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## FINANCIAL IMPACT OF COVID-19 ON INDIAN ECONOMY

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### KEYWORDS

Pandemic, Lockdown, Covid-19, Financial impact, Supply chain.

### ABSTRACT

Nobody in India predicted that India has to go for uncounted lockdown because of a virus. All sectors will shut down, production will stop, supply chain will disrupt, all trains and other means of transportation will stand at same place where they are, resulting in economic crisis just because of novel corona virus. Not only in India but all over the world, all countries have faced long lockdown period. Developed economies like America, Germany, Italy, France, Russia, Canada, China etc. are also victim of this pandemic. No economy left untouched with evil effect of Covid-19. More or less it has affected all economies around the world. Corona virus has impacted Global economy very badly. India is not an exception to it. India is also facing COVID-19 pandemic. Indian economy bounced back after hitting lockdowns of Covid-19 at a highest rate. This paper is an attempt to study financial impact of Covid-19 with reference to Indian Economy.

### Methods of Data collection

Primary methods like direct observation and direct interview and secondary sources like various internet sources like websites, news channels, different newspapers in Hindi and English languages have been referred to collect the data.

### Introduction

Covid-19 arrived in India like a tsunami a very large wave which damaged the Indian economy to a large scale. The pandemic first arrived in the early weeks of 2020 forcing all economies strict lockdowns. Due to which people were forced to lock in their homes believing that "Stay Home, stay Safe". No medical treatment and vaccine was founded in initial period of this pandemic other than Mask, frequent hand wash and Social distancing (Do Guj ki doori Mask hai Jaroori). Whole economy including all manufacturing and Industrial units, shopping mall, and transportation was closed down. This resulted in fall down of demand and supply of goods and services drastically. Many countries imposed second and third lockdown. Due to lockdown people's demand for goods and services came very down. Supply chains were badly disrupted. As many small businesses closed people lost their jobs. Rate of unemployment and poverty increased very rapidly resulted in slow down and hampering of Indian economy.

At present, India is fighting two wars one is against Covid-19 pandemic and other is against economic crisis as Covid-19 has hit Indian economy in terms of monetary, fiscal, agricultural and various Industrial sectors. It is major challenge in front of Government of India to save people from virus and also to repair economy from its impact. Banking system and monetary policy also affected very badly due to Covid-19. According to World Bank and other ranking agencies India's growth for financial year 2021 had fall down to the lowest figure since its economic liberalization in the 1990. Let us see financial impact of Covid-19 on Indian economy with the help of certain major sectors like Hospitality, Tourism, construction, Aviation, FMCG, IT, and Pharmaceutical.

The rate of unemployment has increased very rapidly within a month. The first lockdown period was for 21 days starting from 25th March to 14th April 2020, second lockdown period was for 14 days starting from 15th April to 3rd May 2020. Third lockdown period was for 14 days

starting from 4th May to 17th May and now we are in fourth lockdown period starting from 18th May to 31st May 2020. Due to long lockdown period entire Indian economy effected very badly. Disrupted supply chain management, Difficulty in procurement of raw material, decline in demand, worker's migration to their home towns, liquidity crunch etc. are few problems faced by various industrial sectors.

During the lockdown period approximately 14 cr. i.e. 140 million people lost employment. Income of people dropped down. The Indian economy faced heavy loss. During first lockdown period almost all businesses in India were adversely affected. Industries like airlines; hotels etc. are cutting salaries and lay off employees. People were forced to work from home and received some part of their salary.

IMF website mentioned that the Global GDP loss due to pandemic could be more than three trillion dollars. If we study financial impact of COVID-19 on Indian economy industry wise, we find that every industry has impacted from this virus more or less.

Hospitality sector including restaurants, pubs, bars, nightclubs faced financial crisis due to lockdown everyone was scared to move out from home. Hospitality sector is a major contributor of GDP of India. This sector was badly damaged by lockdown imposed by many state governments time to time as the spread of corona virus increased.

Tourism sector is linked to the hospitality sector. Tourism provides employment to a huge part of population in country. This sector contributes nearly 7% annual GDP of India. According to National Council of Applied Economic Research Covid-19 affected tourism sector very badly due to job losses caused by restrictions and lockdown. This also affected Foreign Exchange earnings during post Covid period. If we analyze FMCG sector raw material procurement is not easy. Production process is difficult due to lack of labour supply. Due to lower demand sales is low. Realization of money against sales is also difficult resulting in liquidity crunch. We can divide FMCG sector in two parts like essentials and luxury. Out of these two essentials (daily need) industry less impacted to some extent. But luxury industries are badly impacted due to lack of demand. (You tube channel by CA Rachana Phadke Ranade)

IT sector was a major contributor in development of Indian economy

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over last few decades. It will not be right if we say that this sector is untouched from impact of pandemic. Covid-19 has affected Indian IT sector not to a greater extent as compared to other sectors. Many people working in IT companies to work from home forcefully. Employees were not paid full salary but only a part of it. Many IT companies across the globe shortlisted their staff. This resulted in unemployment and poverty in Indian economy. People working from home were psychologically affected. But if we see other side of coin IT sector was the only sector which helped people to stay connected with each other with the help of internet, smart phones and various meeting apps. IT sector provided a platform to organize webinars between business persons, academicians, and other group of people in country. It supported a teacher to teach students with the help of online classes. It helped in nonstop learning of students at school as well as college level. It connected the people emotionally and thus helped in maintaining emotional and social balance. There is a big challenge in front of IT sector to come up with new and advanced technologies in the world market to regain its position as it was in pre Covid-19 period.

Pharmaceutical Industry in India is one of the major exporters of many generic medicines. This sector had growth due to Covid-19 as demand was greater than supply or production. It has to fulfill home demand and demand from abroad also. It holds an important role in global health market. Initially this industry has to face raw material problem as 70% of pharma material, India is importing from china. Supply chain disrupted. Demand for medicines, masks and sanitizers much more its production people want to hoard mask and sanitizers for their future uses. Production might not be able to meet demand.

Crude oil prices are also declined due to lockdown restrictions. Consumer and retail segments are anticipated to be soft. Chemical and agriculture sector can also see a drop. Pharmacy, IT, telecommunication are relatively strong sectors. 25% of MSME and SME loans can turn bad. The corporate sector might see a 6% default rate and around 3%

default rate in the retail segment. Unemployment, liquidity risk and business risk is likely to increase heavily in Indian economy. Latest report of IMF mentioned that Indian economy will grow in 2020, but with a lower growth rate of 1.9%. Current GDP of India is 200 lakhs cr. (You tube channel by CA Rachana Phadke Ranade)

#### **Conclusion**

Indian economy is a part of world economy, Covid-19 pandemic has affected world economy and Indian economy is not untouched from it. All industrial sectors including manufacturing, constructions, aviation, tourism, Hospitality and many more have declined very rapidly. Population of country faced so many social, emotional, cultural, financial and psychological problems due to Covid-19. All the losses cannot be recovered very fast but slowly with the help of policies and strategies global leaders have to come up for making the economy on right and smooth track. Everyone have to come forward at global level, national level, state level, District level, village level and personal level to fight against this pandemic. One individual person can protect himself will result in safety of his family, his society and his nation.

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