Impact of COVID-19 on India's Economic System

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ABSTRACT- Corona badly affected the Indian economy system. The Indian economy, which was shaken by the first wave of epidemic, was not even back on track that the second wave of Corona affected it badly. Due to which the hopes of India's economic development have started to be dashed as due to the increase in the number of defaulters in jobs and bank loans during the COVID-19 era, more obstacles are coming in to recover from the trade shock of the epidemic. The impact of COVID-19 worldwide has been profound to say the least. The impact of the corona virus pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. COVID-19 on Indian economy by analysing its impact on growth, manufacturing, trade and micro, detail understand the impact of COVID-19 on Indian economy- Disruption in supply chains, Fall in household income and marketing expense, Loss in hospitality and travel industry, Worst losses in stock market, A few gains through PPE kit and ventilator exports, The outbreak of COVID-19 has hit economies hard the world across. For India too, it's a challenging situation.

Introduction-The Indian economy shrank by 7.3% in the April–June quarter of this fiscal year, according to official figures issued by the ministry of statistics and programmer implementation. Since the ministry began compiling quarterly GDP statistics in 1996, this is the greatest decline that has ever been recorded. Following the implementation of the lockdown, an estimated 10 million migrant laborers' returned to their home countries in 2020. The fact that neither the state administration nor the federal government had any information about the migrant workers who lost their jobs and their lives during the lockdown, however, was shocking.

The government did more than merely establish up a digitized, centralized database system for migrant workers who returned to their home countries during the second wave of the corona. Existing weaknesses in the Indian economy have been forcibly revealed and made worse by the second wave of COVID-19. The $2.9 trillion Indian economy is still closed throughout the shutdown, with the exception of a few necessary services and activities. The lockdown had a severe effect on slowing down the economy as stores, restaurants, factories, transportation services, and commercial premises were closed. The worldwide pandemic has disproportionately affected the unorganized segments of the economy. If the informal sectors are taken into account, the GDP reduction in India from April to June may have exceeded 8%.The two main drivers of India's economic development are private consumption and investments. Except for agriculture, all of the major economic sectors were severely impacted. Before the second wave ever arrived, the Indian economy was in trouble. The COVID-19 has highlighted and exacerbated already-existing disparities in the Indian economy, especially when combined with the humanitarian catastrophe and the government's silence. A recession is unavoidable since the economy will continue to decline during the next four quarters. Everyone is in agreement that the Indian economy would shrink for the whole year.According to studies by the Centre for Monitoring Indian Economy, unemployment will increase significantly during the April–June 2021 quarter, with rates

ranging from 7.9% to 12%. MSMEs are closing their enterprises as a result of the economy. Millions of jobs have been permanently destroyed, which has reduced demand. The government should be prepared to invest billions of dollars to combat the healthcare issue and hasten the recovery of the economy from the recession brought on by COVID-19. The government should pour billions of dollars into the economy since it is the most efficient method to solve this crisis.Due to the center's sudden lockout, the GDP growth had decreased by 23.9%. In the years 2020–21, India's GDP fell 7.3%. Since independence, the Indian economy has never performed worse than it did in this year. India's GDP growth rate at this time is probably under 10%.

The gross tax revenue (GTR) and net tax revenue (RTR) for the center's fiscal collection are estimated by the Controller General of Accounts to be 20 lakh crore and 14 lakh crore, respectively, for 2020–21. According to the estimated gross and net tax collections for 2020–21—22.7 lakh crore and 15.8 lakh crore, respectively—tax revenue increase will be 12%.As compared to the budget amounts, this predicts some additional net tax receipts to the centre of Rs 0.35 lakh crores. The non-tax income and non-debt capital receipts may still account for the majority of the anticipated shortfall. If we go back in time, we can see that the growth rates for non-tax revenues and non-debt capital receipts have fluctuated, but when we put them all together, they average out to a little less than 15% in the five years before to 2020–21.

How has COVID-19 influenced various industries?

Hospitality Sector-The hospitality industry is in danger of seeing another 2020 because numerous states have adopted localized lockdowns. The hospitality industry comprises a wide range of establishments, including eateries, inns, taverns, nightclubs, and more. Restrictions and curfews implemented by the states have severely hurt the sector that has contributed to a sizable amount of India's annual GDP.

