

# Indian Economy Succumbed to Corona Virus Infection

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**Abstract:** Corona virus outbreak was first reported in Wuhan, China on 31st December 2019. Corona virus is a large family of virus. The effects of the pandemic on economic activity are being felt far and wide, far beyond the airline, travel, tourism and hospitality sectors. On the demand side, inoperability analysis for three sectors, namely transport, tourism and hotels, show significant impact on demand and hence output. On an aggregate basis, we estimate that the impact of a 5 per cent inoperability shock could be 90 basis points on GDP from Trade, Hotel, Transport, Storage and Communication segments, that could spread over FY20 and FY21, with a larger impact in FY21. In this research paper, the impact of corona virus on the Indian economy will be discussed.

**Key Words:** economy, growth, impact, consumption, pandemic.

## 1. INTRODUCTION:-

India is among the 15 most affected economics due to the corona virus pandemic and slow down in production in China with a trade impact of 348 million dollars. The trade impact for India is less as compared to other economics such as Eu, the US, Japan and South Korea. Trade impact for Indonesia is 312 million dollars. For India, the trade impact is estimated to be the most for the chemical sector at 129 million dollars, textile and apparel at 64 million dollars, automotive sector at 34 million dollars, electrical machinery at 12 million dollars, metal and metal production at 27 million dollars leather products at 13 million dollars and wood products and furniture at 15 million dollars. Fledgling recovery in Asia's third-largest economy is set to lose steam as travel curbs and closure of malls, theatres and educational institutes, among other steps aimed at containing the covid-19 outbreak in India have led to a significant drop in economic activity.

The pandemic has hit the economy at a time when growth has slowed to the lowest in a decade, investment are shrinking and a consumption recovery is sputtering. This has prompted economist to pare India's growth projection for 2020-21 closer to 5% from about 6% earlier. Moody's investors service said covid-19 will likely depress global growth in 2020 below 2.5 % the recessionary threshold for the world economy. A sustained pullback in consumption, coupled with extended closure of business, would hurt earnings of Indian companies and drive layoffs. That could spell trouble for the government's exiting spending programme as tax collection will remain subdued.

Up to a huge degree, it will affect the Indian business. In imports, the Reliance of India on China is enormous of the best 20 item that India imports from the world, China represents a noteworthy offer in a large portion of them.

## 2. MATERIAL AND MATHOD:-

India has been selected for the study of corona virus. In which areas economy has suffered economic damage due to corona virus, those areas have been considered like India's GDP, industry, production, consumption and import-export etc. Secondary data is collected from the various books, journal's, reports and newspapers (Business standard, Times of India, Bhaskar, Patrika and The Hindu) and Google etc.

## 3. DISCUSSION:-

The impact of the corona virus pandemic is now I felt almost every country. First, there are the health effects of the virus, and second is the economic impact of the various action that have to be taken to combat the virus. The world is is experiencing and additional slowdown on top of the contracting tendencies already present and India is no exception. The economic impact on India can be through import-export, GDP, industries, business, production and employment.

