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## Potential Impact of Covid-19 on the Economic Growth of India

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### Abstract

Today, India is facing its biggest crisis. It is a very hard decision to lock down the country entirely for much longer period which affects the production of goods and services, decrease in the human capital, decrease in the labor productivity etc. huge number of people pushed into dire poverty and loss of their livelihood. millions of migrants workers are facing a crisis in India which reduces their ability to keep earning and remitting money. due to social distancing and lockdown business are mostly shut and a lot of migrants workers are either unemployed or waiting for something positive to happen. according to the center for Monitoring India Economy (CMIE) said that India's unemployment rate rose to 26.2% in the third week of April and the employment rate fallen from 40% in February to 26%. the labor market are under equal stress in both the rural and urban area. the rate of unemployment in rural India stands higher at 26.7% as against urban i.e 25.1%. stock and bond market are likely to fall more. balance of payment difficulties could come up. India needs to manage all this very carefully. as per the various sources of government such as the ministry of statistics and program implementation and commission, the government of India provides the data of Indian people engage in agriculture sector i.e 53- 55%, industry sectors i.e 28% and service sector i.e 17-18% are seriously affected. peoples engaged in the manufacturing and construction are most vulnerable for job losses, livelihood, and food services, according to crisil rating. there is a medium impact on the service sector and agriculture is least affected. but a significant decline in all the sectors which has been additional pressure on the economy. it shows a very drastic reduction in our economic growth.

**Keywords-** economic crisis, COVID-19, lockdown, unemployment, limited resources, migrant labor, demand, and supply

### 1. Introduction

The economic growth of a country is related to the production of goods and services in an economy, increase in the capital goods, labor force, technology, human capital and increase in the market value of additional goods and services. covid-19 has not only to affect the economy of the country but also harm the mental health of people. world health organization had already declared it as a pandemic. the only way to control and defeat this pandemic was to make people follow social distancing and also restrain them from moving out to avoid social connect. India is going through a very difficult phase which affects various sectors especially the industrial sector where the unemployment rate is very high. huge number of people loses their job, livelihood, and food services. it disrupts the global supply of goods and becomes difficult for the Indian firm to fill the order. the various losses include a reduction in labor supply, slow the demand for Indian products and services due to which it increases the volatility in the financial markets. economic losses through chains, demand, and financial markets affecting business investment, household consumption, and international trade. all still need to continue repaying that debt, even if jobs, customers, and tax revenues decline in a weakening economy. after giving these fixed costs there is less money to spend on other things.

unknown risks or uncertainties have a larger impact on the economy. its effect can damage the economy.it affects the supply chains as well as domestic and international customers. the size of impact in different parts of the world will depend on how long the presence of the virus is. the recovery of our economy is based on consumer spending, public investments, and government relief package. if we see the impact on the industry then it affects the profitability and short term liquidity, tourism and travel, airline industry, retail(excluding FMCG) will hit strongly.the most affected sector is an industrial one, manufacturing industry which contributes almost 20% of the GDP,out of which 50% is contributed by auto industry sales down by more than 15%.in the unorganized industry the situation was much worse as it impacts on the small organization due to low profitability.

## 2. The Objective of the study

\*to present an overview of the impact of corona crisis on various sectors

\*to provide the recovery process from this pandemic period

\*to offer some suitable suggestions and conclusion

\*to present the impact of COVID-19 on Indian economy

## 3. Impact on various sectors

Millions of migrants workers are facing a crisis in India which reduces their ability to keep earning and remitting money.it hits the various sectors such as MSME,hospitality, civil aviation, small scale industries, agriculture, and allied sectors. the employment rate has fallen from 40% in February to 26% now. the labor market is under equal stress in both the rural and urban area.risk of recession in the economy is increasing that means more wealth and more new jobs.it is measured by the percentage change in the gross domestic product, or the value of goods and services. as per the IMF report says that the global economy will shrink by 3% this year. IMF already said that this is the worst time than the great depression of the 1930s.demand of products is regularly consumed has decreased result in a fall in demand and economic growth decreased.it leads to a decrease in the real national output. The standard and poor had estimated India's growth for the financial year 2021 falls from 6.5% to 5.2% .but as per the world bank report said that the Indian economy is grown from 1.5 to 2.8% in the financial year 2021. the death rate of the coronavirus has not only increased due to the person affected by it but also due to hunger and fear. the scenario of a widespread case of virus infections across India. the slowdown effect on India's growth could be more profound. the below graph shows the rise of unemployment in this time of COVID-19, in comparison to previous years.

