

# IMPACT OF COVID-19 ON INDIAN ECONOMY

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**Abstract**—The Assessment on the study of Indian Economy has shown that, India's GDP was on a slowdown mode even before the Corona Virus pandemic hit the country. During the first wave of Pandemic in FY2020-21, Agriculture Sector was the least affected sector and had not shown any growth but declined. In the second wave of the Pandemic at constant prices Agriculture sector was not affected in both two quarters Q1 & Q2. On the whole the GDP was at loss of 7.3% at constant prices during the FY2020-21, after lockdown from Q3 there was a gradual growth in the Economy. Later as the second wave of Pandemic hit the Nation there was a slight decrease in the Economy, however later Economy was at revival state and it is at a stable growth after two quarters of FY2021-22.

**Index Terms**— Agriculture Sector, Corona Virus, Economic Growth, Financial Year, GDP, Indian Economy, Pandemic, Quarter 1, Quarter 2

## I. INTRODUCTION

Corona Virus disease 2019 (COVID-19) is a contagious disease caused by Severe acute respiratory syndrome Corona Virus 2 (SARS-CoV-2). The first known case was identified in Wuhan, China, in December 2019. Symptoms include fever, cough, headache, fatigue, breathing difficulties, and loss of smell and taste. People remain contagious for up to 20 days and can spread the virus even if they do not develop symptoms. The WHO has established nomenclature systems for naming and tracking SARS-CoV-2 genetic lineages by GISAID, Next strain and Pango.

WHO has recommended labelling variants of SARS-CoV-2 using letters of the Greek Alphabet. As of December 2021, there are five dominant variants of SARS-CoV-2 spreading among global populations: the Alpha variant (B.1.1.7), Beta variant (B.1.351), Gamma variant (P.1, formerly called the Brazil variant), Delta variant (B.1.617.2, formerly called the India variant), and Omicron variant (B.1.1.529). The COVID-19 pandemic in India is a part of the worldwide pandemic of Corona Virus disease 2019 (COVID-19) caused by severe acute respiratory syndrome Corona Virus 2 (SARS-CoV-2). As of 27 September 2021, India has the second-highest number of confirmed cases in the world and the third-highest number of COVID-19 deaths. The COVID-19 pandemic has had a devastating impact on India, with shortages of vaccines, hospital beds, oxygen cylinders and other medical supplies in parts of the country.

India began its vaccination programme on 16 January 2021 with AstraZeneca vaccine (Covishield) and the indigenous Covaxin. As of 17 August 2021, India had administered over 550 million vaccine doses. The global economy is projected to contract sharply by 4.9 per cent in 2020, much worse than during the 2008–2009 financial crisis.

## II. LITERATURE SURVEY

The words of “Ajay Kumar Poddar” and “Brijendra Singh Yadav” (2020) describes the situation as follows:

The continued breakout of the COVID-19 pandemic has thickened the black cloud on the world economy. Global recession may return in most horrific appearance. This will bring disruptions in supply chain management by which the country like China will be affected badly. The lockdown condition of almost entire world will decrease the demand drastically which shall imbalance the financial situation of the world. The biggest currency of the world i.e. US dollar shall also be impacted.

The World Economic Outlook, “The International Monetary Fund (IMF) already down-ranked India's growing progress to 4.8% for the FY2019 and revised it to more by 1.2% for the FY2020”. All these reports came even before the outbreak of the COVID-19. It is expected that after Corona; the situation will become more pathetic.

The Indian economy recently had faced the demonetization and GST implementation (an effort to overhaul the system holistically). Though the economy is progressing fast to absorb the impact of this transformation; however, the unorganized sectors still have to go a long way. This has led a difficult state of affairs to few banks and non-banking financial institutions. NPA for a few has started showing an upward trend since they were involved in the doubtful lending practices to ill business houses. India did come out with many schemes and plans to increase its presence in the global economy but eventually, those were not yielded enough compare to their expectation. ‘Make in India’ is one of the examples of such initiative which was aimed to boost the export of Indian makes.

