

Impact Of Covid -19 on the Indian Economy – An Outlook

¹, Dr. S. K. Sukhuna, ², Ms. V. Anuradha

^{1,2} Assistant Professor of Commerce Seethalakshmi Ramaswami College
Tiruchirappalli.

ABSTRACT: Indian economy is facing a lot of challenges such as expected slowdown and unexpected shut down due to covid-19. These economic changes shook the world economy to a greater extent causing changes in the life style in all the ways. In this situation the paper analyses the economy of top ten countries with highest GDP and India's position. China and India have the highest levels of GDP not only in the past few years but also after the lock down period. China has already re-started its industrial activities and India is yet to start. India has a better financial position in terms of GDP and lower level of debt in corporate and household sector. Though the GDP growth rate of India is expected to decrease below 3%, India will soon able to revive its industries and survive better than other countries successfully.

KEY WORDS: Gross Domestic Product, Covid-19 impact, economy slow down, Private sector credit.

I. INTRODUCTION

Indian economy is confronting turbulences due to disruptions in trade flows and growth. This scenario has been aggravated by the demand, supply and liquid shocks that the covid-19 has inflicted. Adding fuel to fire, this pandemic has affected the world economy to a greater extent affecting more than forty lakh people in more than two hundred countries. It has a great impact on the humanity causing changes in life styles, businesses, economies and the assumptions of common well being.

II. OBJECTIVES

1. To assess the position of Indian economy during the period of slow down.
2. To find out the impact of Covid-19 in Indian economy.

STATEMENT OF THE PROBLEM: Indian economy being a developing one is in the phase of slow down along with the world economy. The Indian economy is in the growth rate of 4.5% which is lowest when compared with the past years. Further covid-19 has caused a major hindrance in this process. It is a hard time for the India and in this context it is necessary to secure the health of the economy by proper understanding of the impact of this pandemic in Indian economy. So an attempt is made to analyse the economic climate prevailing in the country and seek measures to overcome and overrun the obstacles effectively.

METHODOLOGY : The study is an analytical assessment based on the secondary data published by the statistical departments of the different countries and websites. The study is confined to top ten countries having the highest level of GDP.

CONCEPTS USED

PMI - Purchasing Manager's Index is an index showing economic trends in the manufacturing and service sectors. It is based on a monthly survey of supply chain managers across 19 industries covering both upstream and downstream activity.

GDP - Gross Domestic Product is the market value of all the finished goods and services produced in a country in a specific period of time. GDP growth rate is the rate of growth of economy. It is computed by comparing a quarter (four months) of country's GDP to the previous quarter.

LIMITATIONS: The economy is affected by numbers of factors and only the GDP is taken into consideration

III. ANALYSIS AND DISCUSSION

The global economy was already in the risk of global recession. It further reached a precarious place due to Covid-19. It causes a supply, demand and market shock affecting all industries all over the world. The shut down causes a curtailment in production as many firms will not have necessary inputs. There is a severe demand shock

across nations. In this context the GDP of top ten countries with highest GDP is taken into consideration and the position of India among the top ten countries is to be analysed for taking right decisions at the right time.

