

# COVID-19 PANDEMIC : A DISASTER IN THE INDIAN ECONOMY

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## ABSTRACT

*The new coronavirus had harmed the health of billions more people while killing thousands and infecting millions. India imposed a nationwide lockdown, considered one of the strictest in the world, on 24th March 2020. The coronavirus pandemic has significantly impacted India in terms of both the loss of human life and economic activity. With few significant exceptions where substantial growth was seen, almost all sectors have been negatively impacted as domestic demand and exports have dramatically declined. Analysis of the effects and potential remedies for several important sectors is attempted in this paper. Some important sectors like Health, food and agriculture and Aviation & Tourism and so on.*

**KEYWORDS:** COVID-19 Pandemic, Indian Economy, Health, Food & Agriculture and Aviation & Tourism

## INTRODUCTION

The virus that causes severe acute respiratory syndrome caused by coronavirus 2 (also known as SARS-CoV-2) is the cause of a worldwide coronavirus pandemic known as COVID-19. Infections caused by novel coronaviruses (nCoV) were discovered for the first time in Wuhan, China, in December 2019, and the virus moved on to other cities and countries around the world quite swiftly after that. As a result of this, the World Health Organization (WHO) classified the outbreak as a pandemic on March 11, 2020, and on January 30, 2020, it declared a public health emergency of worldwide significance. The majority of people who contract the virus will experience respiratory symptoms ranging from mild to severe in severity and will recover without the need for any specialised treatment. However, there will be some people who become severely unwell and will require medical attention. Those who are older or who already have a pre-existing condition, such as cancer, diabetes, cardiovascular disease, or a chronic respiratory disease, are at an increased risk of contracting a Saviour illness. Anyone of any age has the potential to become ill, become seriously ill, or perish away as a result of COVID-19 (*World Health Organization*, n.d.).

India has one of the highest rates of COVID-19 infection in the world, as evidenced by the country's over 2.5 million confirmed cases of the virus and its rising death toll. On January 30, 2020, it was discovered that the first person in Kerala to have COVID-19 was a student who had recently returned from Wuhan, China. This student had been studying abroad in China. However, since March 2020, there has been an upsurge in the number of people who have contracted the virus. As a consequence, the authorities implemented a lockdown across the country in an effort to prevent the illness from

spreading among communities. Everyone in India has been affected by the closure of businesses, including schools and other educational facilities, hotels and other dining establishments, shopping malls, movie theatres, fitness centres, sports facilities, and houses of worship. This is the case in spite of the fact that there are some geographical differences in the severity of lockdown limitations, which are determined by the total number of COVID-19 instances in that region (Shukla et al., 2021).

## THE IMPACT OF COVID-THE IMPACT OF COVID-19 ON THE INDIAN ECONOMY

The official data that was made available by the ministry of statistics and programme implementation revealed that the size of the Indian economy shrunk by 7.3% during the period of this fiscal year that was comprised of April, May, and June. The figures on GDP have been collected by the ministry on a quarterly basis since 1996, and this is the point at which they have documented the largest drop ever seen. It is believed that ten million migrant workers returned back to their native countries when the lockdown was enacted in the year 2020. What came as a surprise was the fact that neither the state administration nor the federal authorities had any information about the migrant workers who had lost their employment and maybe their lives as a direct result of the lockdown (Mangla, 2021).

The government did more than only set up a digitised, centralised database system for migrant workers who went back to their countries of origin during the second wave of the corona than they had originally intended. The second wave of COVID-19 has both exposed pre-existing flaws in the Indian economy and made those weaknesses much more visible. With the