# COVID-19 Makes Indian Unemployment Rate Jump Up

Average unemployment rate in India (2016-2020)



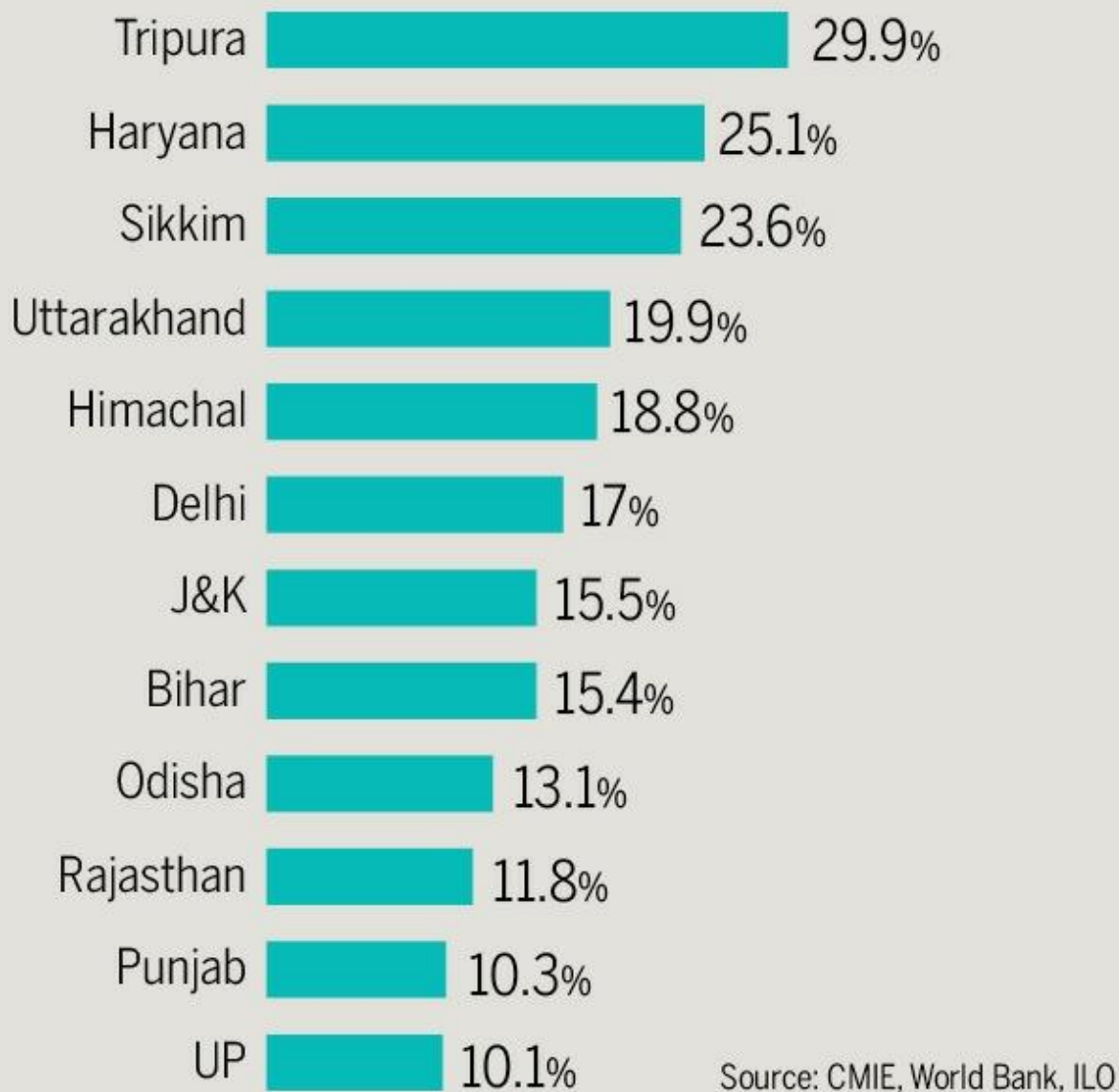
Source: Centre for Monitoring Indian Economy



statista

A clear picture can be shown if we compare between the various states of unemployment rate in the country.

## 10%-plus unemployment rate in these states (Mar 2020)



(a) auto industry- the import of essential parts of the automobile industry is affected.as china takes 27% of India's automobile components every year.so this is one of the major sources of revenue through the industrial sector. china's business is affected due to this and if the shutdown in china continues then it is expected to appear the contraction situation in the Indian auto manufacturing in 2020.