TABLE - I
GROSS DOMESTIC PRODUCT OF TOP TEN COUNTRIES

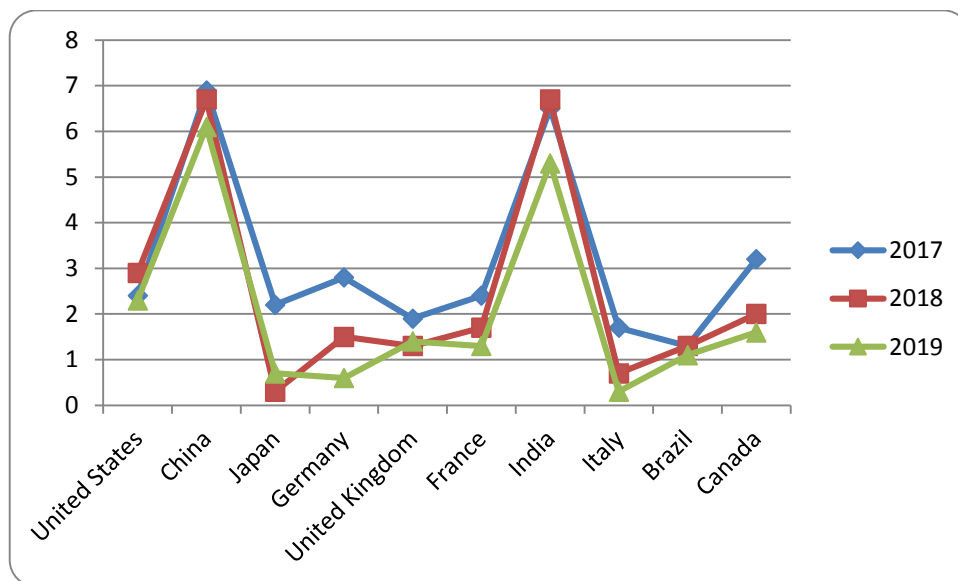
S.No.	GDP growth rates (in %)	2017	2018	2019
1	United States	2.4	2.9	2.3
2	China	6.9	6.7	6.1
3	Japan	2.2	0.3	0.7
4	Germany	2.8	1.5	0.6
5	United Kingdom	1.9	1.3	1.4
6	France	2.4	1.7	1.3
7	India	6.5	6.7	5.3
8	Italy	1.7	0.7	0.3
9	Brazil	1.3	1.3	1.1
10	Canada	3.2	2.0	1.6

Source: National Statistical offices of respective countries.

The above table showing the real GDP growth rate of top ten economically developed countries during three years indicate China has the highest growth rate followed by Indian rate throughout these years. The growth rate of 6.7% is found in the year 2018, whereas USA shows only 2.9%. All other countries GDP rate show recession in 2018. In 2019 India's growth rate declined to 5.3% whereas Japan and UK had the lowest decline in the growth rate. In the year 2019 the world economy is showing a recession but the growth rate of India and China are the highest among other top ten countries.

FIGURE - I

GRAPHICAL REPRESENTATION OF GDP GROWTH RATE OF TOP TEN COUNTRIES



The above graphical representation indicate the GDP growth rate of India and China are the highest among the top ten countries during the period from 2017 to 2019.

TABLE II

PURCHASING MANAGER'S INDEX FOR TOP TEN COUNTRIES

Top 10 countries	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
United States	50.7	50.4	50.3	51.1	51.3	52.6	52.4	51.9	50.7
China	49.4	49.9	50.4	51.4	51.7	51.8	51.5	51.1	40.3
Japan	49.3	49.4	49.3	48.9	48.4	48.9	48.4	48.8	47.8
Germany	45.0	43.2	43.5	41.7	42.1	44.1	43.7	45.3	48.0
United Kingdom	48.0	48.0	47.4	48.3	49.6	48.9	47.5	50.0	51.7
France	51.9	49.7	51.1	50.1	50.7	51.7	50.4	51.1	49.8
India	52.1	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5
Italy	48.4	48.5	48.7	47.8	47.7	47.6	46.2	48.9	48.7
Brazil	51.0	49.9	52.5	53.4	52.2	52.9	50.2	51.0	52.3
Canada	49.2	50.2	49.1	51.0	51.2	51.4	50.4	50.6	51.8

Source: IHS Markit, Haver Analytics. (Feb 2020)

The above table shows the high frequency purchasing manager's index (PMI). The index value of below 50 indicates the prevailing contraction and above 50 indicates expansion of economy. The PMI index during January and February 2020 is lowest in China due to the economic stress caused by the pandemic disease at first in China. India's PMI index is the highest throughout the period from June 2019 to February 2020.

