Article

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COVID-19 consequence on Indian economy

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ABSTRACT

Covid-19 disease became world-pandemic during March 2020. This pandemic caused tremendous impact on socio-economic status of many countries globally. This outbreak diversely affected several small-scale and large scale industries world-wide. The short-term and long-term impact of COVID-19 and the continuous lock down on various sectors in the country in-deed had an adverse effect on the world economy. This review article insights the scenario of Covid-19 outbreak towards an Indian economic status during the lockdown period and its possible impact on GDP. The route cause or transmission vectors that create segment wise impact of covid-19 on various economic sectors of India have been focused. These pandemic situations are also been engrossed by government interventions to minimize the negative impact on the consumer industries. This study also explored the possible threats and opportunities of post pandemic situations as well.

Keywords: Covid-19, Indian economy, pandemic, socio-economical status

Introduction

Covid-19 is a disease which was first reported in the city of Wuhan, China. The outbreak triggered in the country of China and started spreading the rest of the countries with rapid pace. Although the epicentre is Wuhan in China, with reported cases either in China or in travellers from the country, cases are getting registered in other countries as well. Chinese scientists categorized this disease into a virus family known as corona viruses that includes both Middle East respiratory syndrome (MERS) and sever acute respiratory syndrome (SARS). According to

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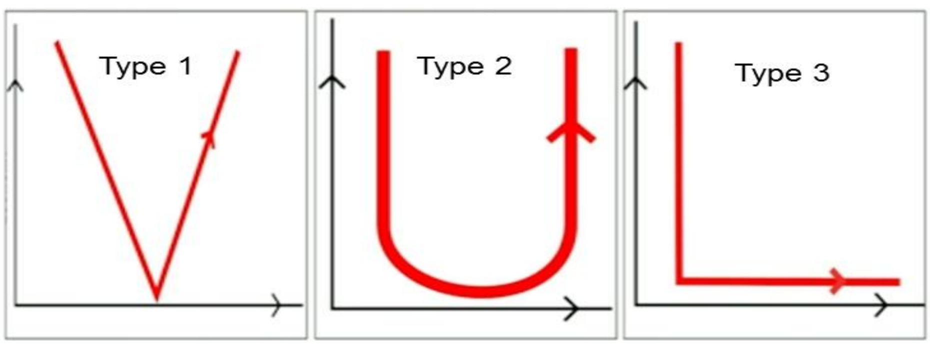
the center for disease control and prevention (CDC) symptoms may occur within 2 days or may take 14 days after exposure or after coming in contact with an ill or infected individual.

After calculating the risk of transmission and intensity of COVID-19 outside China WHO declared this virus as Pandemic on March 11, 2020. Due to the slowing down of Chinese economy with cut in to production, supplying of global chain has been disordered. Industries around the world which are counting on Chinese inputs have witnessed contraction production. Movement of raw materials, transportation have even confined among other nations further slowed the global economic pursuit.

Although the strategy adopted by the Indian government (lockdown) to fight against the pandemic is providing the country with positive results in terms of protecting public health, restricting the dreadful disease from spreading in huge numbers compared to other Nations. However, this strategy is going to have a huge impact on the country's economy. India imports automobile parts, medical gear, and raw materials for medicine manufacturing from China. Due to the outbreak of covid-19 China declared an emergency, as a result of it there was no movement of goods from one end to the other. India faced crisis in not only the streams mentioned but also in several other sectors in which the country relied on China.

Fig 1: Types of economic curves post pandemic (McKibbin and wilcoxen, 2013)



In the figure 1, the private companies and industries will experience a swift downfall of economy, but can bounce back rapidly within no time by the adoption of new technologies and new processes that could fit the scenario (Type 1). The country might experience swift downfall of economy and continues to move forward with the same pace for a period of time and bounce back slowly due to the pick up in economic sentiments is refereed as the U shaped curve (Type 2). The country's economy might see a rapid downfall of economic status but cannot bounce back because of non-response from economic sentiments in terms of consumption meeting demands competing other countries and downfall of value of currency (Type 3).

Impact of covid-19 on Indian gross domestic product (GDP):

Gross domestic product measures the value of economic activity within a country. Strictly defined GDP is the sum of market values or prices of all final goods and services that is being produced during a period of time. GDP is a number that expresses the output of a country in local currency.