(b) textile sector-it affected due to unavailability of labor supply, raw material, working capital, restraints demand due to limited purchasing power.it affects the export of fabrics, yarn, and other raw materials from India.

(c) aviation and tourism-it are one of the vital sources of revenue for the government but it is badly affected due to pandemic.the sector which works on minimum government intervention. the inflow of tourists from the various countries to India will lose which impact on the tourism sector and revenue.

(d) building and construction-businesses are very challenging now.highest interest payments are needed in this sector and lack of sales also due to lack of purchasing power.



(e) banking sector-banking sector is badly affected in this pandemic period. the problem of credit growth arises due to which the sector is adversely affected. high level of non-performing assets has gone up. lack of growth on commercial credit supply

(f) digital platform-online based product and services are touches a new height. the government encourages various digital platforms for maintaining social distancing and for minimizing the spread of the virus. various online education platform is essential.

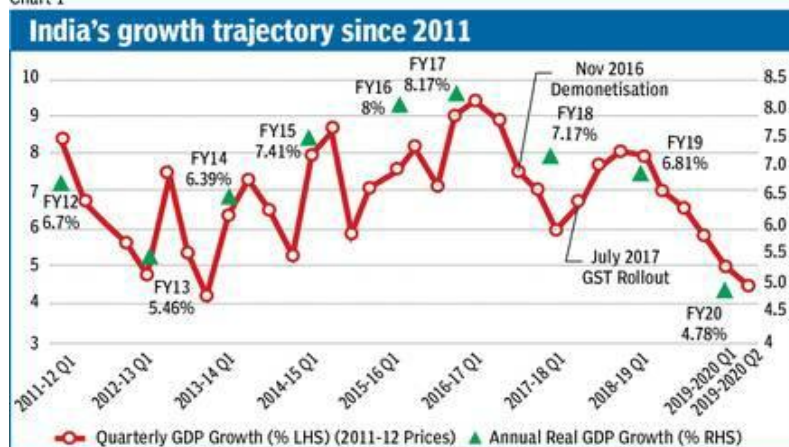
(g) pharmaceutical companies-pharmaceutical firms are also set a new height after the pandemic period. the regular need sanitizer, handwash, thermometer, masks, anti-bacterial shops are needed. being one of the top drug exporters in the world.

#### 4. Recovery through this phase

Technology in the business proves as the backbone.it helps in most organizations to recover the losses.it is necessary for business and development and for generating revenues. we came with changes in technology. Many business have to restart the business or we can say that back to basics with zero profitability or without profitability. the sales growth must be a decline in the future. the recovery of the economy after COVID-19 is slow.it takes time to recover in the overall sector because the entire country is lockdown.some sectors come with high growth after an impact such as FMCG goods, a pharmaceutical company, a digital company, etc.

As the stock market shows the economic barometer.so it is the best indicator for judging the health of economy.but the stock market too was affected with never seen losses before in the history.it is a big pressure on the government to combat the economic challenges due to lockdown.various new business is struggling due to the COVID outbreak. several firms also mentioned lower sales as a result of a liquidity crisis. the downward graph of the service sector shows a deep recession in the Indian economy as it contributes the highest percentage in GDP growth.there is no doubt that the economic damage of the COVID-19 pandemic has very deep. but the things will begin to improve as the lockdown period is over. due to the declining phase of the economy it is ultimate pressure on the prime minister to come with the new measures to come out from the crisis and save the economy because we have limited fiscal policy. the relief package which is announced for the farmers, women, migrant workers, old age people is not sufficient or in an appropriate manner. if the government directly transfer cash to their account and provide food services. i think if this step had been taken then it takes only 3 or 4% of the GDP, but as the announcement of our finance minister Nirmala sitaraman.it is the package of 20 lakh crore and 10% of the GDP growth.restart of the certain activities in certain low infection regions with adequate precautions. employ to the migrant workers or poor class who are prevented from working for a longer period is difficult to survive.state and central government has to come together out quickly. high priorities to the use of limited resources. nearby 80% of India's export unit is located in special economic zones and export-oriented units and industrial townships and clusters.spz could become operational. must prioritize and avoid wasteful spending.

Chart 1



The above chart has shown the global shock comes at a particularly inopportune time of India, as the economy was already on a very concerning downward trajectory since the turn of fy 2018-19. In January 2020 update to the world economic outlook, the international monetary fund (IMF) downgraded India's growth estimates for 2019 to 4.8%.

