



# A DESCRIPTIVE STUDY ON IMPACT OF COVID-19 ON DIFFERENT SECTORS OF INDIAN ECONOMY

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## ABSTRACT:

Rising cases of corona virus have significantly affected the Indian economy at large. Due to the corona virus outbreak, the Indian economy every day was expected to lose over the US \$ 4.5 Billion. (Acuité Ratings). Due to the widespread of covid-19 cases, the Indian Government has lock down the country for quite 60 days which adversely affected commercial activities and the Indian economy. It hinders international trade which in turn stops the import-export of raw materials & hence negatively affected manufacturing at large. Despite the manufacturing sector, various other sectors were also got affected by the corona virus outbreak. The Micro, Small & Medium Enterprises (MSMEs) which are considered to be the backbone of all Indian sectors and also engaged in export activities, has also been impacted by the covid-19 pandemic. MSMEs contributed around 24.63% of GDP from service units as well as 6.11% of the GDP from manufacturing (Confederation of Indian Industry) but this pandemic restricted working and hence made a downfall in the GDP. This paper is based on descriptive analysis based on secondary data. The purpose of the research is to investigate the key areas where the pandemic made its economic influence. It is expected that this study will help design conceptual models for the researcher to overcome this pandemic.

**Keywords:** Covid-19, Indian economy, economic influence, sectorial impact, pandemic, GDP

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## INTRODUCTION:

Due to the rapid increase in the number of cases of coronavirus outside China, On 11 March 2020, the Director-General of the World Health Organization (WHO) Dr Tedros Adhanom Ghebreyesus announce that the outbreak of COVID-19 could be characterised as a pandemic.

Previously, the world has witnessed various other epidemics such as the outbreak of Spanish flu in 1918, the Spread of HIV/AIDS,

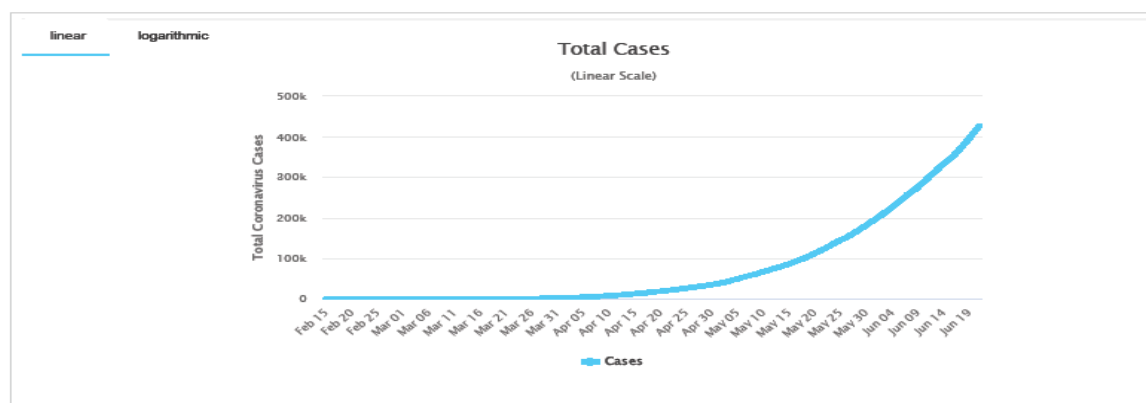
SARS (Severe Acute Respiratory Syndrome), Ebola, and MERS (Middle East Respiratory Syndrome). However, COVID-19 which originated in December 2019 in Wuhan city of China has turned out to be the biggest health crisis in our history, as this pandemic is going on increasing day by day and has covered almost 213 countries and territories around the world, which have reported a total of 9,051,398 confirmed cases and a death toll of 470,795 deaths.



The first case of coronavirus was recorded in India on January 30, 2020. Since then the cases have increased drastically. At the time of writing this paper (June 2<sup>nd</sup> week, 2020) India has recorded 426,910 total cases and 13,703 deaths. Due to the increasing rate of covid cases every day, India now ranks third

across the world behind Brazil & The U.S. in a daily increase in COVID-19 cases. According to the Johns Hopkins University's COVID-19 tracker, India now ranks fourth in terms of a total number of cases behind the U.S. (nearly 2.1 million), Brazil (8,50,514) and Russia (5,28,267).

