

# Assessing the Financial Fallout: Covid-19's Impact on Indian Economy

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## ABSTRACT

This research paper focuses on the impact of the outbreak of pandemic Covid-19 on the Indian Economy. The country's growth story, once hailed as a beacon of hope, faced unprecedented challenges as the pandemic ravaged businesses, disrupted supply chains and impacted livelihoods. This paper depicts the impact of Covid-19 on different sectors of the Indian Economy. This paper also furnishes the policy framework of the government in this regard. This paper also gives a light on those sectors which see a boost due to outbreak of covid-19.

**Keywords:** covid-19, indian economy, pandemic, challenges

## I. INTRODUCTION

The COVID-19 pandemic, declared a global health crisis by the World Health Organization (WHO), has evolved into a significant humanitarian challenge requiring substantial sacrifices. Its rapid worldwide spread has led to widespread economic disruption, triggering slowdowns and recessions in major economies due to prolonged lockdowns.

For India, the pandemic's economic impact has been particularly severe, exacerbating pre-existing challenges. Prior to the outbreak, India was already grappling with decelerating GDP growth and rising unemployment. The onset of COVID-19 has intensified these issues, potentially worsening the economy's fragile state.

Several factors compound India's economic vulnerability:

1. A struggling financial sector, vital for economic stability and growth
2. Limited macroeconomic policy options to effectively respond to the crisis
3. A sharp rise in unemployment, jumping from 6.7% to 26% during the pandemic.

This combination of pre-existing economic weaknesses and the pandemic's shock has created a perfect storm, posing significant challenges for India's economic recovery and future growth prospects.

In this research paper, I will explore and describe the financial fallout of Covid-19 on the Indian Economy. If past trends of similar infections are analyzed, it can be helpful to bring any conclusion as to what we should do to move forward. How can we overcome this pandemic..... Either through mass vaccination or social distancing. What type of life are we expecting in the time of Covid-19? The economic impact of the pandemic can be explained in simpler terms. Money flow is likely to tighten up. Even though the Reserve Bank of India (RBI) is trying to keep interest rates low, borrowing might become more expensive in real terms. Banks and other financial institutions are worried. They fear that more loans might go bad (become Non-Performing Assets or NPAs) and more businesses might go bankrupt. The government's main concern will be making sure there are enough essential goods for everyone. This is different from normal times when they might focus on broader economic growth. Businesses that sell luxury or non-essential items will be struggling. They'll be focused on trying to collect money owed to them rather than expanding. We're unlikely to see companies joining forces (through mergers or partnerships) during this time. Everyone is dealing with losses, so they're more focused on survival than growth.

## II. OBJECTIVE OF RESEARCH

1. To assess the financial fallout of pandemic on different sectors of the economy.
2. To reflect need for new policy frameworks and intervention

### III. RESEARCH METHODOLOGY

Here is the detail of the research methodology used in this study. Secondary data is used to conduct this research. It considers December 2019 to May 2020 as its study period. The source of data collection is through various magazines, newspapers, and government websites. This study focuses on descriptive research design.

### IV. PANDEMIC IMPACTING INDIAN ECONOMY

The Indian Economy is facing new challenges created by covid-19 that led to severe disastrous impact on the demand and supply side.

**Impact on Demand Front:** The COVID-19 pandemic has severely impacted several sectors, with the lockdown measures amplifying the damage. The closure of shopping malls and cinemas has disrupted the retail industry, curtailing consumption of both essential and non-essential goods. Daily wage earners have been particularly hard hit, as economic activity in sectors such as retail, construction, transport, and entertainment slowed dramatically, leading to a sharp decline in income and spending. Consumers, gripped by fear and uncertainty, have delayed purchases, worsening the consumption slowdown. The transport sector has been equally affected by travel restrictions and the shift to remote work for schools, universities, and private firms. The hospitality industry, including hotels and restaurants, has suffered extensively due to the cancellation of leisure travel, business trips, and events like conferences and workshops.

**Impact on Financial Market:** The pandemic triggered significant volatility in financial markets, eroding wealth and causing sharp declines. The stock markets saw major crashes, with March 12, 2020, standing out as a particularly grim day when the BSE Sensex and NSE Nifty both dropped by more than 8%. Investors, panicked by the escalating crisis, engaged in continuous selling, dragging stock prices down to new lows by mid-March. 19.

**Supply Chain Disruptions:** On the supply side, Indian manufacturing sectors faced delays in raw material supplies due to factory shutdowns in China. This caused shortages in critical industries like electronics, automobiles, chemicals, and pharmaceuticals. Indian exports also suffered due to the global manufacturing slowdown, particularly in key markets like the US, Europe, and Asia.

