

Cataclysm of COVID- 19 on Indian Economy: Government Defies

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[Abstract] All humans, all of mankind in the world is now fighting against the Corona virus epidemics known as Covid-19. It is thought the first case of this COVID-19 was reported in Wuhan city (China) in December 2019. As of now, when this paper is being written due to this virus the number of cases reported is more than 1 crore throughout the world. The government of each country has started taking precautionary measures to take remedial actions against the Corona virus by closing their seaports and airports and locking down at the local and national level. They have even halted import and export activities, too. In India, the number of total cases reported as of now are sky-rocketing despite the lockdown started by the Indian government, which has set lockdown from 22nd March 2020. The total days of the lockdown until unlocking is around 100 days. Within 100 days, India has suffered a lot of problems and been adversely affected largely in manufacturing, service, and supply chain activities because of negative influence of the COVID-19 virus. The Indian economy has also been affected negatively in terms of the GDP of the country. COVID-19 has affected everything around the clock, such as promoting a rapid rise in unemployment, a decrease in government income, stress on supply chain management, a plunge in fuel consumption, the collapse of the hotel and tourism industries, the collapse of hospitality, reduced consumer activity, and global recession in the supply chain, import and export business etc. The present paper discusses the influence of COVID-19 on the Indian market operations, such as employment, the service industry, and SCM in India.

[Keywords] COVID- 19, economy, employment, tourism and hotel industry, supply chain

Introduction

The number of Corona virus cases has been increasing day by day, despite government initiatives, such as Unlock 1.0. The government has started manufacturing work, transportation activities, the movement of migrants from one place to another and mobilization goods and commodities wherever necessary services required. So far, government and private offices are, also, opened for work by taking preventive measures against COVID- 19. Some of the recent studies have pointed that due to the COVID- 19 epidemic, there is a high level of increase in unemployment in India. More than 40 million people from the unorganized sector have lost their jobs.

Review of Literature

COVID-19 has impacted almost all of the country's manufacturing output and supply chain. COVID- 19 has influenced the economy unexpectedly in negative ways, and the impact has adversely affected the economy and the business environment. Consequently, the cost of capitalization has increased recently to sky rocketing levels. This is all about inflation and considers the analysis of the U.S. economy (Baker et al., 2020). According to the WTO, COVID 19 has influenced the socio-economic crises at a global GDP growth rate. In 2020, the projection range varies in between -8.8%, and as in a study reported by UNDESA, a global GDP growth rate estimate of 1%. The International Monetary Fund's (IMF) has also estimated while assessing the economic impact of COVID- 19 that the global GDP will decline by 4.2% as compared to

previous projections published before the COVID-19 outbreak. The ILO has also pointed out in its 3rd edition that COVID-19 has impacted, largely, employees and workers. The contribution of workers in the workplace has been disturbed and affected by closing down businesses. Since the last 2-3 weeks, it has decreased from 81% to 68% by way of losses in working hours. The global trade and investment and world trade volumes are also expected to drop between -32% (WTO, pessimistic scenario) and -9% (IMF) in 2020. The IMF estimate on global poverty: the IMF has estimated that due to the COVID-19 situation, the GDP of all countries has dropped significantly. Therefore, the IMF estimate expects global poverty will increase to extreme levels, from 0.8% to 1.5% points. This might be equal to an increase of between 50 million to 70 million people compared with the original estimates for 2020.