**Total Coronavirus Cases in India**



**REVIEW OF LITERATURE:**

On 30<sup>th</sup> January 2020, The World Health Organisation (WHO) declared the new COVID-19 outbreak a public health emergency of international concern which originated in Wuhan, China. According to a UN report, for India, the trade impact of coronavirus is estimated to be about 348 million dollars. India is among the top 15 economies most affected by the adverse effect of COVI-19 (Sunil Kumar et al.,2020)

According to the WTO, it is expected that due to the COVID-19 pandemic trade is expected to fall by between 13% & 32% in 2020 and would drastically disturb normal economic activity. In 2019, the share of Indian exports to the total world's export was 3.5% and the import to the total world's imports was 3.1%. In March 2020, a trade deficit of 9.8 USD bn has shown in the trade balance of India. The total drop by of USD 50 billion in manufacturing exports worldwide has been

announced by UN economists (Shruti Agrawal et al., 2020)

There has been a consistent decline in India's GDP from 7.9 in Q4 of FY 2018 to 4.5 in Q2 of FY 2020. It has also been observed that various industries were suffering from demand problems which hinders manufacturing & hence unemployment was at its peak and side-by-side exports were also consistently facing downfall for several months as the government has locked the international borders (Girish Jadhav., 2020)

**RESEARCH OBJECTIVES:**

1. To analyse & understand the impact of COVID-19 on the Indian economy.
2. To analyse & understand the impact of COVID-19 on various sectors.
3. To provide appropriate suggestions to deal with the impact of COVID-19.

**RESEARCH METHODOLOGY:**

To understand the macro-level impact of covid-19, I have taken study reports & survey



reports published by various agencies like FICCI, McKinsey, and CARE ratings for detailed study. Along with that, I have also studied some news articles, research articles & research papers which were published mainly in March- May 2020 for analysing the sectorial impact of COVID-19 on the Indian economy.

**IMPACT OF COVID-19 ON INDIAN ECONOMY:**

Over the past few quarters, the Indian economy has been experiencing a significant slowdown. Since Quarter 4 of the financial year 2018, the quarterly GDP growth has consistently fallen. With the commencement of the 20-21 financial year, the stability of the economy has been affected negatively in India. Due to increasing cases of coronavirus the government has lockdown the country for quite 60 days which has adversely affected service sectors like restaurants, banks, food delivery providers etc. Apart from service sectors, the manufacturing sector, aviation sector, MSME sector etc. have been affected significantly. According to the report of KPMG "It is expected that the economic recovery in India will be faster and smoother as compared to other advanced countries in the world.

Keeping in view the negative impact of coronavirus, which restricts and hinders investment, manufacturing, consumption, international business etc, most credit rating agencies and multilateral agencies have revised their growth projections for India for FY 2020 and 2021.

**NSO-** On February 28, 2020, the National Statistical Office (NSO) revised its data & drastically cut down growth rates in the first three quarters of FY 19 (for Quarter 1 from 8% to 7.1%, for quarter 2 from 7% to 6.2% and for quarter3 6.6% to 5.6%)

**Moody's-** Moody's Investor Service has lowered India's economic growth forecast to 5.3% for 2020 as against 5.4% projected in February