**Impact on International Trade:** The pandemic's impact on international trade has been profound. India, heavily reliant on China for various commodities, experienced losses across sectors such as gems and jewelry, seafood, and petrochemicals. The fishing industry alone is estimated to have lost over ₹1,300 crore. India's trade loss due to COVID-19 is pegged at around \$348 million, with the country ranking among the top 15 economies most affected by the slowdown in global trade.

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<i>Chemical Sectors</i>	129 Million Dollars
<i>Textiles and Apparel</i>	064 Million Dollars
<i>Automobile Sector</i>	034 Million Dollars
<i>Metals and Metal Goods</i>	027 Million Dollars
<i>Wood Products and Furniture</i>	015 Million Dollars
<i>Electrical Machinery</i>	012 Million Dollars
<i>Leather Goods</i>	013 Million Dollars

### V. IT IS ALL NOT NEGATIVE: A POSITIVE LOOK OF COVID-19

Despite the numerous challenges posed by the COVID-19 pandemic, certain sectors of the economy have demonstrated resilience and even experienced growth, driven by changing consumer behavior and rapid digitalization.

**E-commerce and Digital Retail:** With physical stores closed or operating under restrictions, the e-commerce sector witnessed an unprecedented surge in demand. Consumers shifted to online shopping for everything from groceries to electronics, accelerating the growth of digital platforms and delivery services. This transformation has also encouraged traditional retailers to adopt omni-channel strategies, blending in-store and online experiences to meet evolving customer needs.

**Healthcare and Pharmaceuticals:** The healthcare sector emerged as a key area of focus during the pandemic. Investments in medical technology, telemedicine, and pharmaceutical innovation surged as governments and private entities

sought to strengthen healthcare systems. The rapid development and distribution of vaccines demonstrated the potential for collaboration and innovation in the pharmaceutical industry, paving the way for advancements in biotechnology and medical research.

**Technology and IT Services:** The demand for digital tools and technology solutions increased dramatically, as businesses and educational institutions adopted remote work and learning. The IT sector, cloud computing, and cybersecurity industries saw significant growth as organizations sought to ensure seamless operations while managing remote teams and data securely. This shift has led to widespread digital transformation across sectors, fostering long-term efficiencies.

**Logistics and Supply Chain Innovation:** While the pandemic initially disrupted global supply chains, it also spurred innovation in logistics and distribution networks. Companies adopted more flexible and localized supply chain models, leveraging technology to improve efficiency and transparency. The surge in e-commerce further fueled demand for last-mile delivery services, which are likely to remain crucial even beyond the pandemic.

**Green Energy and Sustainability:** The pandemic highlighted the need for sustainable practices, encouraging governments and businesses to focus on clean energy solutions. With economic recovery efforts underway, many countries prioritized investments in renewable energy infrastructure and green technologies. This shift aligns with global climate goals and has the potential to create jobs while fostering long-term environmental benefits.

This positive outlook emphasizes how the pandemic catalyzed innovation, adaptation, and growth in several sectors, contributing to future economic resilience.

In the post-COVID-19 world, technology has shifted from being a mere support function to becoming a frontline necessity across sectors, whether in the corporate world, education, or online purchasing. Before the pandemic, technology was seen as a tool to support operations; now, it has become central to how businesses function. The work-from-home culture is expected to become the new normal, with many corporations realizing that remote employees are as productive and efficient as those working on-site. This shift will likely lead to reduced infrastructural costs for companies.

Cities are now focusing more on sustainable development models. Businesses that were previously not environmentally conscious are adopting Environment, Social, and Governance (ESG) frameworks. The introduction of new, streamlined value chains is pushing out unnecessary intermediaries, improving labor efficiency and productivity.

In the current environment, the best strategy for businesses to survive is to prioritize sales over profit. Survival has become more essential than aiming for large valuations based solely on sales growth. Data and data analysis are emerging as key drivers in this new normal. Since everything is becoming data-driven, there is a rising trend of data misuse, especially through artificial intelligence. Both governments and private entities have struggled to roll out effective contact tracing tools, raising concerns about privacy and data security. Data security will become a critical focus for businesses and industrial units moving forward. Traditional businesses that lack access to real-time information will find it challenging to survive, as data becomes the lifeblood of decision-making.

There is also a shift from asset-heavy models to asset-light models, where economic activities are being conducted through innovative vehicles such as public trusts, real estate investment trusts (REITs), and infrastructure investment trusts (InvITs). These tools allow developers to monetize revenue-generating real estate and infrastructure assets while enabling investors to gain exposure to these assets without direct ownership. In this environment, equity financing is expected to become a more popular tool compared to debt financing.

India, in particular, stands to benefit from the fall in crude oil prices. However, the population segment aged 15-35 may pose challenges in terms of lower consumption demand. Globally, right-wing governments are dominating the political landscape, emphasizing policies such as "Make Local, Consume Local." In the post-COVID-19 era, we may also see a reduction in trade restrictions and a resurgence of free markets.