exception of a few essential services and activities, the Indian economy, which is now valued at \$2.9 trillion, would remain closed for the duration of the shutdown. As a result of the lockdown, many retailers, restaurants, industries, transportation services, and commercial establishments were forced to close their doors. This had a significant chilling impact on the economy. The unorganised parts of the economy have been hit harder by the global pandemic than other parts of the economy. When accounting for India's informal economy, the GDP decline from April to June might have been more than 8%, according to some estimates. Private consumption and investment have been the two primary contributors to India's economic growth over the past few decades. The state of the Indian economy was already in a precarious position well before the arrival of the second wave. When paired with the humanitarian crisis and the government's silence, COVID-19 has brought to light and worsened existing imbalances in the Indian economy. This is especially true when taken into consideration with the humanitarian crisis. Due to the fact that the economy will continue to contract over the course of the next four quarters, a recession is unavoidable. It is a commonly held belief that the economy of India would contract during the entirety of this year. The polls conducted by the Centre for Monitoring Indian Economy predict that the rate of unemployment would dramatically increase during the April-June quarter of 2021, climbing from 7.9% to 12%. As a direct response to the current status of the economy, the Ministry of Micro, Small, and Medium Enterprises (MSMEs) has decided to shut down their businesses. Consumption has dropped as a direct result of the permanent loss of millions of jobs. The government should be willing to invest billions of euros in order to address the health crisis and speed the recovery of the economy from the recession that was brought on by COVID-19. In order to find a solution to this dilemma, the government will need to inject billions of dollars into the economy.

As an immediate response to the abrupt lockdown at the centre, the growth of the GDP dropped by 23.9%. The Gross Domestic Product of India fell by 7.3% in the year 2020-21. Since the country's independence, the economy of India has never done more poorly than it did during this specific year. It is now anticipated that India's GDP growth rate would be less than 10% (Mangla, 2021).

According to the information that was supplied by the Controller General of Accounts, the fiscal collection for the centre would bring in gross tax revenue (GTR) of 20 lakh crores and net tax revenue of 14 lakh crores for the financial year 2020-21. Gross tax revenues are projected to reach 22.7 trillion rupees and net tax revenues are anticipated to reach 15.8 trillion rupees in the fiscal year 2020-21, assuming that tax collection increases by 12%.

## IMPACT OF COVID-19 ON DIFFERENT INDIAN STATES

The impacts of the coronavirus pandemic in India have been predominantly disruptive, both in terms of the country's economic activity and the number of lives that have been lost. The severe drop in both domestic demand and exports has had a detrimental influence on practically every industry, with a few notable outliers where strong growth was observed.

### HEALTH SECTOR

There were 3.45 million deaths attributed to COVID-19 that occurred between January 2020 and May 2021, as shown by surveillance data that was submitted to the WHO. Even though only 6643 of these fatalities were related to health and care workers (HCWs), even this low number is a significant underestimation of the mortality rate in this group across the world.

The Covid-19 epidemic made matters worse by severely damaging the Indian healthcare business and putting it in dire need of significant financial support. This left the Indian government with little choice but to take action. As a direct reaction to this matter, the government of the Union stated in the 2021 budget that it intends to increase expenditure on healthcare by 137%. The Indian healthcare industry was given some much-needed relief as a result of the country's yearly healthcare spending of 1.8% of its GDP, which is still far lower than the average spending on healthcare throughout the world, which is 6% (Jain, 2021).

### DIFFICULTIES AND CHALLENGES FACED BY THE HEALTH SECTOR AT THE TIME OF COVID-19

Hospitals are lowering costs or deferring costs to create financial buffers to weather these difficulties. Hospitals combine their supply chains to acquire lower pricing and renegotiate credit conditions with pharmacies and consumable suppliers to safeguard their cash flow. By converting doctors to flexible, income-based compensation schemes, staff expenditures are being reduced. Increments and variable compensation for new hires were adjusted while analysing shared services. This will reduce personnel expenditures even more. Rent rate negotiations, vendor consolidation (for outsourced services like cleaning and security), and deferral or delayed payment of annual maintenance costs are additional fixed expenditure programmes. For instance, advertising and sales promotions no longer account for most discretionary spending. (*Express Healthcare*, 2020).

India's hospital sector struggled with bed and oxygen shortages during both rounds of the COVID-19 pandemic. The epidemic exacerbated India's hospital bed shortage.

The 2020 Human Development Report puts India 155th with 5 beds per 10,000 people. India is the poorest developing

nation. India's health infrastructure is measured by beds per 10,000 people, which shows its incapacity to increase with population growth. The second wave was also oxygen-deficient. Despite producing over 7,000 tonnes of oxygen daily, India has storage and transportation challenges. Many patients were turned away from hospitals due to a lack of oxygen.

