

Impact of COVID-19 on the Different Sectors of the Indian Economy

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Abstract

COVID-19 pandemic and 21-day period of lockdown hit the income generation capacity of the Indian government severely. In the 2020-21 budget, Indian government reserved Rs. 1019 crore for the National Disaster Relief Fund for the coming financial year. However, to curb the pandemic and to boost the economy the government needs enormous money, which he can spend on its health sector and its front-line workers in one way and in the form of a financial package to trigger up the economy on the other way.

Keywords: COVID-19, Lockdown, Financial Impact, Indian Economy

Introduction

As discussed earlier, in the period of pandemic Indian stock market is facing the problem of liquidity. The revenue from taxes has also declined for the Indian government. At this time, the Indian government has issued the guidelines to all its departments to cut their budget up to 15 to 20%, which was assigned to them earlier in the budget. The departments received the official order issued by the department of economic affairs was higher education department, department of defence, micro, small and medium scale industry department, home affairs and road and transport department. Other than the cap of 20%, the monthly restrictions are also imposed on these departments, where they cannot spend more than 8% of the budget in the coming three months from April to June. These restrictions were not imposed on the crucial sectors fighting with COVID-19 such as health and family welfare department, department of rural development, department of food and consumer affairs and pharmaceutical department (The Print 2020).

Figure 5

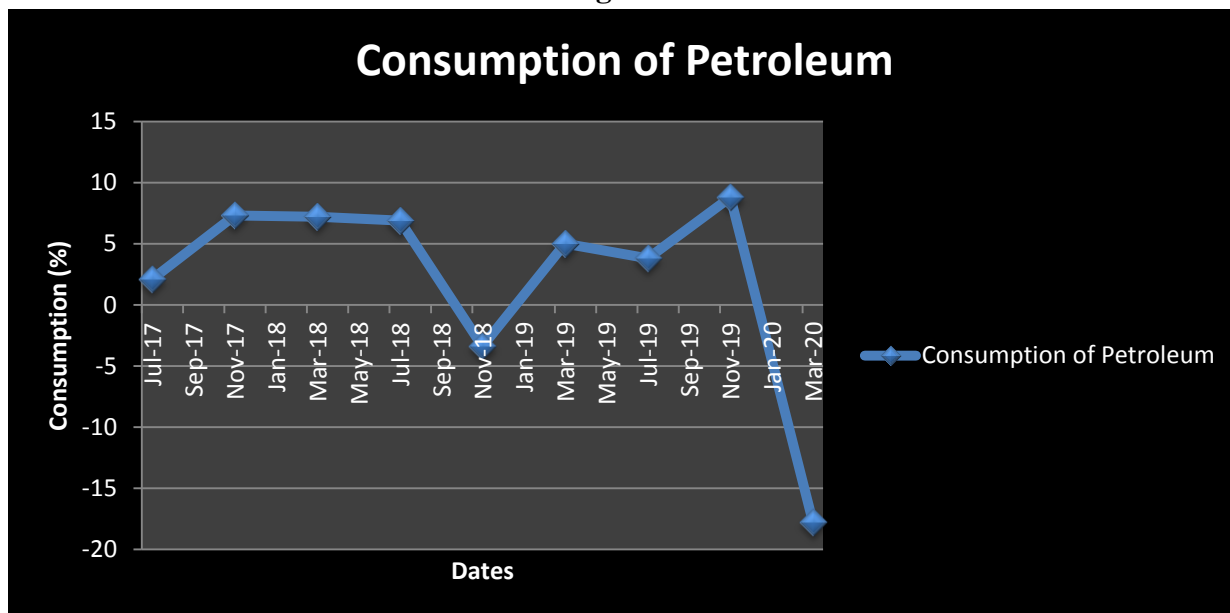
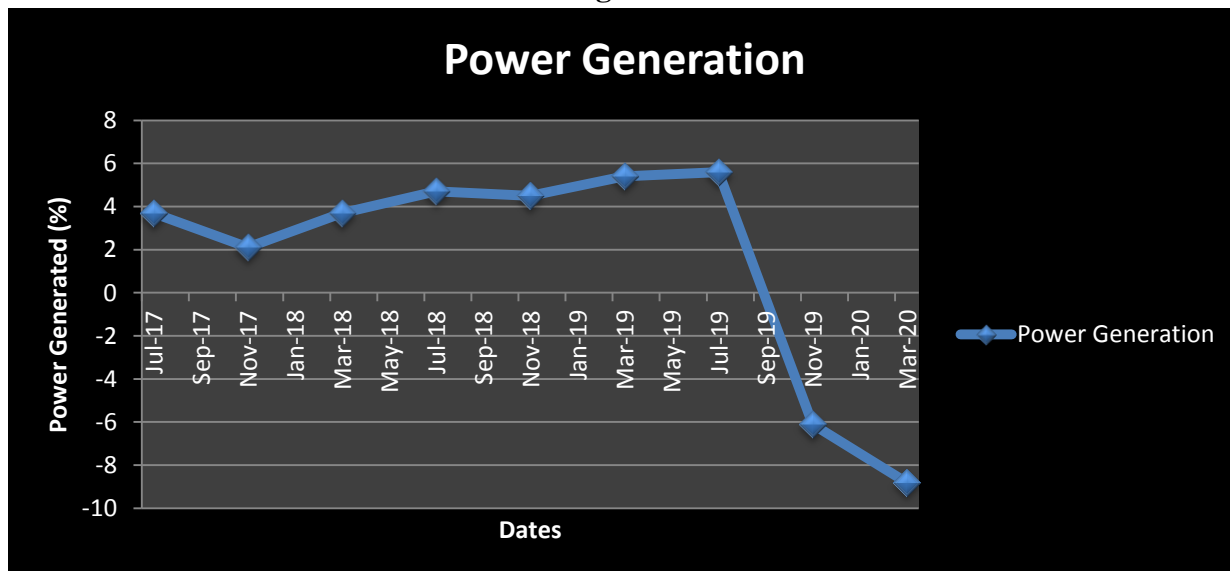


