ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

"Effects of COVID-19 on Indian Economy; Challenges and Mitigation"

Dr. Madhulika Gupta
Professor
Dr. D.Y.Patil Centre for Management and Research, Chikhali,Pune, Maharashtra, India
email address: madhulikagupta123@gmail.com

Ms.Madhuri Chaudhari
Assistant Professor
Dr. D.Y.Patil Centre for Management and Research, Chikhali,Pune, Maharashtra, India
email address: 12madhurichaudhari@gmail.com

Abstract:

This virus has affected all are lives so seriously and changed the way we use to live, this is a pandemic which has affected more than 180 countries. We all are under stress especially all the Health Services and Police. Everything is unpredictable and uncertain. WHO is working closely with global specialist, governments, and other health associations to give directions to all the countries about preventive measures and preparation to avoid this pandemic. We have to realize the socio-economic effect of this virus. It has not only affected us in person but an economy and financial system as a whole and we all don't know the way out to manage this pandemic. As per the renowned economist and financial institutions of world repute Indian GDP is likely to shrink between 2– 4.5 % in fiscal year 2020-21. The required data for the study is basically secondary in nature and the data is collected from the various websites. The objective of the study is to study challenges faced by different sectors due to COVID -19 and understand how to mitigate these challenges.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

Key words: *Pandemic, COVID-19, Challenges, Mitigation, Import, Export*

I. Introduction

Our import dependence on China will considerably influence the Indian business massively. Some part of India including shipping, pharmaceuticals, cars, mobiles, gadgets, materials, and so forth have been affected by the incident of Pandemic.As indicated by CLSA report, pharma, synthetic substances, and hardware organizations may confront store network issues and costs will go up by 10 percent. The report additionally says that India could likewise be a recipient of positive streams since it seems, by all accounts, to be the least-affected market. The trade impact of the current epidemic for India is estimated to be about $348 million.

II. Objective of the study

- To study challenges faced by different sectors due to COVID -19
- To understand how to mitigate these effects.

III. Research Methodology

The required data for the study is basically secondary in nature and the data is collected from the various websites. The researcher had to use fact and information already available on internet by renowned economist and financial institutions of world repute .

<u>Impact on Various Sectors:</u>

Auto Industry: The shock would depend on the level of their business with China. This pandemic has restricted the imports from China and this has affected auto manufacturers and auto component industry. Though , current inventory level appear to be adequate for now for Auto industry in India. But if the shutdown in China continues, it is likely to result in an 8-10 per cent retrenchment in auto manufacturing in 2020 in India.

Pharma Industry : India's API imports from China average to approximately 70 per cent of its consumption by value and this is an evidence that the pharmacy industry in India depends

ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

profoundly on import of bulk drugs, and therefore we are at the risk of supply interruption and unpredicted price actions.So , this is the best time for Indian API / bulk drug manufacturing industries to take advantage to capture Indian as well as global market.

Chemical Industry: Almost 20 per cent of the production has been affected owing to the disorder in raw material supply from China as Local dyestuff units in India are profoundly reliant on imports of several raw materials, including chemicals and intermediates, from China. China is also a key supplier of specialty chemicals for textiles, especially Indigo required for denim. The business in India is probable to get influenced.

Electronics: It is an alarming situation for Indian electronics industry as this lockdown due to Pandemic will lead to supply disruptions, production reduction, impact on product prices as China is a key supplier both for the final product as well as the raw material used in electronics industry.

Solar Power: China is the supplier of almost 80% of solar cells and modules used in India, consequently, we have started confronting a shortage of raw materials needed in solar panels/cells and have limited stocks.

IT: Due to restriction in movement of employees due to lockdown and safety issues the IT companies are facing a problem in completing and delivering the existing projects in time and are also compelled to decline new projects as they are profoundly reliant on their employees and consequently unable to operate efficiently.