**S & P Global Ratings-** S&P has revised its economic growth forecast for India from 5.7% to 5.2%.

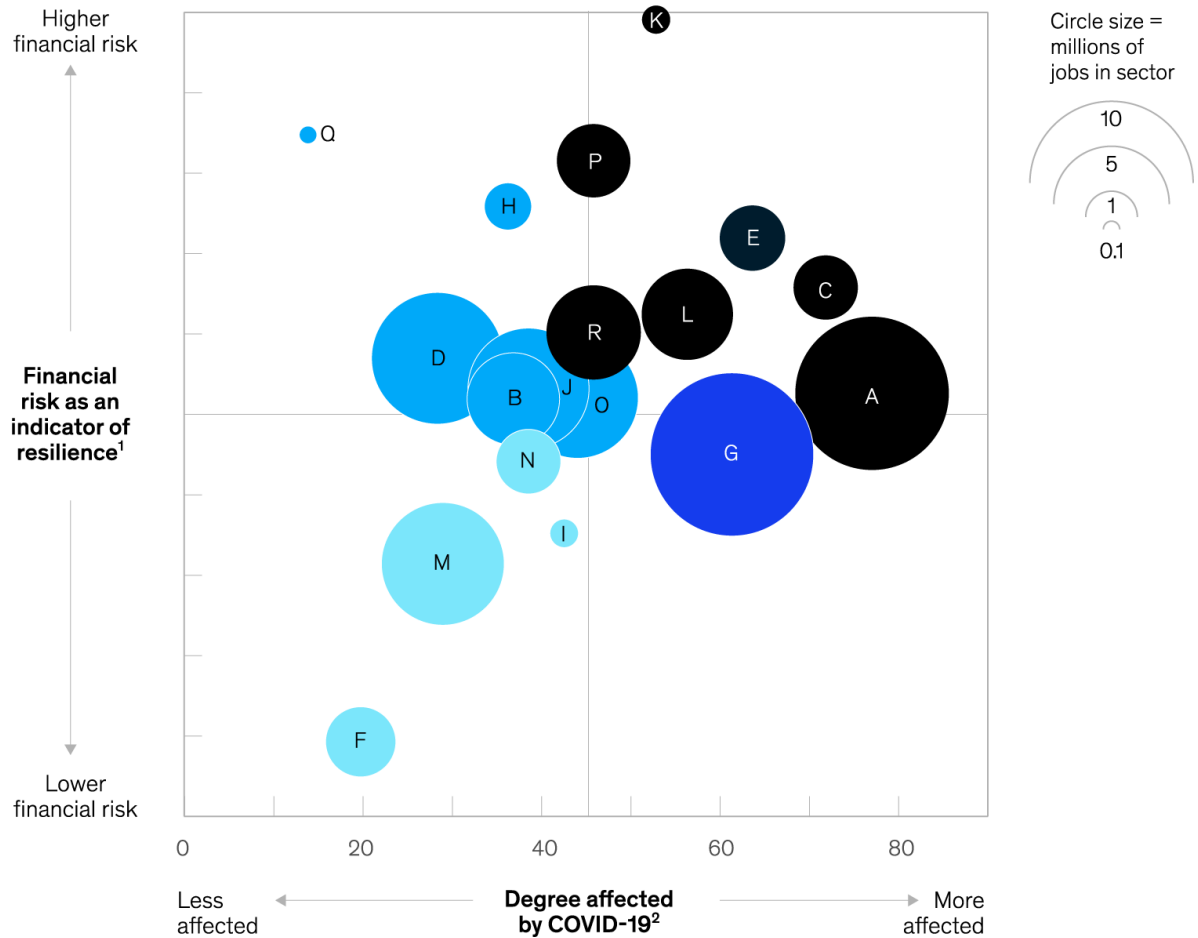
**Fitch Ratings-** Due to the coronavirus outbreak it is observed that demand and supply chain has been disturbed and adversely affected the manufacturing activities. Based on this situation Fitch has also cut India's economic forecast to 4.9% for 2019-20 from 5.1% projected earlier.



## COVID-19 is especially threatening for several sectors.

Where small business jobs are vulnerable

Less affected, higher financial risk  More affected, higher financial risk   
 Less affected, lower financial risk  More affected, lower financial risk 



- |                                       |  |                                      |
|---------------------------------------|--|--------------------------------------|
| A Accommodations and food services    | G Healthcare and social assistance     | M Professional services              |
| B Administrative and support          | H Information services                 | N Real estate and rental and leasing |
| C Arts, entertainment, and recreation | I Management of companies              | O Retail trade                       |
| D Construction                        | J Manufacturing                        | P Transportation and warehousing     |
| E Educational services                | K Mining, oil and gas                  | Q Utilities                          |
| F Finance and insurance               | L Other services (except public admin) | R Wholesale trade                    |

<sup>1</sup>Based on profitability, credit risk, and use of retained earnings.

<sup>2</sup>Based on US Census Bureau pulse survey of small and medium-sized businesses.