Methodological Tools Administered

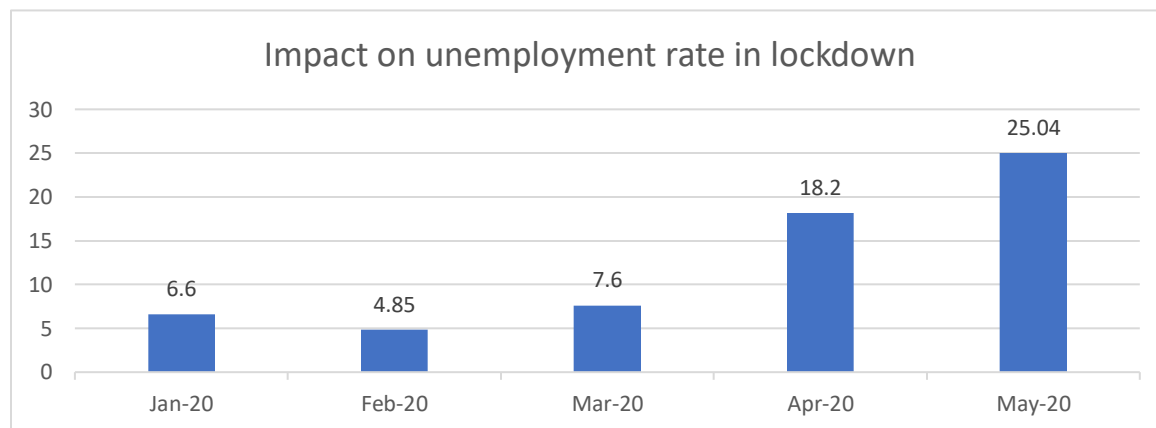
Sharp Rise in Unemployment: In India, the situation due to COVID-19 is not different than other countries. Moreover, the employment scenario in India is drastically affected in the unorganized sector. The recession has affected employment, especially the unorganized sector and semi-skilled jobholders. They have lost their employment.

Table 1
Impact on Unemployment during Jan to May 2020

| Month | Percentage (%) | % Point- Unemployment, youth total (% of total labor force age between 15-24) (national estimate), 2018, (22.50%) ILOSTAT database. Data retrieved in June 21, 2020 |
|--------|----------------|---|
| Jan-20 | 6.6 | 0.2933 |
| Feb-20 | 4.85 | 0.2155 |
| Mar-20 | 7.6 | 0.3377 |
| Apr-20 | 18.2 | 0.8088 |
| May-20 | 25.04 | 1.1128 |

Source: <https://www.statista.com/statistics/1111487/coronavirus-impact-on-unemployment-rate/>

Figure 1



Source: <https://www.statista.com/statistics/1111487/coronavirus-impact-on-unemployment-rate/>

The Figure 1 shows that there is a sharp rise in unemployment after COVID-19 on Indian employment. On

26 January 20, the downfall was 6.6%; on Feb 20, it further decreased by 4.85%; on March 20, it again dropped by 7.6%. From April 20, there was a hike in the percentage of the downfall rate, i.e., 18.20%, and in May it went at as high as 25%. A destructive impact on the economy was large due to the total lockdown that was pending. Unemployment went up to 25% on May 2020. This is because of the decrease in demand of the workforce which faced almost all industries whether small, medium, or large due to COVID -19. The reason behind lockdown declared by the central and state governments of India. Further, the statistics given by the International Labor Organization regarding unemployment, showed the youth total (% of total labor force, ages 15-24) (national estimate; International Labor Organization, ILOSTAT database, data retrieved June 21, 2020) indicate that the effects of unemployment due to COVID- 19 have largely impacted the careers of Indian youth, especially the ages of 15 to 24 years. In the table, Column 3 highlights the average percentage of unemployment due to COVID- 19 and shows its influence on the ages 15 to 24 years in the youth force (male and female) in January 2020 to May 2020 at 2.7681%. It is also observed that the majority of Indian labor youth forces either lose their job or hang-up job opportunities because of COVID-19 effects and the adverse impact on their career growth.

Collapse of Hotel Accommodation Revenue per Available Room in Major Cities in India

