



CODEN [USA]: IAJPBB

ISSN : 2349-7750

INDO AMERICAN JOURNAL OF PHARMACEUTICAL SCIENCES

SJIF Impact Factor: 7.187

<https://doi.org/10.5281/zenodo.6467605>
Available online at: <http://www.iajps.com>

Review Article

IMPACT OF COVID-19 ON INDIAN ECONOMY

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Article Received: March 2022

Accepted: March 2022

Published: April 2022

Abstract:

COVID-19 is a disease caused by a new strain of Coronavirus. CO stands for corona, VI for virus and D for disease. The outbreak of the Covid-19 has been begun in December 2019 drastically affected the world. It also entered India by the end of January 2020 and has significantly influenced India. Covid-19 Pandemic has created an unprecedented loss and disruption overall across the world. From developed to developing, no country has been spared from its brunt. This article focuses on impact of the outbreak of pandemic Covid-19 on Indian Economy. Covid-19 makes adverse impact on many sectors of Indian Economy. An impact assessment on the basis of available literature is made on all the three sectors- primary, secondary and service sector along with the impact on migrant, health, poverty, job losses, informal sector, environment and so forth. The all sectors of the economy have been disproportionately affected and even within a sector, there is a disproportionate loss.

The pandemic caused significant global socioeconomic disruption, including the postponement or cancellation of sporting, religious, political, and cultural activities, as well as widespread supply shortages exacerbated by panic purchasing and imbalanced trade. Furthermore, figures show that the COVID-19 outbreak has had a major impact on agriculture, commerce, tourism, travel and many more sectors.

Key Words: Covid-19, Indian Economy, Pandemic, Impact, Virus, Sector

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Please cite this article in press Neha Anil Bhandare et al, *Impact Of Covid-19 On Indian Economy.*, Indo Am. J. P. Sci, 2022; 09(04)

INTRODUCTION:

A genetic subset of the coronavirus, the Covid-19 virus has infested as an infectious disease among a severe global pandemic. This disease, which was declared a pandemic by the World Health Organization (WHO) earlier this year, has spread across the world, resulting in a large number of deaths and a buzzing sense of fear among people.

As per the official data released by the ministry of statistics and program implementation, the Indian economy contracted by 7.3% in the April-June quarter of this fiscal year. This is the worst decline ever observed since the ministry had started compiling GDP stats quarterly in 1996. In 2020, an estimated 10 million migrant workers returned to their native places after the imposition of the lockdown. India's \$2.9 trillion economy remains shuttered during the lockdown period, except for some essential services and activities. As shops, eateries, factories, transport services, business.

The economic impact includes financial loss, reduction in customer demand at a national and international level, disruptions in the logistics and distribution channels, ruined the relationship with suppliers, customers, and employees.

1. Impact on Education sector:

Teachers have had to adapt to a world of almost universal distance education as nearly 94 per cent of all learners have faced school closures. Most teachers and their organizations have embraced this challenge, although in many developing countries teachers lack the skills and equipment to provide distance education effectively. As governments consider reopening school as confinement measures are relaxed, the safety of learners and teachers should be paramount, and social distancing of learners, access to personal protective equipment, and regular virus testing will be key.

2. Impact on Health sector:

The COVID-19 crisis is drawing attention to the already overburdened public health systems in many countries, and to the challenges faced in recruiting, deploying, retaining and protecting sufficient well-trained, supported and motivated health workers. It highlights the strong need for sustainable investment in health systems, including in the health workforce, and for decent working conditions, training and equipment, especially in relation to personal protective equipment and occupational safety. Social dialogue is essential to building resilient health systems, and therefore has a critical role both in crisis response and

in building a future that is prepared for health emergencies.

3. Agriculture & Food Processing:

Agriculture and allied activities sector is likely to be adversely hit by the Coronavirus scare. In fact, the poultry sector is already being affected severely. The poultry sector which is the fastest growing subsector of India agriculture eco-system and where the country has created a foothold at the global level (India is the third largest producer of eggs and fifth largest producer of broilers) is already facing losses to the tune of 150-200 crore each day. The social media has been spreading misinformation by correlating Coronavirus infection to consumption of meat and poultry products. This has caused enormous destruction in demand for poultry products and the prices realized by farmers have crashed to Rs 10-15 per kg – whilst the production cost of about Rs 70 - 80 per kg. Furthermore, the prices of several commodities including soybean, maize and chana have fallen. Once the rabi crop will start arriving in the market from second week of April, mandis are going to see large gatherings of farmers. There is a need to ensure preventive measures to avoid the spread of virus in rural areas.

