RESEARCH ARTICLE

COVID-19: IMPACT OF LOCKDOWN ON THE INDIAN ECONOMY

Dr. Prabhat Kumar Singh¹, Ms. Urvashi² and Dr. Vijendra Singh³

1. Assistant Professor, HNB Garhwal University, Srinagar Garhwal, Uttarakhand.
2. Assistant Professor, Doon Group of Institutions, Rishikesh, Uttarakhand.
3. Dy. General Manager, Finance and Accounts, ONGC, Dehradun, Uttarakhand.

Abstract

The novel coronavirus 2019 (nCoV-19) originated from Wuhan, China. This virus has spread to more than 24 countries with shocking public health authorities across the world. According to the World Health organisation (WHO) on May 27th, the 2020 virus reached 217 countries and more than 3 lakh people have died and over 54 lakh people infected with this virus globally. There is a need for suitable therapy or vaccination for this pandemic situation world-wide otherwise it will be very difficult to stop the spread of this virus. With the help of secondary data this paper aims to identify the impact of Covid-19 on the Indian Economy as the current situation itself shows a picture of how the economy machine has stopped which impacts almost on each and every sector. Lastly this paper shows various remedial measures that must be taken care of so that there is a hike in the Indian economy as soon as this pandemic gets over.

Introduction:

This is a well-known fact everyone knows how a Pandemic (Corona-virus Disease- 19) suddenly spread over the world and changed the complete scenario worldwide. The sudden change in the human race has occurred and stopped the wheel of growth and economic development of countries.

Economic development matters very to a great extent if concerned with developing countries like India. Where so many factors get involved in making the nation progressive and competitive with the world’s developed economies. As it is known that economies completely depend on how the function of demand and supply runs. There will not be any supply until the demands reach the suppliers. But demands are too changed with the current situations worldwide. Due to this deadlest pandemic, people are bound to arise there limited and most needy demand only and so the supplies are also limited. This is ultimately hampering the economy as this function has disturbed and with that developing nations are facing drawbacks in their existing positions.

Step towards the lockdown of the nation as the pandemic outbreaks worldwide, was taken by the Govt. of India in the month of March (Mid), 2020 to reduce the spread of COVID-19. Shutting down the cities, businesses or all the running economic activities have emerged as a break towards developing the economy. It, in due course of lockdown, has slowed down and hampered the speed of economic transition of India. Some big industrialized states of India like Gujarat, Maharashtra and Delhi have been converted into the most shattering and devastated in terms of economic contribution. Lockdown is not that easy to be implemented but it has some bitter consequences. Both
global markets are tightly interconnected in this new era. It will have a low to large influence globally if it occurred in some region of the world. This would have a significant impact on one of the largest economies like China in the world. Worldwide, over 25 million workers are reported to be affected by corona-virus spread by the International Labour Organization (ILO).

Federation of Indian Chambers of Commerce and Industry (FICCI) tried by conducting collaborative sessions and surveys among industry leaders to assess the immediate effect of corona virus on companies around the world. In the report, businesses have also had a declining economic operation that is impacting all expenses, including employer's wages, interest, loan repayments and taxation, besides direct effects on production and supply of products and services. The survey result showed:

1. Major 53 percent of Indian companies have been seen to have a major effect even in early stages on company activities as a consequence of the Coronavirus pandemic.
2. Cash management in companies has been greatly impacted by the pandemic with approximately 80% recorded cash flow loss.

The pandemic has had a huge effect on the supply chains, as more than 60% of the respondents claim their supply chains have been impacted. The corporations have also found out that they track the situation cautiously and anticipate the pandemic's effect on the supply chain to escalate further.

Although the job of home proposal presents obstacles for certain industries, it has a strong impact on market activities. It is valid in particular in the industrial industries where workers are expected to be physically present at the production sites and services industries such as banking and IT. But it is important for firms working in these industries to research home without sacrificing day-to-day jobs, which is not the case for the workers from the informal sector. So, it is necessary to study the effect of the extended lockdown on the labour market and also what are the possible ways through which India can regain its growth.

**Literature Review:-**

According to (Ozili and Thankom, 2020), why has a global recession contributed to a health problem? How is the world economy coping with the spread of the coronavirus? The solution lies in two approaches that crippled economic operations through coronavirus. Firstly, the virus spread promoted social isolation and contributed to financial markets, companies and events being shut down. Furthermore, a race to public health and business protection by customers, creditors, and foreign trade partners contributed to the rapid development of the epidemic, and the resulting confusion as to how bad the condition will be.