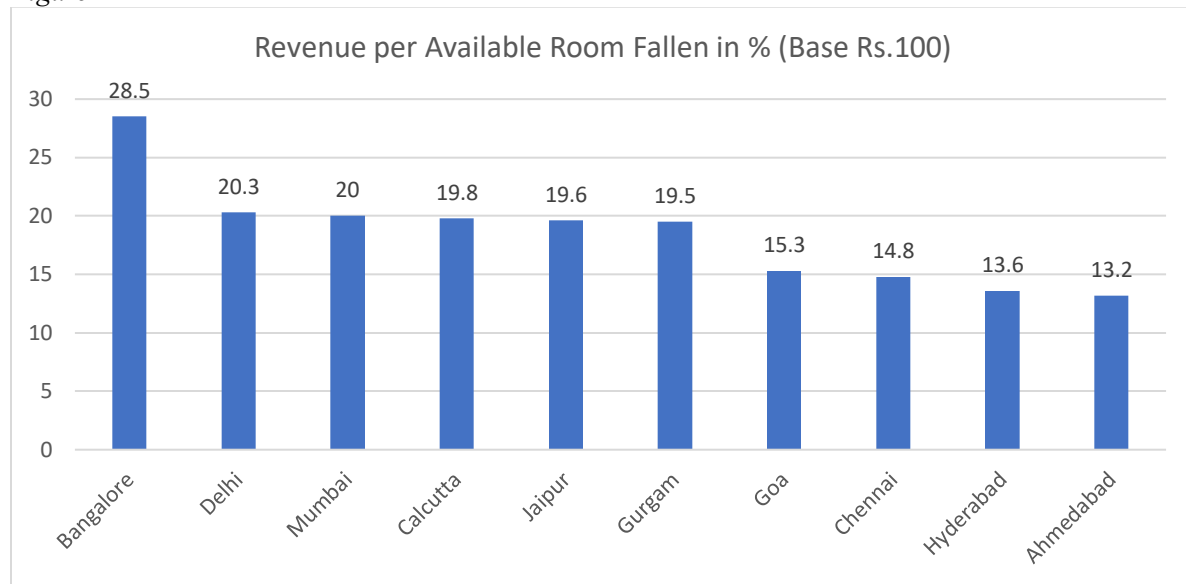
Previous studies reveal that in 2018, Tours, Travel and Tourism (3 T's) industry contributes nearly 9.2% of India's gross development growth. The 3 T's also generated approximately 26.7 million jobs in the 2018 financial year. Moreover, it is said that this 3 T's not only employs the people but also gives bread and butter for the rural Indian people. The 3 T's sector offers employment for 12.75%, 5.56% of it is direct and 7.19% is indirect. Since COVID- 19 began worldwide, the world Foreign Direct Investment is also affected equally. The whole world has witnessed a crunch in capital flow of investment. The financial problem is faced by all economies in the world through developed economies, underdeveloped economies, and developing economies. The latest statistics indicate that, the global investment trend is experiencing severe difficulties for the hotel and tourism industry. Due to lockdown and non-availability of transportation, there is no tourist trade for hotels, and demand for hotel spaces has decreased by 25%. Table 2 indicates by city and percentage the downfall for demand of rooms. Accordingly, room rent charges declined in percentage during the COVID-19 situation.

Table 2
Revenue Fallen By Available Room in Cities

| City | Percent (%) | Impact of COVID 19 on the Indian Hotels Sector in terms of India's GDP growth 2019 in % point (5.3% base) |
|-----------|-------------|---|
| Bangalore | 28.5 | 5.37 |
| Delhi | 20.3 | 3.83 |
| Mumbai | 20 | 3.77 |
| Calcutta | 19.8 | 3.73 |
| Jaipur | 19.6 | 3.69 |
| Gurgram | 19.5 | 3.67 |
| Goa | 15.3 | 2.88 |
| Chennai | 14.8 | 2.79 |
| Hyderabad | 13.6 | 2.56 |
| Ahmedabad | 13.2 | 2.49 |

Source: <https://economictimes.indiatimes.com/industry/services/hotels/-/restaurants/covid-19-hits-hotel-industry>

Figure 2



Source: <https://economictimes.indiatimes.com/industry/services/hotels-/restaurants/covid-19-hits-hotel-industry>

The Figure 2 shows that revenue of hotels per room available to tourists declined by from 13.2% to 28.5% because of the lockdown and non-availability of tourists in major cities. The maximum fall has been observed in Bangalore at 28.5%, followed by Delhi 20.3%, Mumbai 20%, Kolkata 19.8%, Jaipur 19.6%, Gurugram 19.5%, Goa 15.3%, Chennai 14.8%, Hyderabad 13.6%, Pune 13.4%, and Ahmedabad 13.2%. During COVID-19, hospitality has been among the sectors hit the hardest. Even large hotel management companies' hotel operators in the industry imagine that it could take at least two years for revenues to return to pre-COVID levels. JLL, a real estate consultancy firm, surveyed 15 leading hotel operators in India with a strong hold in the hotel and tourism industry and predict that the hotel business can bounce back to 2019 Revenue Per Available Room within 6 to 12 months.