The words of Parvakar and ashwani (2020) says that : “The assessment is that Indian economy may have 0.4 per cent growth this calendar year 2020 in most realistic scenario and a negative growth of around 3 per cent in worst case scenario with 50 per cent over utilization of public sector and defence services (PAD). The impact of COVID-19 on India’s trade is going to be huge. The estimated fall in India’s exports is going to be 13.7–20.8 per cent in 2020 over 2019 . The estimated fall in imports ranges from 17.3 to 25 per cent. Under scenario A, the exports and imports are expected to decline by 37 per cent and 35 per cent, respectively, in second quarter of 2020, the period in which there is very restrictive or no movements of goods and services due to complete lockdown. This fall may extend to around 60 per cent for both exports and imports if the economy experiences partial lockdown till the mid of 2020 and assuming 90 per cent capacity utilization till September 2020.

With regard to percentage decline in exports and imports across commodities due to COVID-19, it is estimated that products such as petroleum products, chemical products, machinery, electronics and plastic and rubber would suffer a loss of more than the national average of 20 per cent. As per estimation, India’s MSME sector can expect a decline of 2.1 per cent under base scenario and this loss can increase to 5.7 per cent in case of worst case scenario. The loss is more skewed in manufacturing sector to the tune of 3.5 per cent in scenario and 8.3 per cent in the scenario D. The MSMEs dealing in trade and other services activities can bear the decline in GVA in the range of 1.4–4.5 per cent. It is evident from the analysis that the impact of the pandemic across sectors and in different scenarios of complete, extended and partial lockdown and at different levels of capacity utilization is massive on the Indian economy. The impact is particularly severe on trade, manufacturing and the MSME sector which contribute substantially to India’s employment and growth.

In an Article Amit Joshi and others says that : “The COVID-19 has created a grave situation and what is petrifying is that we are not sure when the situation will normalize, until then India has to fight a lonely battle. India has little policy firepower to give a consequential shove to progress, and the pandemic has created more stringent barriers. The biggest challenge in front of India is to finance the government deficit, which is rising due to increased expenditure and reduced revenue. Though there is marginal support due to fall in the global oil prices, it will take a long time to reduce the deficit. One may expect rationalization of all direct taxes and corporate taxes, in order to augment businesses. There will be a precipitous deceleration in global growth and India’s trade, what is

unforeseeable is the magnitude of the impact on the economy through domestic channels of production (supply) and consumption (demand).”

### III. SIGNIFICANCE OF THE STUDY

Many studies have focused on trade and comparative analysis of Indian Economy with World Economy. Few studies have focused on Employment, Automobile Industry and Migrant workers. The present Study is focused on Agriculture, Manufacturing, Services and Other sectors of Indian Economy and Economic Growth of India before and after Covid-19 Pandemic, where the earlier studies have not focused on them.

### IV. OBJECTIVES OF THE STUDY

- To study the Impact of Covid-19 Pandemic on Agriculture sector of Indian Economy.
- To study the impact of Covid-19 Pandemic on Manufacturing, Services and other Sectors.
- To compare the Economic growth of India; before and after Covid-19 Pandemic.

### V. HYPOTHESIS

- The Agriculture sector has not been affected by Covid-19 Pandemic.
- Manufacturing, Services and other Sectors have been affected by Covid-19 Pandemic.
- Economic growth of India has been affected by Covid-19 Pandemic.

### VI. METHODOLOGY OF THE STUDY

The present study is based on Secondary Data by collecting Information from websites, news-paper articles, magazines, Government reports, journals, etc. Extensive Literature Review method has been implemented to carry out the present research meaningful. Literature review methodology is a proven tool to do secondary data base reviews .In this study we had utilized them tactfully to build on incredible precision instead of conducting the same research once again. To analyse collected data, different statistical tools and techniques have been applied for analysis and interpretation of results.

### VII. ANALYSIS OF THE DATA

In 2018-19, GDP was Rs.1,40,03,316 Cr. and in 2019-20, it was Rs.1,45,69,268 Cr. and in 2020-21, it was Rs. 1,35,12,740 Cr. Growth in GDP was 4.0% and decrease in GDP was 7.4%. Per Capita GDP was Rs.1,05,526 and Private Final Consumption Expenditure declined to -10.1%.

The Provisional Estimates of National Income and Gross Domestic Product (GDP), 2020-21 at current prices in the year 2018-2019 were Rs. 1,88,86,957 Cr. and in 2019-2020 there was a increase in GDP i.e. Rs.

2,03,51,013 Cr. But there was decrease in the GDP of 2020-2021 i.e. Rs. 1,97,45,670 Cr.

