pandemic has also stressed the vulnerabilities of the informal sector and the need for greater support for vulnerable sections of society. The government has blazoned relief packages for vulnerable sections of society, including growers, diurnal pay envelope, and small businesses. Still, the impact of the pandemic on employment and income situations of different sections of society, particularly the vulnerable groups, remains a significant challenge. In the long term, the pandemic may have a lasting impact on the Indian economy, including its impact on economic growth, affectation, and fiscal sustainability. Thus, it is essential to make lesser adaptability and preparedness in the face of unborn heads. The Indian economy is anticipated to recover gradationally as the country eases restrictions and rolls out vaccines, but the recovery may be slow and uneven, with some sectors continuing to face challenges. It is crucial for the government to continue to apply programs that support economic recovery and promote inclusive growth, particularly for vulnerable sections of society. In conclusion, the COVID-19 pandemic has had a significant

and unprecedented impact on the Indian economy, with its goods being felt across all sectors. The strict lockdown measures assessed to contain the spread of the contagion led to severe dislocations in trade, investment, and consumption patterns, performing in a loss of jobs and livelihoods for millions of people. The manufacturing and services sectors have been oppressively affected, while the husbandry sector has seen a decline in prices and income for growers.

The Indian government has taken several measures to support the economy, including encouragement packages, loan doldrums, and interest rate cuts. Still, the effectiveness of these measures has been limited in mollifying the economic impact. The pandemic has also exposed the vulnerabilities of the informal sector and the need for greater support for vulnerable sections of society. As the country eases restrictions and rolls out vaccines, the Indian economy is anticipated to recover gradationally. Still, the recovery may be slow and uneven, with some sectors continuing to face challenges. Thus, it is crucial for the government to continue enforcing programs that support economic recovery and promote inclusive growth, particularly for vulnerable sections of society.

In the long term, the pandemic may have a lasting impact on the Indian economy, including its impact on economic growth, affectation, and fiscal sustainability. Building lesser adaptability and preparedness to face unborn heads is essential. Overall, the COVID-19 pandemic has stressed the need for lesser cooperation, collaboration, and adaptability to navigate the uncertain and gruelling times ahead.

References

1. Shahid Iqbal (2020) Impact of Covid-19 on Indian Economy and Challenges Ahead 8: 1-9.
2. Pravakar Sahoo, Ashwani (2020) COVID-19 and Indian Economy: Impact on Growth, Manufacturing, Trade and MSME Sector 21: 5.
3. Impact of COVID-19 on the Indian Economy. <https://www.researchandmarkets.com/reports/5013544/impact-of-covid-19-on-the-indian-economy>

Submit your manuscript to a JScholar journal and benefit from:

- ¶ Convenient online submission
- ¶ Rigorous peer review
- ¶ Immediate publication on acceptance
- ¶ Open access: articles freely available online
- ¶ High visibility within the field
- ¶ Better discount for your subsequent articles

Submit your manuscript at
<http://www.jscholaronline.org/submit-manuscript.php>