Occupancy across hotels in key cities declined rapidly due to COVID-19. As a result, revenue has significantly declined by 31% to 36.2%. The impact of COVID-19 on the Indian hotel sector in terms of India's GDP growth 2019 by percentage % point (5.3% base) varies from 2.49% points to 5.37% points, which shows a reduction in the growth of the hotel industry in terms of the previous year GDP at 5.3% growth. It indicates that the Indian hotel sector has been hit hard with substantial low demand. All transient demand has completely wiped out, and the remaining is largely on account of either a few long staying guests or hotels having been prescribed by the government for the international travelers returning to India.

Reduced Export activity due to COVID-19

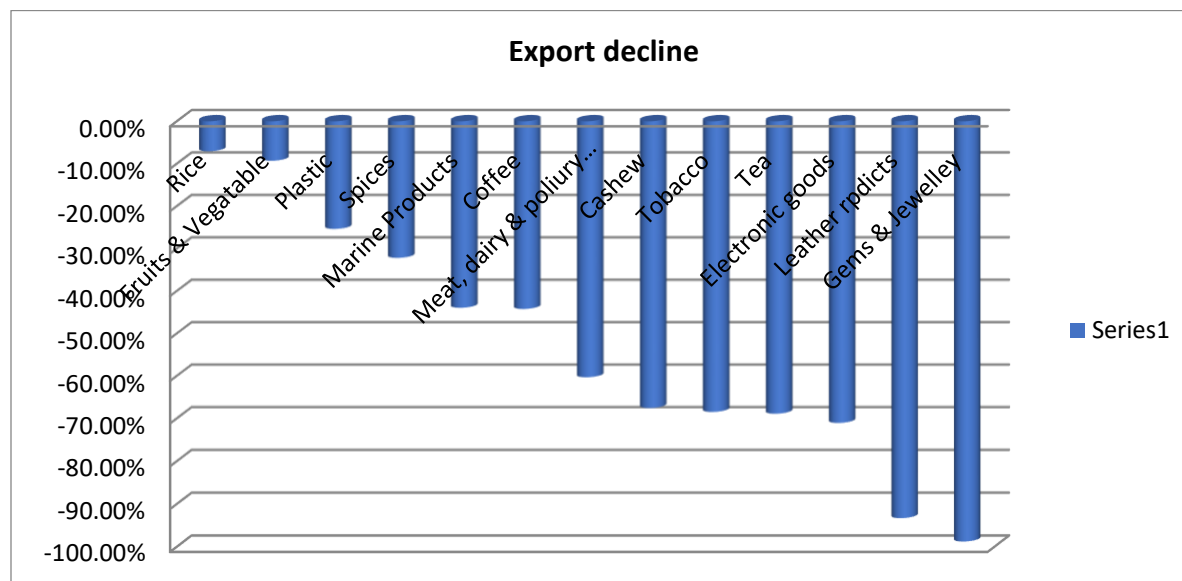
Due to the COVID pandemic, the Directorate General of Foreign Trade (DGFT) highlighted that the country's exports are on a downward curve and show an expressive decrease in export. India's premier foreign trade agency issued a circular on 26 February 2020, in which it stated that we have reduced the average export obligation (EO) for exporters who had availed themselves of authorizations under the Export Promotion Capital Goods. Table 3 shows the export percentage downfall during the COVID 19 scenario.

Table 3
Export Activity for Specific Product and Their Percentage Decline Rate Compared to Last Year

| Product | Export April 19 | Export April 20 | Percentage Decline compared to last year |
|----------------------------|--|--|---|
| Rice | | | -7.04 |
| Fruits and vegetables | | | -9.29 |
| Spices | | | -32.18 |
| Marine Product | | | -43.94 |
| Coffee | USD 26.07 billion Rs. 1,81,021.34 crore | USD 10.36 billion Rs. 78,951.41 crore | -44.22 |
| Tobacco | | | -68.47 |
| Electronic Goods | | | -71.04 |
| Leather & Leather products | | | -93.28 |
| Gems & Jewelry | | | -98.74 |

Source: https://en.wikipedia.org/wiki/Economic_impact_of_the_COVID-19_pandemic_in_India#/media/File:India_exports_April_2020_estimates.png

Figure 3



Source: https://en.wikipedia.org/wiki/Economic_impact_of_the_COVID-19_pandemic_in_India#/media/File:India_exports_April_2020_estimates.png