As the pandemic spreads, the continued functioning of food supply chains is crucial in preventing a food crisis and reducing the negative impact on the global economy. Coordinated policy responses are needed to support agribusiness and the livelihoods and working conditions of millions of agricultural workers in line with relevant international labour standards.

4. Pharmaceuticals:

The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. With a market size of \$55 billion during the beginning of 2020, it has been surging in India, exporting Hydroxychloroquine to the world, esp. to the US, UK, Canada, and the Middle-East.

There has been a recent rise in the prices of raw materials imported from China due to the pandemic. Generic drugs are the most impacted due to heavy reliance on imports, disrupted supply-chain, and labour unavailability in the industry, caused by social distancing. Simultaneously, the pharmaceutical industry is struggling because of the government-imposed bans on the export of critical drugs, equipment, and PPE kits to ensure sufficient quantities for the country. The increasing demand for these drugs, coupled with hindered accessibility is making

things harder. Easing the financial stress on the pharmaceutical companies, tax relaxations, and addressing the labour force shortage could be the differentiating factors in such a desperate time.

As per Trade Promotion Council of India, the country imports around 85 percent of its total requirement of active pharmaceutical ingredients (APIs) from China. Dependencies on China have impacted manufacturing operations in India. However, demand for essential medicines and safety equipment has gone up. Government has restricted the export of certain medicines and pharma products and is monitoring the overall inventory on regular basis.

5. **Manufacture:**

Manufacturing was at the receiving end in both the first and the second wave. To control the coronavirus spread, most of the manufacturing sector had to work at a lesser capacity or shut down. Non essentials manufacturing was hit for longer and with more severe restrictions. The fear of prolonged lockdowns led to migration back to villages. In addition, the global and local supply chains had also not fully normalized after the first wave. This has meant higher cost of procuring raw materials for both small and large industries. As per the IHS Markit India Manufacturing Purchasing Managers' Index (PMI) in May 2021, PMI slumped to 50.8 from 57.5 reported in February. It is at a ten-month low.

6. **Entertainment Industry:**

Covid-19 pandemic has greatly affected entertainment industry by altering the Ethiopian Film Industry, football, athletic and other games and entertainment activities (MOCT, 2020) revenue forecast beginning with an extraordinary disruption of the global films calendar. Most international and national football game and film festivals and markets that would have schematically occurred from March 2020 have been cancelled and some local and international films and football game already scheduled for release have been rescheduled on account of covid-19 pandemic in Ethiopia. Other aspect of tourism sector that will equally be affected by the covid-19 pandemic is the transport, hospitality and trade sectors. The government policy of social distancing and stay at home restrict movement within the country and most urban centres. This also led to stoppage of interstate and inter-town travels, culminating in loss of revenue to operators in the transport sector for the period of non-operation.

Places of gathering like cinema halls and malls have been closed. Promotional and sport events are also being called off. One of the major cricketing events in

the country - Indian Premier League (IPL) has been deferred for the time being - its cancellation can alone mean a loss of at least US\$500 million for the organizing body.^[8]

7. **Tourism Sector:**

The hospitality sector is linked to the tourism sector. The sector that employs millions of Indians started bouncing back after the first wave, but the second wave of covid was back for the devastation! The tourism sector contributes nearly 7% to India's annual GDP.

It comprises hotels, homestays, motels and more. The restrictions due to the second wave have crippled the tourism sector, which was already struggling to recover from the initial loss suffered by the businesses in 2020.

Tourism is a major driver of jobs and growth. But COVID 19 has dramatically changed this. The impact on tourism enterprises and workers, the majority being young women, is unprecedented. Timely, large-scale and, in particular, coordinated policy efforts both at international and national levels are needed in consultation with governments, employers' and workers' representatives, taking into consideration relevant ILO international labour standards.

8. **Impact on Tourist Inflow:**

Although the tourist flow into Ethiopia has reduced in recent times due to increasing security challenges in the country such as internal migration of people from one region to the others, ethnic conflict, violence of law in some parts of the country. The recent outbreak of covid-19 and lockdown policies that follows has only impaired the challenges of reduced tourist flow into the country. According to IATA as April, 2020, it is estimated that because of covid-19, Ethiopia will have 2.5 million travellers resulting in US\$0.91 billion revenue loss, risking 120,400 jobs and US\$0.80 billion in contribution to Ethiopian economy

India continued to build its lead as one of the fastest growing large economies in the world during FY 2020-21. The Indian tourism and hospitality industry have emerged as one of the key drivers of growth among the services sector in India. The second-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant

source of foreign exchange for the country. India's tourism sector attracted capital investments expected to reach US\$95 billion by 2028. The collective government spending in India on travel and tourism is expected to reach INR 368 billion (US\$5.85 billion) in 2028 from INR 170 billion (US\$2.81 billion) in 2019.