Despite all, the epidemic hurt Indian doctors' mental health. Healthcare workers are stressed due to lengthy hours. Despite seeing death, most healthcare workers have little time to process their emotions. Due to its size, ethnic diversity, and geographical complexity, India was particularly hard hit by the pandemic. Reduce healthcare system pressure immediately. Several crowdfunding portals emerged at this time, helping the healthcare business, patients, and their families. (Jain, 2021).

### FOOD AND AGRICULTURE

Because agriculture is essential to the nation's economy and is within the vital category designated by the government, the effect on primary agricultural production as well as the utilisation of agro-inputs is likely to be low. A number of state governments have already made it possible for commodities such as fruits, vegetables, milk, and other items to be moved freely across their states. The online food e-commerce platforms are experiencing a significant amount of disarray as a direct result of the uncertain mobility restrictions and the suspension of logistics trucks. Businesses and employees will both benefit from the short-term initiatives that have been detailed by the RBI and the finance minister. By isolating the rural regions that produce food in the coming weeks, it will be possible to lessen COVID-19's overall influence on the Indian food business as well as on the economy as a whole, which will allow for a greater degree of economic recovery (Times of India, 2021).

Throughout the closure, the agricultural industry ran as usual. The Indian government has made all necessary preparations to guarantee that agricultural-related operations continue without a hitch. The closure did not affect agriculture or associated activities. In order to provide supplies to the farmers, dealers/shops for inputs such as seeds, insecticides, fertiliser, etc. were allowed to open for no charge. It became simpler to move agricultural machinery between and among states, in particular combine harvesters. As a result of the Department's multiple activities, both the Rabi Crop harvesting and the Summer Crop planting operations were carried out in a methodical manner. However, due to the state-wide lockdown, it is unable to acquire any income assessment reports that determine how Covid would affect the income of small and marginal farmers (*Press Information Bureau*, 2021).

Even while the overall economic growth fell by -7.2% during the same time, the agriculture and allied sectors saw growth of 3.4%.

Below are the last five years' growth rates for the Agriculture and Allied sectors.

**Table 1**

YEAR	Growth (%)
2016-17	6.8
2017-18*	6.6
2018-19#	2.6
2019-20@	4.3
2020-21**	3.4

(Source: Central Statistics Office (CSO) M/o Statistics & PI)

\*\* As per First Advance Estimates of National Income, 2020-21 released on 7th January 2021

\* Third Revised Estimates, # Second Revised Estimate, @As per the First Revised Estimates for 2019-20 released on 29th January 2021.

### IMPACT OF COVID-19 ON PRICES OF AGRI-INPUTS : STATE LEVEL

Agri input prices increased generally at the national level, although there were small differences across states, which are indicated as beneath:

a) **Seeds:** In every state in the union, the cost of seeds had gone up. The states with the largest increases in seed costs were Kerala (15%), West Bengal (13.3%), Tamil Nadu (12%), and Bihar (12%).

b) **Fertilizers:** The COVID-19 epidemic had a substantial influence on fertiliser supplies in addition to raising fertiliser costs in all states. The states with the largest increases in fertiliser prices were West Bengal (16%), Rajasthan (15%), and Bihar (12.4%).

c) **Pesticides:** Due to the lack of supply, pesticide prices rose across the board in every state in the union. Among the bigger states, West Bengal (16.1%), Rajasthan (15.8%), and Maharashtra (11.7%) recorded the most pronounced price increases.

d) **Rental on Agricultural Machinery:** A rise in the rent for agricultural machinery was seen in all states as a result of the lack of agricultural machinery and the reduced availability of labour to operate it as a result of the lockdown. The states with the highest increases in rent for farm equipment were Rajasthan (19.1%), Gujarat (15%), Maharashtra (14.2%), and Bihar (13.2%).

e) **Fodder/Cattle feed:** Due to the pandemic, the supply of fodder and cow feed significantly decreased, and as a result, prices for these items also significantly increased. The states

with the most price increases for fodder and cattle feed were Telangana (25%), Kerala (18.3%), Rajasthan (17.2%), and Himachal Pradesh (17%) (*Department of Economic Analysis & Research NABARD, 2020*).