The Table 3 reveals that from Indian exports in April 2019 was USD 26.07 billion, and in April 2020 it was USD 10.36 billion. It shows (% growth 2020-21/ 2019-20) a negative growth of (-) 60.28 percent. In Indian rupee currency terms, exports were Rs. 1,81,021.34 crores in April 2019 and Rs. 78,951.41 crores in April 2020, registering a negative growth of (-) 56.39 per cent (% growth 2020-21/ 2019-20). Major commodity groups that have recorded negative export growth during April 2020 vis-à-vis April 2019. The above graph highlights the export activities carried by some products and their downfall in percent during COVID 19. Rice exports declined by (-) 7.04%, fruits and vegetables (-) 9.29%, spices (-) 32.18%, marine products (-) 43.94%, coffee (-) 44.22%, tobacco (-) 68.47%, electronic goods (-) 71.04%, leather and leather products

(-) 93.28% and gems & jewelry (-) 98.74%. It is concluded that the curve is going downward, and it has affected India's balance of payments (BOP).

Cash Crunch to MSME for Survival

Due to COVID- 19, the Indian MSME sector is adversely affected. Due to one sudden announcement made by Hon. Prime Minister on the nationwide lockdown resulted in a negative effect; as a result, the entire range of economic activities that have been hampered. Over 80% of start-ups and SMEs across the country are shutting down either their manufacturing or operations and scaling down completely their businesses over the next six months. MSME sector contributes 30% - 35% of the GDP showing a divergence of micro (99%), small (0.52%), and medium (0.01%) enterprise. The sartorial distribution of MSMEs shows 51 % from the urban areas and 49% from rural.

Impact on Online Shopping in India

Many experts have argued and accepted that our Indian retail market is divided between organized and unorganized sectors. There are around 13.8 million conventional family run neighborhood stores, and the organized retail sector has a share of less than 10%. In the organized sector, despite the boom in B2C e-commerce sector in India, the majority of Indians continue to have more faith in the neighborhood business. Due to the Corona virus infections, more than 4 lakh people have been infected worldwide, and their small business activities are also closed due to lockdown. Indian online business plays a vital role in the economy. Indian online business contributes nearly 950 USD billion market shares, which is almost 10% of the Indian GDP.

Findings

Finally, our study finds that unemployment rates due to COVID- 19 have set alarm bells to the government. If the present situation continues for further 4-5 months, the employment situation is going to worsen and the unemployment rate might be likely to peak at 2-3% more by than the present rate (25.04%). Already, buying capacity and consumption power of the people is low; if it and goes to a zero level, then it will again have an impact on manufacturing industries, for no buyer will be available to buy manufactured goods. The volume of global goods exported in 2020 could fall to a minus level; we have never seen that last before. In India, domestic travel plays an important role during the recovery phase. Then there will be bright success for the tours and travel industry, airlines, and hotels, to overcome from the slowdown due COVID- 19. However, there is substantial uncertainty around us. It is important to note that the shock to GDP growth is temporary. The RBI has proclaimed a regulatory package to reduce the burden of debt servicing brought about by the distractions of the COVID-19 pandemic.

Recommendations

The main aim of this study is to measure the effects of COVID-19 on employment, the hotel and tourism industry, and export activities. The present study is helpful because it suggests future courses of action that could be taken by the government to overcome the COVID-19 pandemic situation. The spread of COVID-19 has not only been in India; the whole world economy has been disrupted and stands to be below projections due to COVID-19. The world economy has been affected largely by their balance of payments. Now, the Indian economy is passing through a great hike in its unemployment rate, and exports have fallen to almost negligible rates. The Prime Minister of India has already started initiatives for reviving the economy by declaring a package of 20 crores for accelerating demand and so on.

Conclusion

We recommend to the government and its components, such as corporations, business entities, and employers, play an important role in fighting and dealing with the COVID-19 situation. Every industry will be forced to restructure and reorganize to transform into the new certainties. RBI should revive the stimulus package for MSME to overcome the financial crunch due to the lockdown. The Union Agriculture Ministry should resolve the problems that are being faced by the farmer. The governments of states should take initiatives to improve exports of all major products, like rice, groundnut, processed food, meat, poultry, dairy, and organic products on large scale. ILO has suggested working on strengthening and stimulating the economy and employment by active fiscal and monetary policy, and lending and financial support to specific sectors, including the health sector. Supporting enterprises to protect the jobs of workers in the workplace and keeping social dialogue for solutions, etc.

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