Figure 6



Liquidity Crunch

The problem of liquidity started with the government decision of imposing a lockdown in the country. It affects every person of the society that may be an entrepreneur, a professional or a worker from the informal sector. Due to lockdown, the circulation of money is restricted, and it affects the sales and profit of the companies, which adversely affects their paying capacity and cause a decline in their employee strength. Due to the loss of a job or getting a lesser salary from the firms, the purchasing capacity of the people has declined, which again affects the profit of the companies, and worsens the problem of liquidity. A survey report published by the Center for Monitoring Indian Economy, since lockdown, 84% of the Indian households reported a decline in their income. 66% of the households only have the money or resources to survive for a week.

Figure 7: Fall in Income due to Lockdown

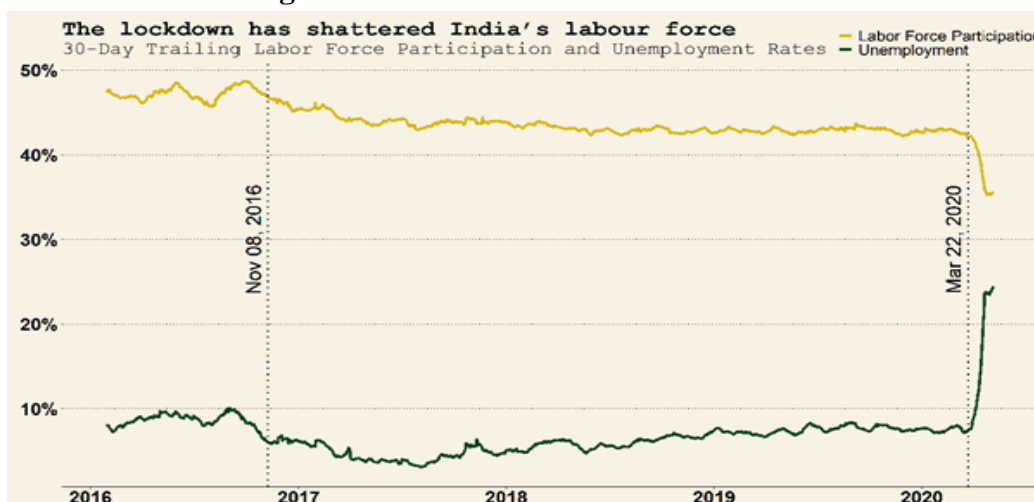
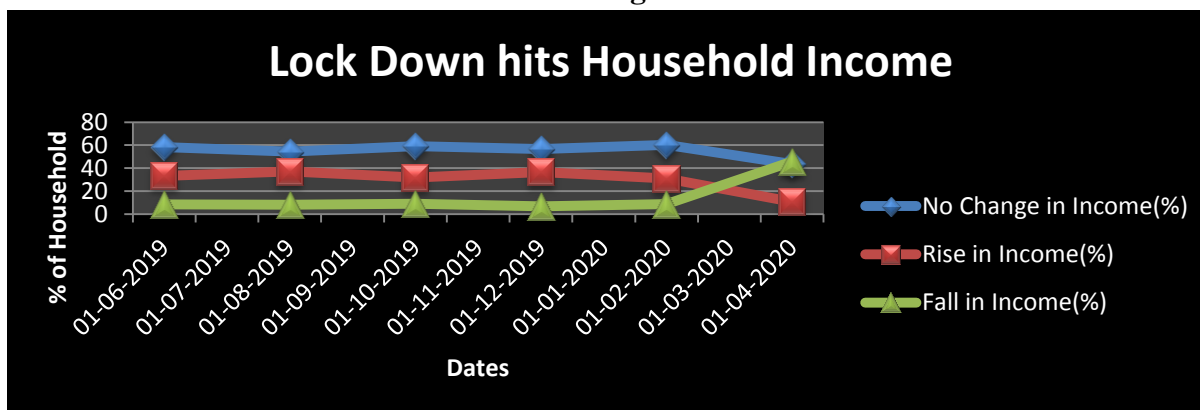