## 5. Post- COVID situation

In future more staff in the service sectors are preferred to work from home due to fear of virus. according to the global report, business activity was reduced in response to weaker demand. the sector covered various services which are suffered due to pandemics such as transport, information communication, finance, insurance, real estate, and business sectors.

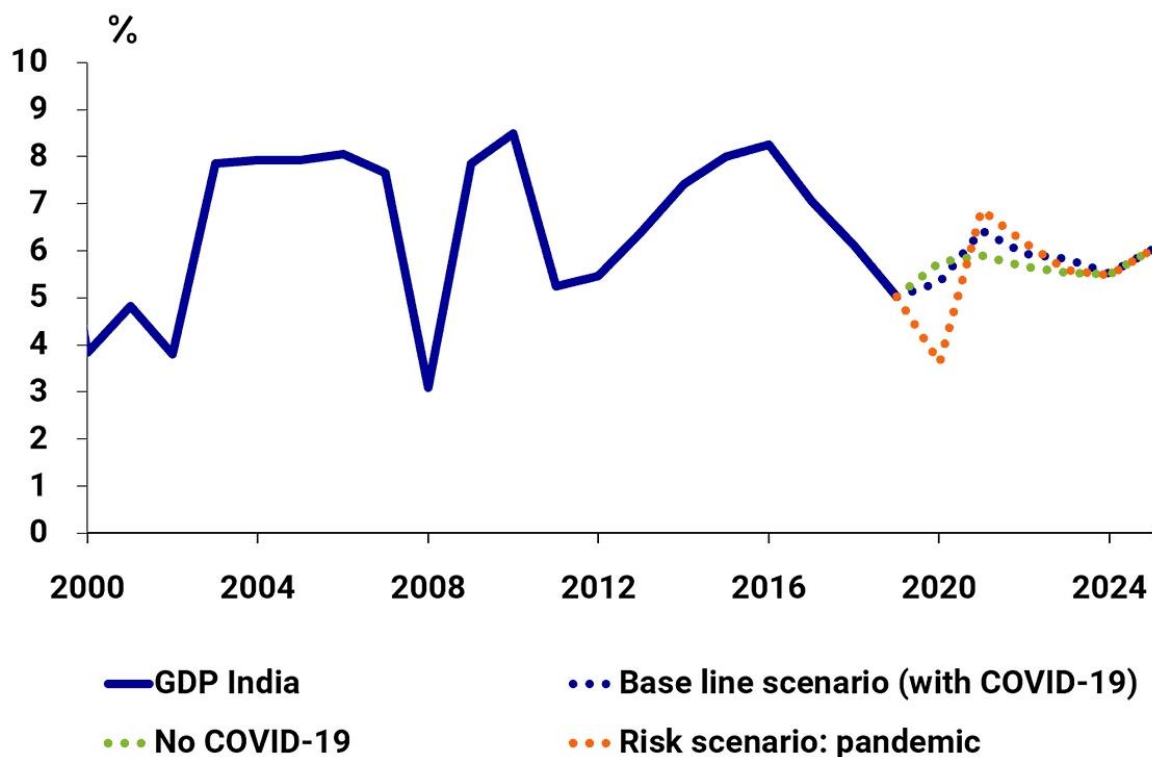
\*the rate of inflation is gone high in future

\*the problem of demand and supply increases

\*due to movement of migrant workers it arises a difficult phase for small scale industries also. so to avoid the problem of workers they have to appoint at higher wages than earlier.

\*innovative ways in which bigger viable ones surely a deep recession

# Expect A Rebound After COVID-19 Crisis



Source: Rabobank, CSO

Bloomberg | Quint

## 6. suggestions

- (a) to defeat this pandemic it is essential to make people follow social distancing
- (b) resumption of normal economic activity by partially lifting restrictions on manufacturing and construction
- (c) innovative ways should be encouraged to restart the businesses in a safe zone which is out of danger.
- (d) to reconnect the supply chain for the revival of the economy
- (e) the risk should be analyzed before restarting any work in that geographical zone.

## 7. conclusion

In this time of the pandemic, various steps have been taken for the revival of economy. it is like an opportunity for the Indian government to bring India out of the crisis relatively less affected than the other countries. it is also become a challenge for the government to back on track the economy with the help of public cooperation. government will need to offer significant support to the migrant labor and poor middle-class worker who is losing their job in this pandemic situation. a global crisis requires a global response and there is need of global collaboration. the scenario shows that the potential loss of income in affected countries is very high which impacts the GDP growth as well.

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