### AVIATION AND TOURISM SECTOR

Together, the aviation sector and tourism are responsible for 2.4% and 9.2% of our GDP, respectively. Nearly 43 million individuals received services from the tourism industry in 2018–19. The pandemic initially caused significant damage to the tourism and aviation industries. Many believe that COVID-19 will have a more detrimental impact on these businesses than 9/11 or the 2008 Financial Crisis. These two corporations are anticipated to lose 38 million workers, or 70% of their workforce, as a result of the significant cash flow problems they have been experiencing since the outbreak of the epidemic. Both occupations in the blue-collar and white-collar sectors would be affected. According to the Indian Association of Tour Operators (IATO), the cost of travel restrictions to these businesses might reach 85 billion Rupees. A rush of innovation in the sectors of contactless boarding and transportation systems has also been sparked by the outbreak (*Times of India, 2021*).

The tourist and hospitality sectors have been severely impacted by the Covid-19 outbreak, particularly in light of the abrupt administrative decision to halt all entrance permits. According to estimates, this choice will have cost thousands of millions of rupees. The fact that 21% of international tourists arrived in the first quarter of 2020 is due to predictions that tourism will decline by 60–80% in 2020. About 38 million jobs, or 70% of the total workforce, might be lost in India's tourism and hospitality industry as a result of the coronavirus.

The economic slump and shock are affecting these sectors. Section 144, India under lockdown, airline cancellations, suspensions and cancellations of admission permits, visas, and tour operators and travel agencies make future reservations impossible. February saw a drop in Indian tourists, worsening the tourism and hospitality crisis. The United Nations World Tourism Organization (UNWTO) has updated its 2020 predictions for international visitor arrivals and revenues, although these projections are expected to change again. Tourism is most affected. Despite early January 2020's prediction of a 2.8%-3.9% increase, international visitor numbers may drop 25–35% in 2020.

The Federation of Association in Indian Tourism & Hospitality (FAITH), which represents tourism, travel, and hospitality firms, has asked the government for an emergency rescue package to minimise job losses. Nearly 90% of MSMEs, including 52,000 travel agencies, 115,000 tour operators, 15,000 adventure, 911,000 tourism and transportation, 53,000 hotel, and five lakh restaurants, lack cash flows. It employs 3.8 crore

people. 2018-19 saw 1.8 billion domestic and state visitor travels, 5 million visiting NRIs, 26 million leaving travellers, and 10.5 million overseas tourists (*Shetty, 2021*).

According to the FICCI report (2020), which was published online, India has a total of 3961 centrally protected sites that are either governed by UNESCO as a world heritage site or the Archaeological Survey of India (ASI). The monuments in New Delhi's Qutub Minar, Agra Fort, and Taj Mahal that generate the greatest revenue annually are INR 77 crore, INR 34 crore, and INR 26 crore, respectively. Nearly 1.75 lakh people's daily wages, including those of tour guides, rickshaw drivers, photographers, etc., have been disrupted in Agra alone. Because they are not allowed to work in other jobs while holding a government licence, tour guides face extra challenges (*Kulshrestha & Seth, 2020*).

### COVID 19 AND IMPACT ON AVIATION

In 2020, the COVID-19 pandemic had a huge impact on the Indian aviation sector. Major airlines that were going through tough times and losses let personnel go, put them on unpaid leave, or lowered their pay. As the virus spread across the nation, commencing on March 23 and March 25, respectively, all scheduled international flights and domestic passenger flights were cancelled. Several domestic flights were partially restarted starting on May 25. The loss totals of the two largest airlines in India give an idea of the effects of this stoppage. IndiGo experienced net losses of 2,884 and 1,194 crores. SpiceJet reported losses of 600 crores and net income of 112 crores (*Mint, 2020*).