GDP = consumption + investment + government expenditures + net exports

Due to the existing circumstances, investments gets sharp blows due to less interest in investing money on lands, owning building , buying stocks of a company, withdrawing their stocks from share market, low utilization of consumer dispensable prices and making more savings. In order to maintain positive GDP value of a country all the components of it must be positive. Government expenditures should not exceed the income it gets through taxes like corporation tax, goods and services tax (GST), borrowing and other liabilities, income tax, non tax revenues, union excise duties, non debt capital receipts, customers / individual tax. Major areas of government expenditure includes state's share of taxes and duties, interest payments, federal programmes, defense, subsidies, pension, welfare schemes etc. The same applies for net exports as well. Net exports are the difference of exports of a country to its imports. The value of net exports stays positive only if the value of exports is more than the value of imports in terms of price or percentage.

Most of the trading in the Indian stock market takes place on its two stock exchanges: the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). The BSE has been in existence since 1875. The NSE, on the other hand, was founded in 1992 and started trading in 1994.Coronavirus came out of syllabus for the world, and back home Indian markets were already facing issues like a growth slowdown, weak earnings and corporate governance issues in several companies. The outbreak of corona virus has added insult to the injury of an ailing economy. Although there are thousands of private companies, small scale industries in India, not every company gets itself registered in the share market. The approval comes from SEBI (securities exchange board of India).

Positive Impact of Covid-19

(i) Pharmaceuticals

Pharmaceuticals are not affected by this pandemic instead gained spot light. Pharmaceutical industries are inelastic to any economic crisis or even in economic recession that is because consumers who are supposed to take regular medication will invest their personal disposal price on medicines. Usage of masks and medical gear for medical staff was made compulsary. So that pharmaceuticals tops the list.

(ii) Online videoconferencing sectors

Video conference apps and managing authorities have grabbed the opportunity and created a platform to expand their business. With no movement of people, educational institutions and marketing companies are reliant on these platforms to stay in contact and manage their business.

(iii) E-Commerce

E-commerce units like Amazon, JD.com (China) grew their business amidst of lockdown. Amazon ramps up hiring opening 100,000 new roles to support people relying on their services in the stressful time. They have announced that the company will invest over 350 million USD globally to increases the pay by 2$/ hour. As a result of lockdown essential commodities are made to reach consumers door steps and maintain social distancing in the containment zones or in places where the severity of the dreadful disease is high. This type of economic industries not only includes the industries mentioned above but also includes entertainment, streaming and gaming, logistics and delivery etc., (Liu, 2020)

Negative Impact of Covid-19

The industries or companies which belong to the below category are greatly affected by the pandemic due to restricted movement of goods and non-utilization of manpower. The categories such as banking, education, healthcare, manufacturing industries have moderate impact due to the pandemic outbreak. These industries shall have only two growth scales either they completely bounce back and gets on tract or they remain struggling (Lee and Mckibbin, 2004)

Table: 1

List of mostly affected sectors due to COVID-19 pandemic

1.Airlines	2. Stock market	3.Oil and gas	4.Construction	5.Mining
6.Product manufacturing	7.Employment services	8.Professional sports	9.Entertainment & cinema	10.Office stationary &supplies
11.Books	12.Travel	13.Cement& concrete	14.Building materials& supply deals	15.News papers
16.Motor vehicle dealers	17.Energy companies	18.Private equity	19.Home furnishing	20.Gift stores
21.Cruize	22.Investor business	23.Restaurants	24.Real estates	25.Private transportation

Post pandemic measures

The government has announced some relief packages like working capital support, loan restructuring and credit terms alterations to increase spending power of consumers. State government has to ensure proper flow of money and packages through continuous monitoring. GST stimulus by way of providing discounts or concessions or lowering tax on certain categories like household goods, sanitation and medical equipment would help boosting demand on these productions thereby increasing country's economy.

Conclusion

In order to improve the country's economy post pandemic, it is recommended to adopt new technologies and new processes in each sectors possibly. Economy depends on expenditure, financial investments and consumption. Finding ways which can increase overall consumption can lead to restoration of country's economy and GDP.

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