Tourism & Aviation: The pandemic has compelled domestic carriers to cancel and temporarily suspend flights operating from India. Carriers such as Indigo and Air India have halted operations . The temporary suspension of flights would lead to domestic carriers missing out on gross revenue targets of travel and tourism industry.

Textiles : This lockdown is likely to decelerate cotton yarn exports by 50 per cent, leading to a harsh shock on the spinning mills in India. Due to this brake down in the flow of goods and hence revenue, textile units may be troubled in making annual interest and repayments to financial institutions, thereby defaulting their dues.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

Agriculture Sector: Indian Agriculture sector is double hit due to Pandemic, as it recently suffered due to uneven monsoon and now it is getting affected due to all the disruptions caused by it. As due to lockdown most of the labourers available fled to their homes and there is shortage of labour. Besides, several farm machines like combine and harvesters lie stranded on highways as there is no one to operate them.

Education Sector: The Pandemic has considerably interrupted the education sector in India. It has unnerved education all over the world. This is a decisive time for the education sector as it has affected Board/ University examinations, School and College admissions, entrance tests of different universities and competitive exams and hence affected over 285 million young learners and aspirants .

Banking Sector: Due to the economic slowdown on account of Pandemic Banks in India are expected to witness a spike in their non-performing assets ratio. India is probable to fare likewise to China's (1.9 per cent 2 per cent) but the credit costs ratios could be worse, increasing by about 130 basis points.

Employment: Recent graduates in India are fearing withdrawal of job offers from corporate because of the current situation. The Centre for Monitoring Indian Economy's estimates on unemployment shot up from 8.4% in mid-March to 23% in early April and the urban unemployment rate to 30.9%.Centre for Monitoring Indian Economy report shows a significant fall in jobs. Understandably, this indicates that the current nationwide lockdown has been the biggest job-destroyer ever in the history.

How to mitigate these challenges:

- India has to ensure that in this situation, a banking/credit crisis does not occur, liquidity at household and corporate level is maintained, there is minimal disruption in capital formation and investments. Labour displacement is to be minimised and migrant labour encouraged to stay in place or return after the lockdown.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

- Skill atrophy should be prevented, output and supply maintained through targeted support to strategic sectors, SMEs, SHGs. Providing social protection to poor and vulnerable farmers and workers is critical.
- Global investor reassessment about putting all their eggs in the China basket, presents a good opportunity to attract them to India. Although no one should underestimate China's enduring comparative advantage and resilience we should leverage India's large market, human resources and diversified production base to become a manufacturing, services, research and development, and technology hub.
- Pharmaceuticals, biotech, medical supplies and equipment and related infrastructure for health sector capacity, supply and value chain is a vital multisectoral cluster to create with all stakeholders — private and public. Consumer durables, construction materials, electronics, engineering goods, IT, speciality textiles and garments, AI and robotics are other promising areas.
- A "new India" industrial and trade policy is needed to incentivise our entrepreneurs to be makers, not just traders. They must build a Make in India hub to meet domestic and global Covid-19 related demand and subsequent rebound and revenge consumption. The adversity bought on by the virus can become a transformative economic opportunity to "Build Back Better".
- Recently, a scheme has been announced to encourage foreign investment in government securities. With the global spread of the pandemic, foreign portfolio investors have already been taking money out of the Indian capital markets. Given the widespread risk aversion, it is unlikely that this route will bring in a lot of financing for the government. Targeted fiscal, monetary, and financial market measures will be key to mitigate the economic impact of the virus.
- Governments should use cash transfers, wage subsidies and tax relief to help affected households and businesses to confront this temporary and sudden stop in production.
- We should explore some of the ways by which the government can attract foreign capital quickly and provide Financial Stimulus to the economy.
- Long Term Capital Gain tax deters foreign capital it would be prudent to scrap the tax.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper **© 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022**