(Sardar, Nadim, and Chattopadhyay, 2020) The authors consider a new mathematical model for COVID-19 transmission, with a lock-down effect and transmission variability among symptomatic and asymptomatic populations. The influence on reduction cases and deaths of the current 21 days was measured using average COVID-19 cases notified from three states (Maharashtra, Delhi, and Telanga), and from overall India. A specific lock-down performance rate is observed for lock-down results. The outcome indicates that 21 days of lockout in Maharashtra and in India as a whole would have no effect. They also compared approximate samples of parameters for the four locations described. They noticed a link between the lock-down impact and the percentage of symptoms in an area. The finding indicates that a greater proportion of patients affected in an area results in a substantial reduction in the amount of reported cases and fatalities related to multiple lock-downs.

A very limited amount of study has been done on this topic. But, as the virus has been spreading rapidly, which cannot be controlled through any vaccines, there are needs of certain studies which would suggest what are the possible ways in which an economy should progress when the lock down gets over?

**Research Questions:**
1. What is the impact of the lock down?
2. How can India regain its growth after the lock down/pandemic gets over?

**Objective of the Study:-**
Impact of the lock down on the Indian Economy
Data:
The present study is completely based on the secondary data. Data has been collected from data bases such as Worldometer, CMIE database, and various newspapers, articles and journals.

Methodology:
This paper presents a tabular analysis of how the novel coronavirus is affecting the Indian economy. The paper also talks about the possible ways through which India can regain its economic growth as soon as it recovers from the Corona virus pandemic.

Impact on the Indian Economy:
India’s real GDP showed that GDP braked to its lowest in over six years in 3rd quarter 2019-20, and the outbreak of the COVID-19 posed fresh challenges. Steps taken to contain its spread, such as nationwide restrictions for 21 days and a complete lockdown of states, have brought economic activity to a standstill and could impact both consumption and investment. While Indian businesses, barring a few sectors, can possibly insulate themselves from the global supply chain disruption caused by the outbreak due to relatively lower reliance on intermediate imports, their exports to COVID-19 infected nations could take a hit. In sum, the three major contributors to GDP -- private consumption, investment and external trade -- will get affected.

Table 1:- Impact on the Indian Economy.

| Year    | Quarter | Real GDP growth (Percent, constant 2011-12 prices) |
|---------|---------|---------------------------------------------------|
| 2015-16 | Q1      | 7.5                                               |
|         | Q2      | 7.6                                               |
|         | Q3      | 7.2                                               |
|         | Q4      | 7.9                                               |
| 2016-17 | Q1      | 7.2                                               |
|         | Q2      | 7.4                                               |
|         | Q3      | 7.0                                               |
|         | Q4      | 6.1                                               |
| 2017-18 | Q1      | 5.9                                               |
|         | Q2      | 6.6                                               |
|         | Q3      | 7.3                                               |
|         | Q4      | 7.9                                               |
| 2018-19 | Q1      | 7.7                                               |
|         | Q2      | 6.9                                               |
|         | Q3      | 6.3                                               |
|         | Q4      | 5.7                                               |
| 2019-20 | Q1      | 5.0                                               |
|         | Q2      | 4.5                                               |

Note: Quarterly estimates of GDP for the 3rd quarter (Q3) of 2019-20 Ministry of statistics and programme implementation (MoSPI) 28th February 2020

Table 2:- Sectorial Impact of COVID-19.