The mantra for success during this period is clear: "You need to survive to stay in the game." Businesses with the financial resilience to weather the storm will emerge victorious in the long run. Once the world overcomes this pandemic, sectors such as aviation, travel and tourism, hospitality, entertainment, and rentals are expected to rebound strongly. Construction, cement, metals, clothing, cosmetics, waste management, hair salons, and transportation will also experience significant growth. Conversely, the paper industry might see a decline as more people embrace environmentally friendly alternatives, and electronic media becomes the norm.

## VI. GROWTH PROJECTIONS OF INDIA

India's economic growth has slowed in the current fiscal year's final quarter, with the COVID-19 outbreak potentially leading to stagnant growth in the first quarter of FY 2020-21. In light of the pandemic's impact on travel, supply chains, consumption, and investment, several credit rating agencies have reassessed and lowered India's growth forecasts.

Fitch Ratings has reduced India's 2019-20 growth projection from 5.1% to 4.9%, citing weak domestic demand and supply chain disruptions affecting manufacturing industries due to COVID-19.

Standard and Poor's has also cut India's 2020 growth forecast from 5.7% to 5.2%.

The OECD has revised India's growth forecast downward to 5.1% for 2020-21 and 5.6% for 2021-22. They have also cautioned that global growth in 2020 could decrease by 50 basis points compared to November 2019 projections.

Moody's has lowered India's 2020 growth estimate from 5.4% (projected in February) to 5.3%.

The Asian Development Bank predicts that the COVID-19 outbreak could cost the Indian economy between US\$ 387 million and US\$ 29.9 billion in reduced consumption demand.

## VII. COVID-19 AND GLOBAL GROWTH

Global economy is growing at 3 percent in the year 2020 which depicts a far worse situation if compared to the global financial crisis of 2008 as per IMF Report. Many top most countries are expected to shrink by the following percent in this year 2020.

<i>ITALY</i>	<i>SPAIN</i>	<i>FRANCE</i>	<i>GERMANY</i>	<i>UK</i>	<i>US</i>	<i>JAPAN</i>
9.1%	8%	7.2%	7%	6.5%	5.9%	5.2%

The economic impact of the pandemic has been severe, with developed nations projected to experience a -6% growth rate in 2020. Developing countries are also affected, albeit less severely, with an expected contraction of -1%. However, when China is excluded from this group, the outlook worsens, with a projected decline of -2.2% for developing nations in 2020. China's economy suffered significantly in the first quarter of 2020, with GDP falling by 36.6%. In contrast, South Korea, which opted for aggressive testing, quarantining, and contact tracing instead of a lockdown, saw a less severe output reduction of 5.5%

The economic downturn has been particularly pronounced in Europe. France, Spain, and Italy have experienced substantial GDP contractions of 21.3%, 19.2%, and 17.5% respectively.

## VIII. NEED FOR A THOUGHTFUL AND RELEVANT GOVERNMENT POLICY

There is an urgent need to form a combination of monetary, fiscal and financial markets measures in order to help businesses and the common public to cope with this spread of virus and crisis environment. For framing appropriate action plans and policy, it is significant to know the specific issues that businesses and public in general are facing recently. At this juncture, it is necessary to provide support to Indian industries and economy by the Indian Government and RBI.

The proposed measures to support Indian industries and the economy during the COVID-19 crisis encompass a wide range of financial, regulatory, and social interventions. These include reducing policy rates, expanding credit limits, and relaxing compliance rules to ease the burden on businesses. The plan also calls for increased public health spending, extended deadlines for financial reporting, and grace periods for various payments. Support for workers and low-income families is emphasized through income support programs and incentives for employers to retain staff. The suggestions address liquidity concerns in financial markets, propose tax relief measures, and recommend streamlined processes for imports and share buy-backs. Additionally, the plan stresses the importance of coordinating essential services, maintaining supply chains, and ensuring clear communication at all levels. These comprehensive measures aim to mitigate the economic impact of the pandemic while safeguarding public health and supporting vulnerable sectors of the economy.

## IX. CONCLUSION

The COVID-19 outbreak has brought the world to a temporary halt, presenting a unique opportunity for global reflection and transformation. This pause allows us to reconsider, reimagine, and rebuild our systems and structures. By taking thoughtful action now, we have the chance to address long-standing challenges on new foundations. These challenges include environmental degradation, pollution, self-centered growth, inequality, and the concentration of economic power and wealth.

Perhaps the most crucial lesson from this experience is the need to work diligently to prevent such a devastating global crisis from recurring. While history suggests that humanity often fails to learn from past experiences, we now have the opportunity to break this cycle. As we move forward, we should strive for a future that is not only better, healthier, and safer, but also more successful and sustainable for all.

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