TABLE- III
PRIVATE NON-FINANCIAL SECTOR CREDIT

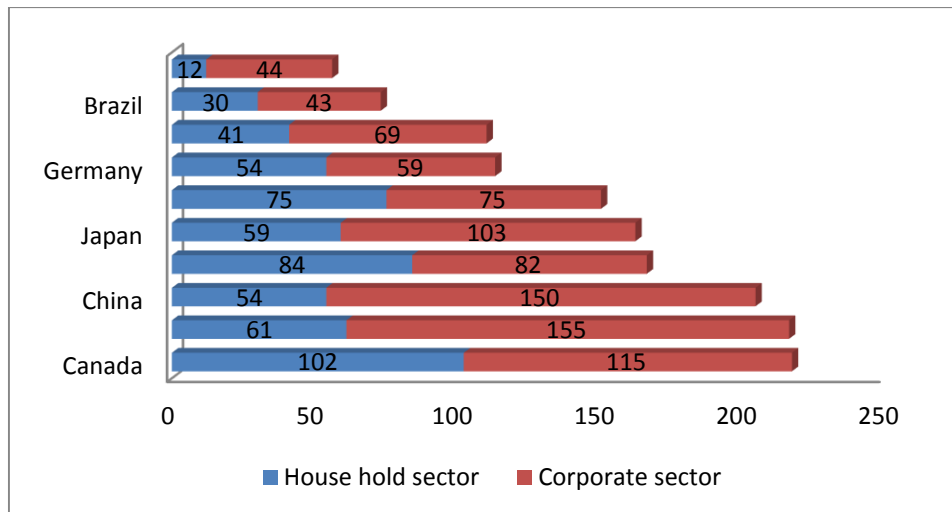
(% of GDP)

Top 10 countries	House hold sector	Corporate sector
Canada	102	115
France	61	155
China	54	150
United Kingdom	84	82
Japan	59	103
United States	75	75
Germany	54	59
Italy	41	69
Brazil	30	43
India	12	44

Source: Bank for International settlements - Haver Analytics (Q3 2019)

The above table shows the private non-financial sector credit level calculated as a percentage of GDP in household sector and corporate sector. The debt level of Canada shows the highest of 102% in household sector. India shows the lowest level of credit of 12% in household and 44% in corporate sector. France and China has the highest corporate sector credit of 155% and 150% respectively.

FIGURE- II
PRIVATE NON-FINANCIAL SECTOR CREDIT



The above graphical representation reveals the highest and lowest credit level by the 10 countries. The lowest level is found in India and the highest in Canada.

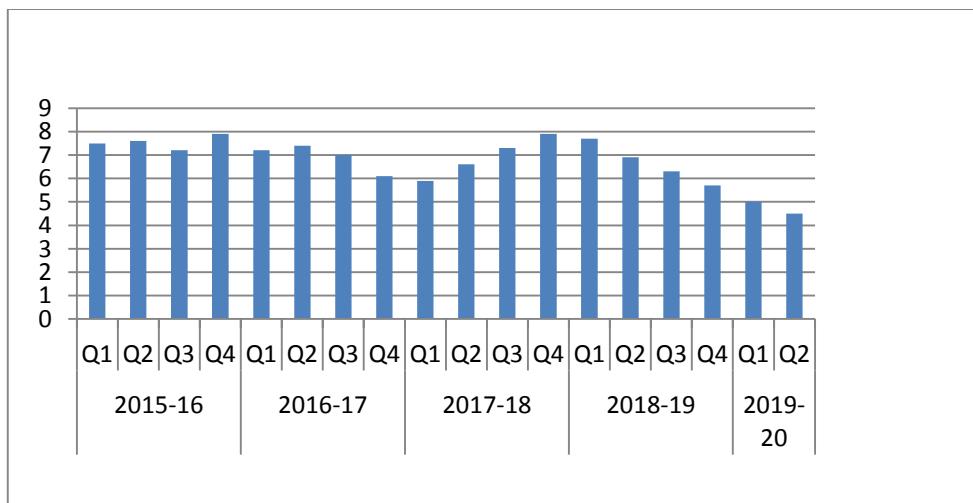
TABLE - IV
GDP GROWTH RATES IN INDIA

2015-16				2016-17				2017-18				2018-19				2019-20	
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
7.5	7.6	7.2	7.9	7.2	7.4	7	6.1	5.9	6.6	7.3	7.9	7.7	6.9	6.3	5.7	5	4.5

