



## **IMPACT OF CORONA VIRUS ON INDIAN ECONOMY**

**Dr. Gopal Ramkrushna Tadas**

**Principal**

**Shri R.R. Lahoti Science College Morshi, District Amaravati**

### **Abstract**

The whole world is affected by the virus. Each and every nation is affected by the virus very badly. COVID – 19 is a disease caused by a new strain of corona virus 'CO' stands for Corona. 'VI' for virus and 'D' for disease. The poor community and farmer make up 85% of the Indian population. In case of any mishaps they suffer the most. Similarly the corona virus lockdown initially affected their livelihood beyond repair. However now we can see it several measures that are initiated in their favour. Even with lockdown extension. We can presume their smooth flow due to measure put in by the government. The Paper is focusing on corona disease and impact of COVID-19 Impact of corona virus on Indian Economy.

### **Introduction**

Coronavirus (CoV) is a large family of viruses that causes illness. It ranges from the common cold to more severe diseases like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome. The novel coronavirus is a new strain of virus that has not been identified in human so far. WHO is working closely with global experts, governments, and other health organisations to provide advice to the countries about precautionary and preventive measures.

### **Impact of Coronavirus on the Indian Economy**

To combat with COVID-19, Indian Government extended the date of lockdown to 3rd May, 2020. Recently an industry survey that is jointly conducted by industry body Ficci and tax consultancy Dhruva advisors and took responses from about 380 companies across the sectors. It is said that businesses are grappling with "tremendous uncertainty" about their future.

According to the survey, COVID-19 is having a 'deep impact' on Indian businesses, over the coming month's jobs are at high risk because firms are looking for some reduction in manpower. Further, it is added that already COVID-19 crisis has caused an unprecedented collapse in economic activities over the last few weeks.

The present situation is having a "high to very high" level impact on their business according to almost 72 per cent respondents. Further, 70 per cent of the surveyed firms are expecting a degrowth sales in the fiscal year 2020-21. Ficci said in a statement, "The survey clearly highlights that unless a substantive economic package is announced by the government immediately, we



could see a permanent impairment of a large section of the industry, which may lose the opportunity to come back to life again."

According to Du & Bradstreet, COVID-19 no doubt disrupted human lives and global supply chain but the pandemic is a severe demand shock which has offset the green shoots of recovery of the Indian economy that was visible towards the end of 2019 and early 2020. The revised Gross Domestic Product (GDP) estimates for India downwards by 0.2 percentage points for the fiscal year 2020 to 4.8 per cent and by 0.5 per cent for the fiscal year 2021 to 6 per cent. Further, it is stated that the extent of the actual impact will depend upon the severity and duration of the outbreak.

There are three major channels of impact for Indian businesses according to the report namely linkages, supply chain and macroeconomic factors. The data of the Dun & Bradstreet shows that at least 6,606 Indian entities have legal linkages with companies in countries with a large number of confirmed COVID-19 cases. And business activity in the foreign markets is slow which implies a negative impact on the topline of these companies. Sectors that would be much affected includes logistics, auto, tourism, metals, drugs, pharmaceuticals, electronic goods, MSMEs and retail among others

Further, according to the World Bank's assessment, India is expected to grow 1.5 per cent to 2.8 per cent. And IMF projected a GDP growth of 1.9 per cent for India in 2020 because the global economy is affected by the COVID pandemic, the worst recession since the Great Depression in the 1930s. Also, we can't ignore that the lockdown and pandemic hit several sectors including MSME, hospitality, civil aviation, agriculture and allied sector.

According to KPMG, the lockdown in India will have a sizeable impact on the economy mainly on consumption which is the biggest component of GDP. Reduction in the urban transaction can lead to a steep fall in the consumption of non-essential goods. It can be severe if disruption causes by the 21-day lockdown and affect the availability of essential commodities. Due to weak domestic consumption and consumer sentiment, there can be a delay in investment which further add pressure on the growth.

We can't ignore that post-COVID-19, some economies are expected to adopt de-risking strategies and shift their manufacturing bases from China. This can create opportunities for India. According to KPMG, opportunities will largely depend on how quickly the economy recovers and the pace at which the supply chain issues are addressed. In terms of trade, China is the world's largest exporter and second-largest importer. It accounts for 13% of world exports and 11% of world imports. Up to a large extent, it will impact the Indian industry. In imports, the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them.

India's total electronic imports account for 45% of China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases from the world come from China? For automotive parts and fertilisers China's share in India's import is more than 25%. Around 65



to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India.

Therefore, we can say that due to the current outbreak of coronavirus in China, the import dependence on China will have a significant impact on the Indian industry. In terms of export, China is India's 3<sup>rd</sup> largest export partner and accounts for around 5% share. The impact may result in the following sectors namely organic chemicals, plastics, fish products, cotton, ores, etc. We also can't ignore that most of the Indian companies are located in the eastern part of China. In China, about 72% of companies in India are located in cities like Shanghai, Beijing, provinces of Guangdong, Jiangsu, and Shandong. In various sectors, these companies work including Industrial manufacturing, manufacturing services, IT and BPO, Logistics, Chemicals, Airlines, and tourism. It has been seen that some sectors of India have been impacted by the outbreak of coronavirus in China including shipping, pharmaceuticals, automobiles, mobiles, electronics, textiles, etc. Also, a supply chain may affect some disruptions associates with industries and markets. Overall, the impact of coronavirus in the industry is moderate.

According to CLSA report, pharma, chemicals, and electronics businesses may face supply-chain issues and prices will go up by 10 percent. The report also says that India could also be a beneficiary of positive flows since it appears to be the least-impacted market. Some commodities like metals, upstream and downstream oil companies, could witness the impact of lower global demand impacting commodity prices.

### **Objective of the Research paper:-**

Objective of the Research paper is to study the effect of Corona Virus on Indian Economy.

### **Research Methodology: -**

The research paper based on secondary data collected from various books, research paper newspapers, journals, and different Google website.

### **The sector-wise impact on Indian industry**

**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.

**Shipping Industry:** Coronavirus 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.

**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. **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.

**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.

**Solar Power Sector:** Indian developers may face some shortfall of raw materials needed in solar panels/cells and limited stocks from China.

**Electronics Industry:** The major supplier is China in electronics being a final product or raw material used in the electronic industry. India's electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.

**IT Industry:** The New Year holidays in China has been extended due to coronavirus outbreak that adversely impacted the revenue and growth of Indian IT companies.

**Tourism and Aviation:** Due to the coronavirus outbreak, the inflow of tourists from China and from other East Asian regions to India will lose that will impact the tourism sector and revenue.

An outbreak of COVID-19 impacted the whole world and has been felt across industries. The outbreak is declared as a national emergency by the World Health Organization. In India the three major contributors to GDP namely private consumption, investment and external trade will all get affected. World and Indian economy are attempting to mitigate the health risks of COVID-19 with the economic risks and necessary measures needed will be taken to improve it.

## REFERANCE

- 1)Banerjee P.K. (1970)Indian Economy'' Chaitanyna Publication, New Delhi.
- 2)Kalhon and Karam sing (1985), Indian Economy Allide Publication, New Delhi.
- 3)[www.Google.com](http://www.Google.com).