The growth in GDP of FY 2019-20 was around 7.8% but during the FY 2020-21, the decrease in the growth of GDP was around -3.0%. The projections of Per Capita GDP was Rs. 1,42,328 in FY 2018-19 and increased to Rs. 1,51,760 i.e. 3.0% growth in FY 2019-20. The data of Economic activity of different sectors during the FY2018-19 to FY2020-21 at current prices showed that Agriculture, Forestry & Fishing was the least effected sector, while the Trade, Hotels, Transport, Communication & Services related to Broadcasting was the most effected sector. Mining & Quarrying and Manufacturing were the sectors which were also effected severely.

### VIII. FINDINGS OF THE STUDY

Findings of the study are as follows; Covid-19 obstructs the growth of Indian Economy: India's GDP contracted by 22.3% at current prices and 24.4% at constant prices in Q1 of 2020-21. While the process of gradually winding down lockdown restrictions helped economic activity, business have not been able to achieve their full capacities due to internal supply chain disruptions and shortage in labour, as well as demand weakness. The growth of the government spending provided some support, but that was far outweighed by the contraction consumption and investment, both constitute a large portion of India's GDP.

The year 2020 was predominated by the first wave of COVID-19 pandemic, posing the most formidable economic challenge. Policymakers faced a dilemma of "lives versus livelihoods, i.e., flattening the disease curve would invariably. Around the globe, governments and central banks deployed a range of policy tools such as lowering key policy.

India recognized the disruptive impact of the pandemic and charted its own unique path amidst different dismal Projections given its huge population, high population density and an overburdened health infrastructure.

India's policy humane response focused on saving human lives, recognized that the short-term pain of an initial, stringent lockdown would lead to long-term gains both in the lives saved and in the pace of the economic entail steepening of the recession curve to India and to the world, since the Global Financial Crisis, rates, quantitative easing measures, loan guarantees, and fiscal stimuli recovery.

- Advanced economies were hit harder by COVID 19, in terms of lives and economic output, compared to Emerging Market Developing Economies.
- V-shaped economic recovery is supported by the initiation of a mega vaccination drive with hopes of a robust recovery in the services sector.
- India's GDP is estimated to contract by 7.7 % in FY2020-21, composed of a sharp 15.7% decline in first half and a modest 0.1 per cent fall in the second half.
- Sector-wise, agriculture has remained the silver lining while contact-based services, manufacturing,

construction were hit hardest, and have been recovering steadily.

- India became the fastest country to roll-out 10 lakh vaccines in a matter of six days and has also emerged as a leading supplier of the vaccine to Brazil and neighbouring countries.

### IX. FISCAL DEVELOPMENTS

- Expenditure policy in 2020-21 initially aimed at supporting the vulnerable sections but was re-oriented to boost overall demand and capital spending, once the lockdown was unwound.
- Monthly GST collections have crossed the Rs. 1 lakh crore mark and reached its highest levels in December 2020 ever since the introduction of GST.

### X. EXTERNAL SECTOR

- COVID-19 pandemic led to a sharp decline in global trade, lower commodity prices and tighter external financing conditions with implications for current account balances and currencies of different countries
- India's forex reserves at an all-time high of US\$ 586.1 billion as on January 08, 2021.
- India to end with an Annual Current Account Surplus after a period of 17 years.
- Parameters in April-December 2020 compared to same period last year.
- India's merchandise trade deficit was lower at US\$ 57.5 billion.
- Merchandise exports contracted by 15.7% from US\$ 238.3 billion.
- Total merchandise imports declined by (-) 29.1% to US\$ 258.3 billion.
- Net services receipts remained stable.
- Resilience of the services sector was primarily driven by software services, which accounted for 49% of total services exports
- Trade balance with China and the US improved as imports slowed.
- Net private transfer receipts, mainly representing remittances by Indians employed overseas, declined by 6.7%.
- Improvement in debt vulnerability indicators like Ratio of forex reserves to total and short-term debt (original and residual) etc.

### XI. MONETARY MANAGEMENT AND FINANCIALINTERMEDIATION

- Accommodative monetary policy during 2020: repo rate cut by 115 bps since March 2020.
- Systemic liquidity in FY2020-21 has remained in surplus so far. RBI undertook various conventional and unconventional measures like Open Market Operations, Long Term Repo Operations, Targeted Long Term Repo Operations.
- Gross Non-Performing Assets ratio of Scheduled Commercial Banks (SCBs) decreased from 8.21% at end-March, 2020 to 7.49% at end September, 2020.
- NIFTY-50 and BSE SENSEX reached record high closing of 14,644.7 and 49,792.12 respectively on

January 20, 2021.

