



The Economic Impact of the COVID-19 Outbreak on INDIA

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Abstract

The Coronavirus has the entire world in its grip. The World Health Organization (WHO) was forced to label the virus a pandemic due to its enormous spread. The effects of the viral outbreak on the world economy are extraordinary. In light of the deteriorating economic climate brought on by the coronavirus, the Indian industry must bear a heavy financial burden and severe consequences. This article's goal is to examine the effects of the coronavirus on various Indian economic sectors, to highlight the ways in which India can benefit from the aftermath of the pandemic, and, most importantly, to outline the business survival strategies that are essential for navigating this challenging situation.

Keywords: Economics, India, Pandemic, Sectors, Strategy, Coronavirus

Introduction

With the number of COVID-19 cases leaning dangerously more than 200,000 and the worldwide death toll crossing more than 8,000, the World Health Organization (WHO) declared the virus outbreak a pandemic in the second week of March 2020, four months after the novel virus first made headlines. A worldwide crisis's potent influence on financial markets is nothing new. Pandemics, political unrest, armed conflicts, and natural disasters can all endanger our infrastructure, safety, and relationships with other nations. These significant changes have an impact on businesses and the global economy, which increases uncertainty and poses a serious risk to financial market investments. The economic effects of the Covid-19 outbreak in India are examined in this paper. The Covid-19 epidemic has had a significant effect on the world economy. In the first few weeks of 2020, the pandemic initially struck a weak global economy. Nearly all



nations had to implement strict lockdowns, and several of them implemented a second lockdown in response to the second wave that hit over the winter. As with the global economy, the pandemic created numerous challenges for the Indian economy as well.

Impact Of The Covid-19 On Stock Market

The Covid-19 pandemic has affected stock markets around the world. The stock market quickly fell more than 30% in both Canada and the US, wiping out the majority of the profits made over the previous few years. The Covid-19 outbreak has not yet reached its peak in any country; therefore it is unknown what will likely occur in the coming weeks. In practically all major economies, the pandemic was accompanied by historically low levels of output. The second quarter of 2020 saw the biggest single-quarter decline in U.S. GDP in more than 70 years, a decline of 8.9 percent. Because to the vital nature of the stock markets during the Global Financial Crisis and COVID-19, all G-20 countries suffered extremely high levels of risk, although the risk's magnitude is found to be highest during these two times. "Overall, FPI outflows were of the order of USD 7.1 billion in 2019-20 (up to March 31, 2020). In addition to this, March is generally tight liquidity period in India. Advance tax payments, financial year ending, etc. result in greater demand for cash during this period".

Impact Of The Covid-19 On Corporate Sector

The COVID pandemic has had an effect on India's corporate sector, particularly on contact-intensive services and micro, small, and medium-sized enterprises (MSMEs). Through 2020 and 2021, the coronavirus (COVID-19) pandemic will continue to have a significant influence on various industries. The largest have historically been in the wholesale and retail, transportation and storage, lodging and food services, arts, entertainment, and recreation, as well as other services for "high-contact" service industries.

Impact Of The Covid-19 On Raw Materials And Spare Parts

Nearly 55% of electronics imported by India originate from China. Due to the coronavirus epidemic and ensuing lockdown, these imports have already decreased by 40%. India is thinking about encouraging domestic production as a countermeasure to lessen its reliance on a single



market. In addition, China is India's third-largest export partner for raw commodities including organic chemicals, mineral fuels, cotton, etc.; hence, a trade embargo between the nations is likely to cause India to experience significant trade deficits.

Impact Of The Covid-19 On Pharmaceuticals

“The toll on the pharmaceutical industry is of significant concern for India, mainly as 70% of active pharmaceutical ingredients (API) are imported from China. These active pharmaceutical ingredients are essential to a large number of pharmaceutical manufacturing companies in the country. As COVID-19 is rapidly making its way through India, medication is going to be the number one consumer demand, and because there aren't nearly enough APIs to manufacture drugs, the subsequent traders and the market are witnessing skyrocketing prices. The prices of vitamins and penicillin alone already see a 50% surge”.

Impact of the COVID-19 on Tourism

India is quite popular for cultural and historical tourism, attracting both domestic and foreign visitors all year long. It is hardly surprising that international tourists make up a sizable portion of India's confirmed COVID-19 cases. However, the entire tourism value chain, which includes hotels, restaurants, attractions, agents, and operators, is projected to suffer losses worth thousands of crores as a result of the suspension of visas and the permanent closure of tourist attractions. According to experts, the tourism sector is going to suffer severely, which could make it unviable for the foreseeable future.

Impact of the COVID-19 on Aviation

After the Government of India indefinitely suspended tourist visas, airlines are said to be working under pressure. “Nearly 600 international flights to and from India were canceled for varying periods. Around 90 domestic flights have been canceled, leading to a sharp drop in airline fares, even on popular local routes”. Private airport operators have requested the Government to grant permission to impose a nominal passenger facilitation charge on airfares to cover the increased operating cost.



Can Lowering Tax Rates Or Offering Tax Relief Assist To Lessen The Effect COVID-19 Will Have On The Indian Economy?

Gita Gopinath, chief economist at the International Monetary Fund, warned that governments will need to launch a significant targeted fiscal programme to address the economic effects of the rapidly spreading coronavirus. In order to help the economy return to normal, she also provided advice on larger monetary stimulus and policy rate reductions. The GST revenue collection crisis in India could get worse as a result of the coronavirus epidemic. The Government of India is not in a rush to make any significant policy changes or provide tax relief because there are less than 200 active COVID-19 cases in a population of 1.33 billion people (even though Indian enterprise leaders are calling for cuts in import duties). However, they have stated that the deadline for reporting GST for FY will be extended.

Conclusion

With the start of the epidemic, CBO released its first thorough predictions of GDP in July 2020. Compared to the CBO's pre-pandemic January 2020 predictions, they projected real GDP declining by 11.3 percent in the second quarter of 2020 and continuing to decline by 5.2 percent in the fourth quarter of 2021. India faces an unprecedented challenge as a result of COVID-19. Lockdowns and other social distancing measures are proving to be extremely disruptive due to the massive size of the population, the fragile state of the economy, particularly the financial sector in the pre-Covid-19 period, and the economy's reliance on informal labour. The federal and state governments have acknowledged the problem and taken action, but this should only be the first step.

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