Source: Quarterly estimates of gross domestic product -Ministry of Statistics and programme implementation (in % based on constant 2011-12 prices).

The above table of Real GDP growth rate divided quarterly for four years from 2016-17 to 2019-20, indicates the highest GDP growth rate in the fourth quarter of 2015-16 and 2017-18. In the following years a gradual decline is found and it reaches 4.5% in the second quarter of 2019-20.

FIGURE- III
GRAPHICAL REPRESENTATION OF GDP GROWTH RATES IN INDIA



The above graph reveals the ebbs and downs of Indian GDP which declines in the second quarter of the year 2019-20.

FINDINGS

India's economic position among the top ten countries during the period of economic recession due to an outbreak of Covid19 may be as follows:

1. India and China has the highest growth rates of GDP. The three major contributors of GDP- private consumption, investment and external trade got affected due to lock down of industries. So, it is expected that the GDP of India may further reduce below 3%. When compared with the other countries Indian's financial position is the best next to China. All other countries especially USA has high financial ties with China due to the outbreak of the virus from China's market. India is now ready to open the gates for the developed countries corporate sectors to start business in India. India may be in a better position than other countries and it will better survive and revive soon after the shocks of covid-19 attack and economy slow down.
2. The PMI is the indicator about current and future business conditions to the company policy makers and investors. India's PMI is highest in February 2020. The shut down from March will affect the manufacturing, supply chain and demand for the commodities to a great extent. It can be expected that PMI for March will be lower due to economic stress as social distancing cause a sharp decline in demand. However India's PMI shows a promising future.
3. The highest debt levels affect the economy and it will lead to costlier effects to maintain social distancing in industries. Government has extended time limit for repayment of debts for both the household and industrial sectors which may further lead to higher debt defaults enhancing debt levels. In spite of this, India's debt level is lowest among other countries in household and industrial sectors which show its better position than other economies.
4. The GDP growth rate in the second quarter of 2019-20 is 4.5% but due to the shut down it is expected a further decline in the growth rate affecting all the industries. There is no production in many firms and they will not have necessary inputs. A severe demand shock will survive affecting discretionary spending categories.
5. The economic impact of covid-19 in Indian economy is expected that the recovery will be smoother and faster than that of any other advanced countries as stated in the UNCTAD, United nations conference on trade and development report the major economies that will be least affected will be India and China.

IV. SUGGESTIONS

The increasing widespread of covid-19 has transformed the world's economic order which is fundamentally different from recessions in the past. There is a need for structural changes in the life style of the society to lead an economically and socially viable path to overrun the situation.

1. There is a necessity to go for localisation of supply chains especially in the basic necessity sector.
2. Digitalisation is the need of the hour in all sectors for maintaining social distancing. This will change the way of work such as commercial real estates, e-commerce, e-governance, self- service capabilities etc.
3. Government can provide tax relief to individual and corporate sector to minimise the decline in demand. It may reduce bank interest rates for the borrowers to enhance spending habits.

V. CONCLUSION

Economic Conditions are cyclical and can be predictable to a greater extent. But covid-19 spread is a story of crisis with uncertain ending. This has caused new challenges in the business environment. India is facing an economic slowdown alike other countries. But India's position may be better than other countries. So, there is a need for measured practical approach from the economic leaders to shift the businesses and economies to a higher position in the post covid-19 era successfully.

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