- FPI (foreign portfolio investment): Reduction in the change in rules around how FPIs are taxed and make it easier for foreigners to allocate money into India, things like indirect transfer tax etc are a huge operational deterrent for investors exploring the FPI route.
- Especially when they have peer emerging economies with favourable tax laws to allocate their capital to at hand, it's the time to welcome investor capital and not shun them with bureaucratic policy changes.
- Buyback tax: If a company or promoters of a listed company want to buy back more of their stock, this aids sentiment significantly and goes a long way during downturns, as promoters can step in to show confidence in their companies by allocating more of their own capital to their companies. This tax creates an additional obstacle and leads to more harm than good could be done away with especially with the circumstances we have at hand.

Findings:

1. Pandemic has impacted the supply chain of agricultural commodities hence hampering movement of Goods. In short the pandemic has caused disturbance and adve:rsely affected agriculture sector in India and eventually lead to a hole in farmers income.
2. Many inspirational districts have initiated innovative, mobile-based learning models for effective delivery of education, which can be adopted by others.
3. The major challenge at the national level is the seamless integration of technology in the present Indian education system.
4. Financing conditions may similarly sour as investors become more risk averse. This would hit bank credit system.
5. Based on a rough calculation, about 50 million people might have lost jobs in just two weeks of the lockdown.

Suggestions:

1. The shortage n supply of chemicals and intermediates from China can be a prospect since the US and the EU will attempt to expand their markets and mitigate China risk. If taken proper advantage ,some of this business can be sidetracked to India as well.

ISSN PRINT 2319 1775 Online 2320 7876

Research paper © 2012 IJFANS. All Rights Reserved, UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022

2. The lockdown in China open up a huge prospect for all Indian textile industries where China is a major exporter.
3. Open-source digital learning solutions and Learning Management Software should be adopted so teachers can conduct teaching online. Inclusive learning solutions, especially for the most vulnerable and marginalized, need to be developed.

Conclusion:

Dealing with the after-effects of Covid-19 will be a major economic policy challenge over the next few years. Developing countries, including India, face several economic challenges. These include volatility and steep fall in financial markets and commodity prices, and financing gap due to shrinking fiscal revenues and Covid-19 expenditure. Liquidity crunch, disruptions in international trade, and transport, depletion of foreign exchange reserves, devaluation of their currencies, fall in export revenues due to export controls and contraction in global markets and economic engines also causes for concern. We will also face the prospects of a global food, pharmaceuticals and medical supplies crisis as producing countries impose export control and stockpiling. India could face a remittances crisis due to Pandemic -related redundancies in major labour export markets. In all its important to be optimistic and take advantage of the situation and moving ahead smartly.

Webliography:

1. https://www.who.int/emergencies/diseases/novel-coronavirus-2019?gclid=EAIaIQobChMI9NPw_arM6QIVwamWCh2BsAnSEAAYASAAEgJQSfD_BwE
2. https://economictimes.indiatimes.com/markets/stocks/news/coronavirus-its-impact-on-various-sectors/tourism-aviation/slideshow/74490813.cms
3. https://www.hindustantimes.com/analysis/covid-19-economic-opportunities-and-challenges-opinion/story-OCqr08BR5pLPjJIMxH7ZjK.html
4. https://www.hindustantimes.com/analysis/covid-19-economic-opportunities-and-challenges-opinion/story-OCqr08BR5pLPjJIMxH7ZjK.html
5. https://economictimes.indiatimes.com/markets/stocks/news/covid-19-steps-govt-can-take-to-mitigate-the-hit-on-the-economy/articleshow/74744446.cms?from=mdr

ISSN PRINT 2319 1775 Online 2320 7876

Research paper **© 2012 IJFANS. All Rights Reserved,** **UGC CARE Listed (Group -I) Journal Volume 11, Iss 11, Nov 2022**

6. https://government.economictimes.indiatimes.com/news/education/covid-19-pandemic-impact-and-strategies-for-education-sector-in-india/75173099