Source: Statistics of US Businesses, 2017; Federal Reserve Banks' Small Business Credit Survey, 2019; Annual Business Survey, 2018; Census Bureau Small Business Pulse Survey Week 4, 2020; Labor CUBE

McKinsey  
& Company

### SECTORAL IMPACT AND LOSSES

**Micro Small and Medium Enterprises (MSME)**- The MSME sector is considered to be the backbone of the Indian economy as it

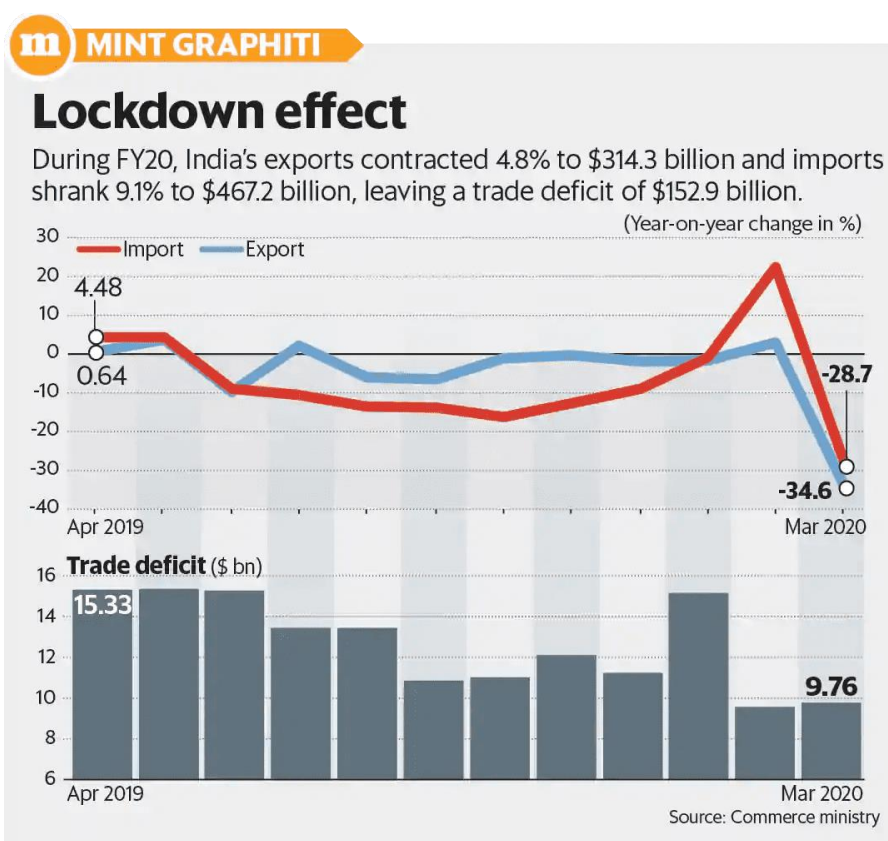
contributes around 30% to India's GDP & along with that it contributes about 50% towards export & hence plays a vital role in gaining foreign exchange (According to Directorate



General of Commercial Intelligence and Statistics (DGCIS)) It also employing about 120 million people, but due to coronavirus outbreak, the working of MSME hampered a lot. A survey conducted by the All India Manufacture's organisation (AIMO) covering 5000 SMEs has revealed that about 71% of the businesses were unable to pay salaries to their employees in March. Additionally for FY21, about 33% of the firms are expecting a downfall in revenue.

**Foreign Trade-** Since the government had declared the nationwide lockdown for quite 7-8 weeks and sealed international borders, it hampers foreign trade drastically which shows

a downfall of exports by 34.6% in March & imports by 28.7%. in March, out of 30 major items in export & import baskets of India, 29 saw a huge contraction due to the coronavirus pandemic on global demand. Only iron ore recorded growth of exports by 58.4% and import of transport equipment by 11.9%. During FY20, India's export shrank 4.8% to \$314.3 billion while imports contracted 9.1% to \$467.2 billion with a trade deficit of \$152.9 billion. The World Trade Organization (WTO) has projected that due to covid-19 outbreak, the global merchandise trade will drop at a high speed between 13% & 32% in 2020.