### 3.1. Impact of corona virus on India's economy:-

#### 3.1.1. GDP ( Gross Domestic Product ):-

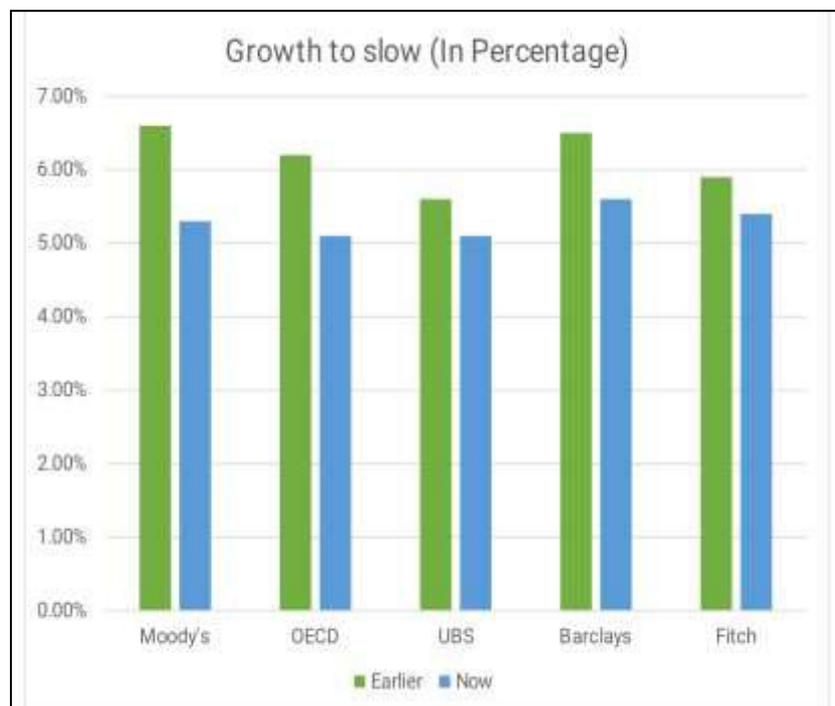
According Moody's there would be significant economic fall out from a more rapid and wider spread of the corona virus. Global rating agency Moody's investors service slashed India's GDP growth estimate for 2020 calendar year to 5.3 % on corona virus implications ongoing travel restriction and heightened containment measures agency has projected a 5.8% gross domestic product (GDP) growth for 2021. In February, Moody's had lowered India's GDP growth to 5.4% for 6.6% forecasted earlier citing corona virus implications on the economy. India's GDP growth

improved marginally to 4.7% during the third quarter of 2019-20, from a 6 year low of 4.5 % during the July-September quarter. The national statistical officer (NSO) has paged India's economic growth for the current fiscal at 5% the lowest in years but it expects a recovery in (fiscal year) FY21 when the economy is forecasted to grow at 6 to 6.5%. It said dampening of domestic consumption demand in affected countries exacerbate description to supply chain and cross border trade of goods and service.

**Table 1. Growth to slow. (in percentage)**

Name of rating agency	Earlier	Now
Moody's	6.6 %	5.3 %
OECD	6.2 %	5.1 %
UBS	5.6 %	5.1 %
Barclays	6.5 %	5.6 %
Fitch	5.9 %	5.4 %

Source:- Calendar year 2020, FY21 growth expectation



**Figure 1. Growth to slow**

Source:- Calendar year 2020, FY21 growth expectation

### 3.1.2. Import and Export:

The new corona virus outbreak will be worse for the global economy. In the latest assessment, credit agency CRISIL'S has revealed that nobel corona virus is going to hit the Indian economy if it continues to the first quarter of next fiscal year. India is a net importer of China with 56 billion dollar.

### India-China trade in calendar 2019

Imports from China	86.2
Exports to China	29.5

Source:- Intracen, CRISIL research

India imports electronics, consumer durables and auto components and pharma bulk drugs. About 18% of India's merchandise is being imported from China. India is highly dependent on China for electronics components and consumer durables. About 67% of electronics components and 45% consumer durables are imported from China.

**Table 2.2. The corona virus impact on import**

Name of countries	Percentage
Vietnam	2%
Japan	3%
Indonesia	3%
Korea	3%
USA	7%
EU	16%
China	18%
Middle East	24%
Others	20%
Other.	4%

Source:- Directorate General of Foreign Trade (DGFT), CRISIL Research

China has one of the largest share of India's import basket about 18% of India's total goods import is from China.

**Table 2.3. Corona virus risk on India export**

Name of countries	Percentage
Vietnam	2%
Malaysia	2%
Bangladesh	3%
Singapore	3%
China	9%
Japan	1%
USA	17%
Middle East	19%
EU	18%
Others	25%

Source:- Directorate General of Foreign Trade (DGFT), CRISIL Research

India's 9% merchandise export to China.

**Table 2.4. India's import from China**

Things	Percentage
Electrical machinery	34%
Nuclear reactors and machinery	18%
Organic chemicals	10%
Gems and Jewellery	6%
Iron and steel	4%
Plastic goods	4%
Fertilizers	2%
Medical equipment	2%
Automobiles and components	2%
Chemicals	2%

Source:- Intracen

China accounts for a significant share in most of them. The following things are imported by India from China viz- electrical machinery 34%, organic chemical 10%, plastic goods 4%, fertilizers 2% etc.