| Sector                        | Remarks                                                                 |
|-------------------------------|-------------------------------------------------------------------------|
| Apparel and Textile           | The sector production tends to decline by 10 to 12% in the quarter April – June. |
|                               | If the current situation continues over the next few months, the national retail market would also be impacted suggestively. |
|                               | From a manufacturing perspective, employment would be impacted owing to limited demand in both domestic and international markets. |
| Auto and Auto components      | China accounts for 25% of India’s automotive parts imports. Trouble in supply of raw material will affect the entire sector |
|                               | General liquidity shortfall in the sector due to NBFC and banking sector situation leading to an impact on sales |
|                               | Indian Association of Tour Operators (IATO) guesstimates the hotel,
| Industry                     | Impact                                                                                   |
|------------------------------|-----------------------------------------------------------------------------------------|
| **Aviation and Tourism**     | aviation and travel sector together may suffer loss of about of 85 billion due to travel restrictions imposed on foreign tourists. On account of this pandemic, both the sector tourism as well as hospitality is watching a potential job loss or around 38 million which directly around 705 of the total workforce of the industry. |
| **Building and Construction**| Overall pause in the manufacturing sector activity including cement, steel and other building materials affect this sector. Impact on sourcing of building material and labour. Delayed construction owing to disruption in the supply chain network. |
| **Chemical and Petrochemicals** | Raw material prices for petrochemicals are falling chiefly driven by crude prices. Additional supply resulting from a price war between Russia and Saudi price. Slowdowns in key downstream industries due to lockdown have a ripple effect on petrochemicals demand, and also for liquid products driven by storage capacity constraints. With the weakening in crude oil prices and the cascading impact on petrochemicals coupled with uncertain domestic and global demand, petrochemicals prices are likely to remain low |
| **Consumer, retain and internet business** | The e-commerce sector will also face the challenges due to COVID-19 and may see a dip in growth. There will be increased pressure on supply chain for deliveries of products and another challenge for Ecommerce companies is that they will need to equip their employees with the appropriate resources to manage operations remotely with little or no disruption |
| **Education and Skilling**    | Skill institutes in India are training more than 10 million trainees annually–lockdown would decrease the available skilled manpower by 10-15%. This coupled with sluggish human resource demand is likely to increase unemployment rate in the country |
| **Financial Services**        | Retail financing industry, which was one of the key drivers of credit growth will be impacted for at least two quarters, as the demand for housing assets, consumer goods and working capital financing will get hit due to general slowdown in economic activity. From a reporting perspective, banks follow Indian GAAP whilst NBFCs follow Ind-AS. The difference in quantification and reporting of credit costs (Ind-AS is more inflexible) is likely to have a greater impact on the reported results of NBFCs. Globally, the COVID 19 situation has resulted in social engineering scams that are being performed using social media and telecommunication channels. The implemented internal control system due to ‘work-from-home’ (Bank, Third Parties) and other crisis driven measures especially around cyber security will be tested in this ongoing crisis |
| **MSME’s**                   | A study by the All India Manufacturers Organisation (AIMO) estimates that about a quarter of over 75 million MSMEs in India will face closure if the lockdown due to COVID-19 goes beyond four weeks and this figure is estimated to touch a whopping 43 per cent if the situation extends beyond eight weeks. |
| **Telecom**                  | From a handset and network equipment manufacturing perspective, the global disruption in supply chains and suspension of manufacturing facilities |
will significantly impact the telecom sector in India.

**Oil and Gas**

Crude prices have seen a significant drop due to price war and supply issues. COVID-19's impact has been less direct. Some impact on crude due to Very Large Crude Carriers (VLCC) shipping but may not be as much on oil and gas, as these are supplied in pipelines, and only the last mile on road. Goods transport is open as it is an essential service. Natural Gas mostly used in cities, in the form of PNG and CNG, and fertilizer which is mostly imported (>50%) so there is impact from supply chain side however globally prices have fallen.

Source: Author

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**Figure 1:** Beyond COVID-19: Embracing the “New Normal”

1. Shift towards localization: this is expected to lead to more localisation supply of goods especially for sectors that are seen more essential.
2. “Digital” gets a real push: This will change the way we ‘work’ with far reaching implications on B2B, B2C, B2G services, commercial real estate, e-commerce, e-governance, cyber security, process automation, data analytics, self-service capabilities, etc.
3. “Cash is king” for Business: This situation has proven, once again, that cash is king - companies that are over leveraged and ‘living on the edge’ are the most vulnerable. The crisis has reiterated that it is important to be financially prudent and conserve cash.
4. Move towards variable cost models: For instance, businesses will now determine what they must keep in-house, and explore outsourcing the rest so that fixed costs can be lowered. As with other trends, this will further impact the labour force and ‘how they work’, contract manufacturing, supply chain considerations, etc.
5. Building sensing and control tower capabilities: Nevertheless, governments and companies have realised the importance of sensing capabilities, building transparency through ‘digital control towers’, ‘digital twins’ and the ability to process both structured and unstructured data.
6. Supply chain resilience is the key: it is imperative that resilience capabilities are developed in order to respond to repercussions of unexpected events and either quickly return to the original state of business or move to a new and better state after being affected by the risk and continue business operations as efficiently as possible.
7. Building agility: The ongoing pandemic is forcing countries and companies to take quick actions in the absence of perfect data, while remaining customer-centric, addressing employee needs and reinforcing stable team
dynamics. It has also made them ponder upon the enabling mechanisms that need to be put in place to respond to any unexpected events in the future.

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