Tourism Sector-The hospitality industry and the travel industry are interconnected. After the first wave, the industry that supports millions of Indians began to recover, but the second wave of COVID was returning to do even more destruction! The annual GDP of India is over 7% derived from the tourist industry. It includes hotels, bed & breakfasts, motels, and more. The tourism industry, which was already having trouble recovering from the initial loss experienced by the firms in 2020, has been severely hampered by the restrictions brought on by the second wave.

Aviation and Travel sector-During the second wave of the pandemic, aviation and other sector establishments had to contend with a great deal of difficulty. Due to people's fear of leaving their homes, the larger travel industry is also suffering. Whether individuals choose such services in the future will determine whether airlines and the travel industry as a whole recover. The future of aviation and the larger travel industry doesn't seem promising at the moment.

Sector badly damaged by service reductions brought on the lockdown and travel restrictions, made worse by the fact that it fell during the busiest summer vacation period. Besides this, given the economic shock to the world economy, the medium-term impact would be severe.

Business travel will probably be reduced as a result of cost-cutting measures taken by businesses, even after the lockdown is lifted. Given the possibility of a delayed confidence recovery, the sector is predicted to see a lengthy downturn and extended recovery cycle. Recent currency devaluation will negatively affect airline expenses expressed in dollars, further aggravating the sector's problems. The price drop for ATF would provide some relief, though.

Automobile sector-The covid-19 scenario in India is anticipated to put pressure on the automotive industry in the near future.Footfalls at dealerships has been greatly hampered by lockdown and risk aversion.Due to their discretionary character, demand will likely be

considerably impacted even after the lockout is lifted due to the anticipated erosion of their purchasing power due to layoffs, salary cutbacks, etc.

The worldwide expansion of the pandemic creates concerns of a supply shock in addition to the demand shock brought on by the local contagion because the USA, Europe, and China are major players in the global automotive supply chain.While stable pricing for important raw materials like copper, steel, and aluminum would help margins to some extent, supply interruptions might result in price increases for other components. Along with a worldwide recession, significant closures of OEM plants in the US and Europe would have an impact on exports of Indian auto parts. In this case, it is anticipated that export-oriented firms would continue to accumulate inventories, which will cause their receivables to stretch.The rise in working capital requirements of auto-ancillaries, along with the payment delays stated by certain OEMs, would put smaller firms at risk because they have less liquidity and financial flexibility.

Real Estate and Construction sector-As a big number of migrant workers have departed the metropolitan areas during the second wave, the real estate and construction industries have begun to experience disruptions. As of 2020, the situation in this industry has not been critical.

Fiscal Deficit-The Covid-19 pandemic hasn't had a big impact on our goal for our budget's deficit and disinvestment. Nirmala Sitharaman, the finance minister, stated that the fiscal deficit goal for 2021 to 2022 is 6.8% in this year's union budget. India's fiscal deficit for 2020–21 increased from the previously estimated 3.5% to 9.5% of GDP. Our finance minister has pledged to boost tax collections through enhancing tax compliance and asset monetization over time in order to reach a fiscal deficit of 4.5% of GDP by 2025–2026. The government stated in its medium-term fiscal policy statement that the fiscal deficit for 2021–2022 and 2022–2023 would be 3.3% and 3.1%, respectively.

The impact of the lockdowns and restrictions-The duration of the previous localized lockdowns and limitations has had an effect on how quickly the economy recovered. There is potential for consistent fiscal stimulus all year long. In other ways, monetary stimulus is also achievable if credit is made available to businesses at cheap interest rates. The flimsy economic recovery in India has been delayed by the second wave. The recovery has been hampered by rising inequality and stressed household finances. India's economy has essentially been stopped in its tracks, increasing by barely 4% in 2019–20, declining by 7-8% in 2020–21, and then seeing another poor economic growth recovery in 2021. Because of this, fiscal policy needs to extend a big helping hand to nudge struggling households and companies toward economic recovery.

Airports-India's air recovery traffic is in danger from the second wave. Domestic passenger flow is now only 75% of what it was before COVID. In the worst-case scenario, the traffic recovery could be 10% less than anticipated. The airports' cash flows are impacted by lower traffic. After a little disturbance, there will be a sharp recovery in the flow of traffic. Better resilience will be seen in commercial vehicle traffic as it supports logistics and key services.

Ports: Import volumes will show a slight rebound. Containers and fertilizers will experience faster growth than the crude and coal divisions.