**Table 2.5. Indian export to China**

Things	Percentage
Gems and Jewellery	36%

Minerals and ores	15%
Organic chemicals	11%
Sea food	5%
Electrical machinery	4%
Cotton	4%
Plastic	3%
Nuclear reactors and machinery	3%
Iron and steel	3%
Salt	2%

Source:- Intracen

In terms of export China is India's third largest export partner and accounts for around 5% share. The impact may result in the following sectors namely organic chemicals 11%, plastic 3%, cotton 4%, minerals and ores 15%, sea food 5% etc.

### 3.1.3. Employment:-

Serious concern have been expressed about people who have been thrown out of employment. There are mostly daily-wage earners and non permanently temporary employees. In fact some of the migrant labour have gone back to home states going into lock down. The share of those in India with precarious jobs in far higher than is commonly believed to be the case. According to the most recent labour statistics, 25% of rural households and 12% of urban households rely on casual labour as their main source of income. Casual labour was defined as a person who was engaged not in a fixed, but in a casual manner in another person's enterprise and, in return, paid daily or periodically.

Table 3. A quarter of rural households depend on the income from casual labour

Percentage share of all workers	Rural	Urban
Self employed	52.2%	32.4%
Regular wage/salary earning	12.7%	41.4%
Casual labour	25%	11.8%
Others	10.1%	14.4%

Source:- Periodic labour force survey

Job losses and salary cuts are likely in the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants and retailers, which have seen a lockdown across the country. If the current global and domestic economic slowdown persists, it will impact demand and realisation.

Undoubtedly, which this crisis impacting the business around the country, it will create very challenging situation for the workforce. Companies are not meeting the revenue targets hence, forcing employers to cut down their workforce. The world travel and tourism council has predicted 50 million tourism jobs getting eliminated because of the employees of multinational companies, but daily wage workers have been impacted the the most during this crisis. According to a preliminary assessment report, nearly 25 millions jobs could be lost worldwide due to the corona virus pandemic.

### 3.1.4. Indian tourism:-

The corona virus pandemic could deal a crippling blow to the Indian travel and tourism industry, especially with the government suspending all visas, with the economic impact being assessed to run into thousands of crores of rupees. According to industry chamber CII, this is the one of the worst crisis ever to hit the Indian tourism industry impactings all its geographical segments- inbound outbound and domestic, almost all tourism verticals-leisure, adventure, heritage, MICE, cruise, corporate and niche segments. The whole tourism value chain across hotels, travel agents, tour operations, destinations, restaurants, family entertainment venue and air, land and sea transpiration have been hit. In an impact assessment of the corona virus pandemic, CII tourism committee said inbound foreign tourism off over USD 28 billion in value terms accounts for an average 60-65%. The virus started picking up from November, the percentage of cancellation started going up in this segment exponentially and is reaching a peak of almost 80% now in March in many Indians locations. The value at risk from this segment will be in multiples of tens of thousands of crores. On Indians being advised to refrain from unnecessary travel, as per the CII report almost 28 million puls Indians are estimated to have travelled outside in 2019 and there were almost 1.8 billion domestic tourist footfalls. The holiday season of Indians-those travelling within the country and outside is heavy in April-July, October and December. The December holiday season of 2019 took an estimated hit of almost 40-50%, the holiday season of April to July 2020 is likely to take a humongous hit which could be high as 80-100%.