- Recovery rate for SCBs through Insolvency Bankruptcy Code (since its inception) has been over 45%.

## XII. PRICES and INFLATION

- Headline CPI inflation: Averaged 6.6% during April-December, 2020 and stood at 4.6% in December, 2020, mainly driven by rise in food inflation.
- Rural-urban difference in CPI inflation saw a decline in 2020.
- Thali cost increased between June 2020 and November 2020, however a sharp fall in December reflecting the fall in the prices of many essential food commodities.
- Steps taken to stabilize prices of food items: Banning of export of onions, Imposition of stock limit on onions, Easing of restriction on imports of pulses.
- Gold Prices saw a sharp spike as investors turned to gold as a safe haven investment amid COVID- 19 induced economic uncertainties.

## XIII. AGRICULTURE AND FODD MANAGEMENT

- Agricultural (and Allied Activities) sector has shown its resilience amid COVID-19 with a growth of 3.4% at constant prices during 2020-21.
- Share of Agriculture and Allied Sectors in Gross Value Added at current prices is 17.8% for 2019-20.
- 1.5 crore dairy farmers were targeted to provide Kisan Credit Cards (KCC) as part of AatmaNirbhar Bharat Package.
- Pradhan Mantri Fasal Bima Yojana covers over 5.5 crore farmer applications year on year.
- Fish production reached an all-time high of 14.16 million metric tons during 2019-20.
- Pradhan Mantri Garib Kalyan Anna Yojana: 80.96 crore beneficiaries were provided foodgrains .

## XIV. INDUSTRY and INFRASTRUCTURE

- A strong V-shaped recovery of economic activity further confirmed in the Index of Industrial Production data or IIP. The IIP & eight-core index further inched up to pre-COVID levels.
- India's rank in the Ease of Doing Business (EoDB) Index for 2019 has moved upwards to the 63rd position in 2020 from 77th in 2018 as per the Doing Business Report (DBR)
- During FY20, total FDI equity inflows were US\$49.98 billion as compared to US\$44.37 billion during FY19.
- The bulk of FDI equity flow is in the non-manufacturing sector leading to a reduction in the share of manufacturing in the FDI flows.
- Government has announced a Production-Linked Incentive (PLI) Scheme in the 10 key sectors under the aegis of AatmaNirbhar Bharat for enhancing India's manufacturing capabilities and exports.

## XIV. SERVICE SECTOR

- India's services sector contracted by nearly 16 % during First half of FY2020-21, during the COVID-19 pandemic mandated lockdown, owing to its

contact-intensive nature.

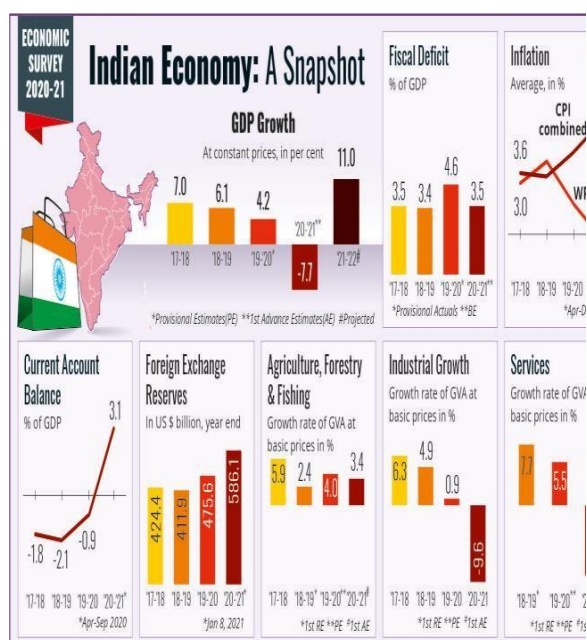
- The services sector accounts for over 54 % of India's GVA and nearly four-fifths of total FDI inflow into India
- Services sector accounts for 48% of total exports, outperforming goods exports in the recent years
- India's space sector has grown exponentially in the past six decades.