9. Aviation and Travel sector:

Aviation and other sector establishments faced a massive struggle during the second wave of the pandemic. The larger travel sector is also taking a hit as people are scared to step out of their homes. For airlines and the broader travel sector, its recovery will depend on whether people in future will opt for such services. At present, the outlook for the aviation and broader travel sector does not look satisfactory.

The situation during the second wave is slowly turning grim as restrictions continue to rise. Reports suggest that air travel has seen a 50 per cent reduction over the past few weeks. The fact that people are scared to step out of their houses indicates that the larger travel sector is also taking a battering. While airlines were slowly starting to increase revenue margins, the deadlier wave of Covid-19 has made the situation turbulent again. With global travel suspended, airlines are looking at bankruptcy. It is possible that the government might bail the aviation sector in the near future. Cash reserves of airline companies are running low and many are almost at the brink of bankruptcy. It is possible that the government might bail the aviation sector in the near future.

10. Automobile sector:

The automobile sector is expected to remain under pressure in the near term due to the covid-19 situation in India. The carmakers in India are back under pressure as sales have sharply fallen. A report by Emkay Global Financial Services indicates that the automobile sector is expected to remain under pressure in the near term due to the Covid-19 situation in India. The report said that the sector is expected to recover only in the second quarter of the year. However, experts suggest that it will depend on how fast India can bring the second wave under control. Since automobiles are discretionary items, vehicles sales will largely depend on consumer sentiments. At the moment, consumer sentiments remain weak among citizens.

11. Real Estate and Construction sector:

The real estate and construction activities have started facing a disruption during the second wave as a large number of migrant workers have left the urban areas.

The situation has not been grave as of 2020 for this sector.

12. Impact on forest sector:

The COVID-19 crisis is drawing attention to the already overburdened public health systems in many countries, and to the challenges faced in recruiting, deploying, retaining and protecting sufficient well-trained, supported and motivated health workers. It highlights the strong need for sustainable investment in health systems, including in the health workforce, and for decent working conditions, training and equipment, especially in relation to personal protective equipment and occupational safety. Social dialogue is essential to building resilient health systems, and therefore has a critical role both in crisis response and in building a future that is prepared for health emergencies.

13. Impact on services sector:

The services sector in the last two decades has become the bedrock of the Indian economy contributing to more than half of the GDP. But, our services and knowledge-based industries have been built on the manufacturing industry premise of the 18th century i.e. proximity and discipline of workers to the factory is critical in getting good output. We apply the same philosophy for our software engineers and telecalling workforce. With the internet revolution this premise has proven to be an unnecessary legacy of the past. Now the workforce can be decentralized and anyone can work from anywhere till the time there is 4G internet. I do believe that COVID will prove a positive disruption for the services sector in the long run.

14. Hotels and restaurants:

Demand has declined substantially with owners struggling to recover the fixed costs. Pre-lockdown, hotel occupancy rates of 70 percent declined to 20 percent with restaurants losing 30 to 35 percent of their business.

15. E-commerce:

Several e-commerce players are unable to service existing orders and are not accepting new orders, even when there is a surge in demand for home delivery. However, companies are trying to service essential items on priority basis.

CONCLUSION:

Couple with the humanitarian crisis silent treatment of the government, the covid-19 has exposed and worsened existing inequalities in the Indian economy. Indian economy, show a steep rise in unemployment rates, in the range 7.9% to 12% during April - June

quarter of 2021. Millions of jobs have been lost permanently and have dampened consumption. The GDP growth had crashed 23.9% in response to the centre's no notice lockdown. India's GDP shrank 7.3% in 2020 – 21. This was the worst performance of the Indian economy in any year since independence. As of now, India's GDP growth rate is likely to be below 10 per cent. However, every crisis brings about a unique opportunity to rethink on the path undertaken for the development of a human being, community and society. The COVID-19 pandemic has a clear message for the Indian economy to adopt sustainable developmental models, which are based on self-reliance, inclusive frameworks and environment friendly.

ACKNOWLEDGEMENT:

Authors are thankful to Principal Shivlingeshwar College of Pharmacy, Almala Dr.Dharashive V.M for his cooperation and encouragement.

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