### **3.1. 5. Gems and jewellery:**

The industry is sure to have lost over 75-80 percent sales this month as people are buying only essential commodities and tend to keep cash with them as there is no clarity on how long this crisis will go on and fears of worsening of the situation. The retail sales of gems and jewellery in India are estimated to have tanked 80 percent in last 10 days due to Covid-19 pandemic, while exporters fear business losses could go as high as 50 per cent. "For the last ten days, people have not been coming to retail outlets to buy jewellery and many have shut shops. We estimate a loss of 80 percent business and this may worsen in the coming days as more restrictions are announced. We don't know how long it will continue," said Ananthapadmanabhan, chairman, All India Gems and Jewellery Domestic Council (AIGJC) and Managing Director of Chennai based NAC Jeweler's. Gold sales in the country dropped 9 percent in 2019 to 690.4 tons, compared to 760.4 tons in 2018, mainly due to over 20 percent increase in prices in the first half of the year. However, sales in terms of volume increased by 3 percent to Rs 2,17,770 crore during the same period from Rs 2,11,860 crore earlier, according to the World Gold Council (WGC). Meanwhile, exporters of gold and jewellery say they are already experiencing a 50 percent slump in production and exports of gems and jewellery in March. "We were already facing a decline in exports and production. With hubs like Dubai and Hong Kong coming to a standstill and all international flights being stopped, we are staring at a full lockdown. Now we don't know how long this crisis will go on," said Colin Shah, Vice Chairman of the Gem and Jewellery Export Promotion Council (GJEPC). India's gems and jewellery exports had declined by 20.26 percent in value to Rs 20,763.28 crore in February compared to Rs 26,039.32 crore in February 2019. The overall exports declined by 6.38 percent to Rs 2,36,839.34 crore during April 2019 to February 2020, compared to Rs 2,52,973.24 crore during the same period last year. Exports of cut and polished diamonds in February fell by 40.66 percent to Rs 9,897.14 crore, compared to Rs 16,679.94 crore in the same month last year, says GJEPC. Sources from Surat, the main hub for polishing and processing rough diamonds and gems, said it has been decided not to close units as it will create huge unemployment. Working hours have been cut short and adequate precaution have been taken to ensure health safety of the workers in the units. The main export destinations for Indian gems and jewellery are the UAE, US and Hong Kong.

### **3.1.6. Chemical Industry:-**

Some chemical plants have been shut down in China. So there will be restrictions on shipments/logistics. It was found that 20% of the production has been impacted due to the disruption in raw material supply. China is a major supplier of Indigo that is required for denim. Business in India is likely to get affected so people securing their supplies. However, it is an opportunity. US and EU will try and diversify their markets. Some of the business can be diverted to India which can also be taken as an advantage.

### **3.1.7. Shipping Industry:-**

Corona virus outbreak has impacted the business of cargo movement service providers. As per the sources, per day per vessel has declined by more than 75-80% in dry bulk trade.

### **3.1.8. Auto Industry:-**

Its impact on Indian companies will vary and depend upon the extent of the business with China. China's business no doubt is affected. However, current levels of the inventory seem to be sufficient for the Indian industry. If the shutdown in China continues then it is expected to result in an 8-10% contraction of Indian auto manufacturing in 2020.

### **3.1.9. Pharmaceuticals Industry:-**

Despite being one of the top formulations of drug exporters in the world, the pharma industry of India relies heavily on import as of bulk drugs. Due to the corona virus outbreak, it will also be impacted.

### **3.1.10. Textiles Industry:-**

Due to corona virus outbreak, several garments/textile factories in China have halted operations that in turn affecting the exports of fabric, yarn and other raw materials from India.

### **3.1.11. Solar Power Sector:-**

Indian developers may face some short fall of raw materials needed in solar panels/cells and limited stocks from China.

## **4. RESULT:-**

- A significant 53 per cent of Indian businesses indicate the marked impact of the COVID-19 pandemic on business operations even at early stages.
- The pandemic has significantly impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow.
- India's economy will be at a lower level than before.
- The level of employment will go down.
- The condition of industries will come down to a lower than before.
- India's GDP will fall down.
- Nearly 42 per cent of the respondents feel that it could take upto 3 months for normalcy to return.

**5. CONCLUSION:-**

If the corona virus takes the form of an pandemic, India's economy may be hit by recession. In this research, the impact of the Pandemic in India is discussed. This effect is GDP, import-export, employment, tourism, gems and Jewellery, business etc. Moody's investors service has slashed its GDP growth forecast for India to 2.5% in 2020 sharp drop from the earlier projection of 5.3 due to the impact of the covid-19 pandemic. Muted exports could have off India's economic growth that already faces challenges on the domestic front due to an on slow down and corona virus pandemic. Due to the effect of corona virus, small business industries will be destroyed and the people who earn daily food will become unemployed. There is a need for Messive reform in all these sectors to bring back India's economy.

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