## XVI. SOCIAL INFRASTRUCTURE, EMPLOYMENT AND HUMAN DEVELOPMENT

- Expenditure on social services (education, health and other social sectors) by Centre and States combined as a proportion of GDP increased from 6.2 to 8.8 per cent during the period 2014-15 to 2020-21.
- The access to data network, electronic devices such as computer, laptop, smart phone etc. gained importance due to online learning and remote working during the pandemic
- Formal skill training showed an improvement across all socio-economic classification including rural, urban and gender classification.
- Females spending disproportionately more time on unpaid domestic and care giving services to household members as compared to their male counterparts.
- Need to promote non-discriminatory practices at the workplace like pay and career progression, improve work incentives, including other medical and social security benefits for female workers
- NFHS-5 (Phase-I), results show improvement in immunization coverage for children ,institutional birth, infant mortality rate and under-five mortality rate in most of the selected States.
- The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation, releases the Provisional Estimates of National Income for every financial year. Similarly it also released the Provisional Estimates of FY2020-21, both at Constant (2011-12) and Current Prices. These are presented in tables 1 to 4.
- Quarterly Estimates of Gross Value Added (GVA) for all the four quarters of FY2020-21, both at Constant (2011-12) and Current Prices along with the Values and Overall changeover of percentages are presented in Tables 5 and 6.
- Public Administration, Defence & Other Services category includes the Other Services sector i.e. Education, Health, Recreation, and other personal services which have a greater share in the overall category. Owing to their contact intensive nature, these services had to bear the maximum brunt of the lockdown induced by the prevailing first wave of pandemic. With the gradual opening of the economy, the performance of these services has improved over the quarters.



- GDP is derived as the sum of the gross value added (GVA) at basic prices, plus all taxes on products, less all subsidies on products. The total tax revenue used for GDP compilation includes Non-GST Revenue and GST Revenue.
- Gross Domestic Product (GDP) at Constant (2011- 12) Prices in the year 2020-21 is now estimated to attain a level of Rs.135.13 lakh crore, as against the First Revised Estimate of GDP for the year 2019-20 of Rs.145.69 lakh crore. The growth in GDP during 2020-21 is estimated at -7.3 percent as compared to 4.0 percent in 2019-20.
- GDP at Current Prices in the year 2020-21 is estimated to attain a level of Rs.197.46 lakh crore, against the First Revised Estimates of Rs.203.51 lakh crore in 2019-20, showing a change of -3.0 percent as compared to 7.8 percent in 2019-20.



## XVII. CONCLUSIONS & SUGGESTIONS

The Assessment on the study of Indian Economy has shown that, India's GDP was on a slowdown mode even before the Corona pandemic hit the country. Precautionary steps needed to contain the spread, inflicted further pressure and India's GDP, as a result, contracted by

3.0 percent at current prices ( 7.3 percent at constant prices) in FY2020-21. While the process of gradually winding down lockdown restrictions helped economic activity, businesses have not been able to achieve their full capacities due to internal supply chain disruptions and shortage in labour, as well as demand weakness. The growth of government spending provided some support.

During the first wave of Pandemic in FY2020-21, Agriculture Sector was the least affected sector and had not shown any growth but declined. In FY2019-20 the growth was 4.3% (constant prices) and 12.5% (current prices) and in FY2020-21 it was 3.6% (constant prices) and 6.6% (current prices). The Agriculture sector was marginally(-0.7%) affected and it was the least affected sector among all the sectors of Indian economy. In the second wave of the Pandemic (2021-22) at constant prices Agriculture sector was not affected in both two quarters Q1 & Q2. But at current prices the Agriculture sector showed slight decrease in Q2 when compared to Q1.

In the FY2020-21 sectors including Manufacturing, Construction, Services and others have been affected mostly as there was a complete lockdown across the Country. During the second wave (FY2021-22) all sectors other than Agriculture have shown good increase in growth before imposing second lockdown after imposing second lockdown few sectors have shown decline and some sectors have shown marginal growth also.

On the whole the GDP was at loss of 7.3% at constant prices during the FY2020-21, after lockdown from Q3 there was a gradual growth in the Economy. Later as the second wave of Pandemic hit the Nation there was a slight decrease in the Economy, however later Economy was at revival state and now it is at a stable growth after two quarters of FY2021-22.

- There is a need to Improve Medical Infrastructure and Medical Staff in Government Hospitals.
- Awareness camps should be conducted in every locality in order to decrease the fear of Pandemic.
- There is a need to increase the budget allocations for Research and Development.
- Special fund should be created by Central and State Governments to face Emergency situations.
- There should be strict rules and regulations on Media to control the spread of fake news.

Friendly relations with neighbouring Countries may help the Nation during Pandemic or Emergency.

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