Sector of retail and multiplex-Long before the lockdown and regulatory restrictions, people's risk aversion affected how many people visited malls, theatres, and other public areas.Large tenants' implementation of force majeure provisions in their contracts is predicted to have a big impact on retail real estate players like mall operators, drying up whole revenue streams for these operators.The length of the recovery period will be directly impacted by the scope of the epidemic and the lockdown.

Textile Sector-Seven of India's biggest garment export destinations, which account for almost 50% of all apparel exports from India, are among the worst-affected areas in the world by covid. Orders and shipping from international customers are suspended till further notice. After the epidemic has subsided, consumer distrust is projected to have a tail-end effect on offline

retail foot traffic, and job losses and pay cuts will also have an impact on discretionary consumer purchasing.In addition, because it is a labor-intensive industry, the first restart when the lockdown is lifted would be delayed by a lack of workers.

IT Sector-Due to slow economic development, developed nations will witness a delay in the start of planned new projects, less discretionary spending, and overall decreased spending.The execution and completion of projects will be negatively impacted by restrictions on the mobility of labour and office closures.However, because a large amount of income is based in USD and expenditures (staff expenses) are priced in local currency, the industry is anticipated to profit from the sharp depreciation of the Indian rupee versus the US dollar.

Construction and related industries-In addition to the present domestic shutdown, the availability of migrant labour and the expected postponement of corporations' capex cycles will likely have a longer lasting impact on construction.The slowdown in construction activity would also have a cascading effect on allied industries like tippers, construction equipment, building materials, etc. The real estate market will remain down as a result of the pandemic, along with pricing and activity in the real estate market.

Some Other Impacts-The majority of infrastructure and utilities, including water, sewage, dams, and natural gas divisions, will be recovered through operating cash flows. Prior to improving to 1.8% in 2023, credit loss will remain high in the fiscal year 2022 at 2.2% of all loans. The load on the banks has decreased as a result of India's robust economic recovery and the actions taken by the federal and state governments to minimize the consequences of the economic crisis. Banks have also raised cash to improve their balance sheets. This will lessen the impact of losses related to COVID.The banking sector's loans and "credit card" loans may be impacted by the weak consumer demand coupled with widespread job losses and salary reductions in the formal sector. Lower recovery rates of the bank's non-performing assets go hand in hand with this. This might cause an increase in riskier loans. The states and the federal government must cooperate through their "cooperative federalism" plan to intensify the vaccination push if we are to move away from the v-shaped, k-shaped, or w-shaped paths to sustained and real economic growth.

The government prioritized life over livelihoods last year. The covid 1.0 was delayed in September and its intensity was significantly lower than expected because it was decided to safeguard the former. The administration declared victory over COVID-19 in January 2021. Regional instances that are causing lockdowns to be extended farther and therefore slowing the pace of economic recovery are the first threat to it. The second danger is the rise in vaccination rates brought on by the supply of vaccines. There is a risk that viruses will impair our real economy if a significant section of our labour force is not immunized. The prevalence of Covid-19 over the world makes it clear.

Findings-There would be a range of effects on different industries from the closure and subsequent policy choices like the moratorium. Even while businesses benefit from cash management, financial institutions are hit twice: first, collections are constrained, and second, there is no ban on capital market instruments. Depending on the sector's structural resilience and development in the customer class underpinning it, recovery after the lockout will vary across industries as well. The lock-down would probably have a significant impact on the economy, notably on demand, which makes up the majority of it. The closing of facilities and the subsequent delay in the delivery of goods might lead to a lack of raw materials in China for businesses that primarily import from that country.

Conclusion-The growing epidemic will pose a challenge to typical business operations for the majority of organizations. The Indian economy must maintain steady growth as the demand cycle recovers and working capital cycles normalize. Different sectors will exhibit differing degrees of resistance to the pandemic's market impact in the coming months. Aviation, hotels, restaurants, jeweler, retail, shipping, ports, and port services are among the businesses with a

high risk of damage under Covid-19. While the low effect sectors include, among others, education, dairy products, fertilizers, FMCG, and healthcare, the medium impact sectors include automobiles, construction materials, and residential real estate. The rating agency claims that given the current situation; prolonged demand interruptions would probably result in lengthened payment cycles.

Last but not least, as Former RBI Governor Raghuram Rajan has proposed to the government, invite persons with proven skills and capacities, even from opposition parties, to deal with possibly the worst emergency being faced by the country since Independence following the corona virus epidemic.

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