Figure 8



Disruption in International Trade and Transport

Due to COVID-19 pandemic, the trade at the international level has most affected. According to the prediction of the World Trade Organization (WTO), the world trade could plummet between 13 to 32% this year due to the pandemic (World Economic Forum 2020). As the pandemic hit hard the global economy, it also disrupts international trade and transport. Due to this disruption, most of the nation tries to be independent in case of essential commodities or produce them in their own country. Some countries also restrict the export of essential commodities and medicines. For example, the country like Kazakhstan, Serbia and Morocco secure their food reserves and similarly, India has restricted the export of some of their critical medicines to other countries (Forbes 2020). Because of the uncertainty at the international level, it became harder for the business firms to decide their production capacity. The firms are facing problems regarding the backward supply of raw material and forward supply of finished goods. The goods they are producing, its raw material they imported from other countries. For example, the Indian cycle industry imported the parts of cycles from China (Hindustan Times 2020). Similarly, the firms need human power for distribution and logistics of the supply chain to provide the finished goods to the wholesalers, retailers and end-users. Now, due to the unavailability of the products

in the market, the gap between demand and supply has widened, causes the increase in the price of products.

Devaluation of Currency

A lot has changed over the last six months. As the total of positive cases ascends over the globe, apprehend an economic emergency, as well as challenging times, are targeting various vital markets. The lockdown will seriously affect opposing worldwide structure and various fields. The impact of this would be weighty in hand and be about to knock over enterprises across different divisions in the extended period. The Indian market has entered the new financial year and shall assert to confront the universal recession, while India isn't protected from the recessionary effect still for the April-June quarter.

Additionally, India has tried out four months of the lockdown period, and the sum of contaminated cases and fatalities have been on the rise. During the lockdown period, the cash and financial exchange decline against the worst scenario of our times. Here, RBI intervened to check the outpouring from the market and directed toward in consideration of forestall deprecation contrary to the rupee. It is feasible that the different adaptation would be demolished by the fall in oil prices, that would assist India with adjusting of exclusive phase. In any case, for India, a high fall in oil prices accedes turmoil interruption. While it diminishes foreign exchange spurting because of import, besides unfavourable influences resolution that is significant of help against the uniformity of divisions. Extensively these are demanding times for the Indian rupee, which intend to deteriorate promptly in the coming months.

Contraction in Global Markets

A 3.5% hit to the \$80 trillion world economy infers \$2.8 trillion which was the particular size of the entire Indian economy in 2018–2019, the world's fifth biggest. The unending circle provoking monetary slump has set on a roll. Lower usage, limited solicitation, falling expenses, supply cut, work cuts, lower spending, lower use—all of the squares take after an optimal fit. Ongoing expectations about the desolate possibilities for the world economy from a portion of the huge names are displayed in Table 3.

Table 3: Contraction in global markets forecast by Global agencies

S.No	Agency	Date of Report	Forecast
1	Goldman Sachs (2020)a	20 March 2020	US GDP –2% in 2Q, a record drop
2	Deutsche Bank (2020)a	18 March 2020	The worst global recession since World War II
3	J P Morgan (2020)a	12 March 2020	Recession will rock the US and Europe by July
4	Bank of America	19 March 2020	The US economy has fallen into

	(2020)a		recession
5	Pacific Investment Management (2020)a	16 March 2020	Inevitable recession
6	Morgan Stanley (2020)a	17 March 2020	Base case is a global recession
7	UBS (2020)a	19 March 2020	Deep recession by July

The Indian economy faces a tough chore in its fight to recoup from the COVID-19 setback, and it has been examined by the IMF's most recent projection—a sharp contraction of 4.5 per cent in this fiscal. "India's economy is anticipated to shrink by 4.5 per cent following a perpetual time of lockdown and slow recuperation than foreseen". Close at hand to better news on vaccines and medicines can prompt a captious resumption of economic progress. On the drawback, a further surge of infections can increase spending as well as mobility, triggering debt trouble. The economic backlash from different quarters will strike emerging markets and developing economies: pressure is on the impotent medical service system, the travel industry, abolished capital surge, and stiff financial conditions amid soaring debt. The pandemic together with attempt to contain it settles an uncommon breakdown in oil requirement and complication in oil costs. While agribusiness markets are undoubtedly administering comprehensive, and exquisitely chain disruption so far delivers food security issues consequent to a particular pursuit. However, the Atmanirbhar Bharat scheme support genuinely subject to compelling push facing the nation's devastated business tasks by promoting Make in India manufacturing, empower substitute to import concerning alternative goods from different nations and strengthen adjacent produce at a lower rate.

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