The president of the Federation of Indian export organisations, Sharad Kumar saraf said that due to the cancellation of over 50% of export orders, the exporting units are suffering from huge losses as it is facing the burden of rising loans, job losses and hence government should immediately take action regarding the loss & soon announce a relief package for exporters as any further delay

would cause a great loss & can situation more severe.

**Aviation-** Covid-19 has made an influence almost all the sectors in the Indian economy. From agriculture to tourism to aviation, most sectors are struggling to fight against this crisis. Due to covid-19 outbreak, it is predicted that the recession will be the worst since the 1930s. it has been observed that with effect



from 22 march all international flights to & from India are cancelled. Since March 25 domestic flights have also been cancelled which results in great economic loss for the aviation sector. The Chairman & Managing Director of private airline company SpiceJet, Ajay Singh, said that due to restrictions imposed by the government to fight against coronavirus, the airline industry suffered the most, and their revenue was reduced to zero. This industry can also face future losses as a survey released by International Air Transport Association, says that due to the fear of coronavirus transmission, 40% of people deny travelling by air for the next 6 months as they believe that airways were the main medium of transmission of the virus.

According to the report released by the International Air Transport Association (IATA), it has predicted that, if the airways service remains stopped for more than 3 months, there could be the loss of 47% of passengers i.e. 8.98 crores of passengers, as compared to the year 2019 & will result in the loss of revenue of \$1,122.1 million and would be the loss of employment of 29,32,900 people. This report also reveals that behind Japan & Australia, India will be ranked third in terms of revenue loss, which becomes a matter of threat to the Indian economy.

**Tourism-** Among all of the industries, the tourism industry has always been affected most by crises & pandemics. For instance, the Spanish flu also restricted travel & tourism for almost four months and killed around 21 million people during that period. Whenever such situation of pandemic arises, the tourism sector is affected firstly as it serves as a medium for spreading viruses & therefore usually targeted for breaking the chain of the spread of viruses. In this context, if we talk about the Indian tourism industry, then it is found that due to the shutdown of hotels & suspension of flights, it is projected to bear a revenue loss of rs. 1.25 trillion for FY20.

A study by CARE ratings said that there is a decline in revenue of 40% as compared to the 2019 calendar. The study further reveals that

due to covid-19 breakdown, the Indian tourism industry is expected to face a revenue loss of rs. 69,400 crores during the month of April-June.

**Indian Railways-** During the period of nationwide lockdown almost all modes of public transport have suffered from severe losses. The Indian railways have stopped their services and limited their freight train services due to the reduction in the demand for various commodities such as steel, cement etc. The Indian railways are considered to be the prime source of moving coal from collieries to coal-based thermal power stations, but due to the disruption in the supply chain, it faced a lot of hurdles to transmit the coal & hence adversely affecting the production of power stations. It is also estimated that due to this adverse situation the Indian railways will lose about rs.12,500 crore- rs.6500 crore from passenger services as well as rs.6000 crore from freight services. (Moneycontrol,2020)

#### **SUGGESTIONS TO DEAL WITH THE IMPACT OF COVID-19**

Due to the nationwide lockdown, the international borders have been sealed, so it is advisable to rethink of Make in India programme rather than depend on imports, which not only cuts import costs but also contributes to reviving the economy as it will provide ample opportunities for employment generation.

MSMEs should make an effort and start selling their products online to increase their revenue.

It is recommended, that to improve the capacity of the public transport sector, the rail networks in high-density corridors should be reorganized which carry more than 55% of the total traffic of Indian railways.

In future, when international borders are opened up, the government should provide special shelters to foreigners with proper COVID-19 medical tests which safeguard the Indian population also from the threat of spreading the virus and it also attracts foreign tourists to visit India without fear as proper





safety measures will take by the government which in turn helps in booming the tourist industry & to gain foreign exchange.

#### CONCLUSION:

This paper has presented the estimates of the costs of the coronavirus outbreak in different sectors of the Indian economy. The goal is to provide information about a range of possible economic costs of the virus. It is expected that the suggestions which have been given to deal with the negative impact may help the policymakers to some extent.

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