The air travel industry dries up in previously unheard-of ways when there is no clear definition of normalcy. Covid-19 has sped up the bankruptcy process for several businesses, including Virgin Australia and Air Mauritius, in a sector that is already under pressure. Losses were incurred by airline firms that were still operating when their fleets were grounded as a result of lockdowns enforced by the coronavirus. According to reports from the industry, several airline firms (Indigo, Go Airlines) have apparently taken further cost-cutting measures including furloughs. Aviation is responsible for 2.4% of India's GDP (*Kulshrestha & Seth, 2020*).

COVID-19 is among the most seriously hit industries. Due to the virus that has been sweeping the country for the past two months, the number of travellers has fallen by 47%. Following that, during the March lockout, airlines assessed parking costs as a result of the roughly 650 Indian aircraft that are now qualified and hence effectively grounded. The lump sum paid by the airlines is the consequence of parking and housing costs totalling INR 6 million. Airlines' inability to halt summer pricing rises is section. The Indian Aviation Centre (CAPA)

estimates that the industry might experience losses of up to USD 3.6 billion in April 2020 (FICCI Report,2020).

Official data indicates that this has had a negative impact on the already struggling Indian civil aviation sector in terms of income and job losses. Analysts believe it will take some time for the industry to recover to its pre-COVID levels, despite the fact that a few operations have already started. The Airports Authority of India (AAI), which is in charge of managing and maintaining civil aviation infrastructure across the country, reported a 92 percent decline in revenue from Rs 2,973 crore during April to June 2019 to Rs 239 crore during the same period in 2020, according to a government response to the Lok Sabha on September 22, 2020.

Other divisions of the aviation industry also experienced losses. The revenue of Indian carriers decreased by 86%, airport operators witnessed a decrease of 84%, and Air India saw a revenue fall of 78% from April to June 2020 to April to June 2019. This information was provided in another response to Parliament on September 17, 2020 (Mallapur, 2020)

The decline in tourism has had a significant negative impact on civil aviation, and the former is heavily indebted to the latter, according to Sanat Kaul, chairman of the International Foundation for Aviation, Aerospace & Drones (IFFAAD).

According to Kaul, the aviation and tourism sectors have both had a significant impact on employment, and a recovery will take some time. "The aviation sector may have a quicker recovery than the hotel and tourism sectors. Flights are now running at full capacity or at the necessary 50% level, indicating that the aviation sector has already started to recover and is progressing well. The home economy will return to normal by year's end, but it will take longer for the international economy. It's worrying that the tourist industry is seeing such a sharp downturn in the aviation sector.

There isn't much separating this location from others throughout the globe. According to data from the International Civil Aviation Organization that was released on October 8, 2020, gross operating income for airlines worldwide might decrease by \$388–400 billion in 2020. There might be a loss of US\$ 131-136 billion for domestic passenger airlines, and US\$ 257-264 billion for international passenger carriers (Mallapur, 2020).

## CONCLUSION

A number of India's industries have seen significant improvement, particularly in the country's fourth quarter of fiscal 2021. Airport renovations have been hampered by both the suspension of domestic air traffic and the stagnation of international travel. The COVID wave has had a particularly severe effect on the country's micro, small, and medium-sized

companies. Because of this, the banks' ability to regain their asset quality has been delayed. Mobility is just between fifty and sixty per cent of what it typically is. People are cutting back on their expenditures because they are spending more time at home. By the end of this year, the recovery will begin to gain traction. The first signs of economic improvement in India appeared in March, which helped boost tax receipts. Because of the COVID-19 outbreak, the tourism and hospitality industries in India are experiencing substantial setbacks. When the situation with COVID-19 has been resolved, the Government of India should, among other things, consider the possibility of developing a proper communication plan (similar to the Incredible India tourist campaign), in order to provide the aviation industry with the impetus it requires to recover from the effects of COVID-19. At the moment, there is a battle going on for the existence of airlines. Our finance minister has committed to bringing the budget deficit down to 4.5% of GDP by 2025–2026. This goal will be accomplished by increasing tax collections over time through increased tax compliance as well as asset monetization. According to the medium-term fiscal policy statement that the federal government published in February 2020, the deficit in the budget for the fiscal years 2021–22 and 2022–23 was 3.3% and 3.1%, respectively.

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