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# IMPACT OF COVID-19 ON VARIOUS SECTORS OF INDIAN ECONOMY

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## ABSTRACT

*The economy of India was in poor condition even before the Covid-19 disaster. It will further roll down given the instability likely to occur in the economies of the USA, Japan, Korea, China, Singapore and European Countries. Volatility in the stock market will remain to continue. The investment sector has been severely hampered and investors are trying to play safe and hold cash. Purchasing power and confidence of the consumer will hit an all-time low. Tax collections will also drop and a global economic recession seems to be in the offing which will severely affect the Indian economy and recovery from this crisis could take over a year or two. According to WTO, world trade is expected to fall by between 13% and 32% in 2020 due to COVID 19 pandemic that has disturbed normal economic activity. Share of Indian export in, in total world's export is 3.5% and share of Import in world's import is 3.1% (2019). The trade balance of India has shown a trade deficit of 9.8 USD bn in March 2020.The unexpected decline the trade and production has negative consequences on the business and households.*

**INTRODUCTION**

The aspect of international trade the government may look for the countermeasure for the indigenous production and to reduce the dependency ratio on a single country that will somehow boost the production of domestic industries and reduce the trade deficit. China being the highest foreign trade with India and it is major market for many Indian products like sea food, gems and jewellery, petrochemicals etc. Due to the fall in export the fisheries sector has shown a fall of Rs. 1300 crore. For the April-February period, India's current fiscal exports have dropped by 1.5% to 292.91 billion [16]. According to UNCTAD, India's trade impact is about to be 348 million dollars. India stood in among 15 most affected economies due to fall in the production of china that is disturbing the entire trade pattern of world. While many companies and industries are failing to cope and adapt to the new and required form of working, some like the digital marketing and e-commerce industries are making the best out of this time. Services of courier and home delivery saw an increase after the Lockdown 2.0 and since then businesses have been on a high. This is contrary to what was earlier predicted by analysts who felt these businesses would go down the hill.

## CORONA IMPACT ON VARIOUS SECTOR

### Stock Market

This is not the first time that financial and stock markets have seen dark days. There is no doubt that the markets are facing crises as a result of the pandemic. While most of the investors have pulled out of the stock market and funds are at an all-time low, corporate bonds and government too, have had to face losses. Many developing nations including India have travelled back in time in terms of the financial state. However, there have been financial crises in the past as well and the markets have survived and boomed from those challenges as well. Fluctuations are integral to the finance market and this time too the world will combat this crisis and revive the market.

### Tourism & Aviation

The aviation sector has also been impacted by the spread of coronavirus. The outbreak has forced domestic carriers to cancel and temporarily suspend flights operating from India to China and Hong Kong. Carriers such as Indigo and Air India have halted operations to China. The temporary suspension of flights to China and Hong Kong would lead to domestic carriers missing out on gross revenue targets.

As the outbreak of the Coronavirus spread to all countries, international as well as domestic flights were cancelled in the blink of an eye. This means that more or less the aviation industry is at a pause. Even after the virus is contained, it will be a while before people start traveling for more than necessary trips, given the fear that has overpowered the hearts of people across the world. Due to the dramatic decrease in passenger traffic, airlines have had to ask for Federal assistance. According to AITA, Airlines could experience an 11-19% loss in passenger revenues globally. This is probably the worst-hit sector of the economy. The tourism industry is more or less dead, at least for the next couple of years. The effect of the virus is going to stay for longer than anyone had expected. With social distancing being an ongoing practice, travel plans will not be of anyone's priority. Aviation & Tourism is one sector which has the highest probability of going under without direct government intervention. In the next 12 months, it's highly unlikely people will travel for leisure apart from very essential travel. Even when the travel bans are lifted, both foreign tourist arrivals and domestic tourist movements are expected to remain very low because of heightened risk aversion, measures related to social distancing and lower disposable incomes.

**Agricultural Sector**

Agriculture remains a central pillar of the Indian economy. The sector serves the food needs of the whole country, while also placing among the top exporters of agricultural produce in the world. The sector has been facing its share of challenges in recent years, reports Consultancy.asia, but few have been as severe as the domestic and international travel restrictions during Covid-19. Grant Thornton breaks the challenges down into two distinct categories: Labour scarcity and exports. Northern Indian states of Punjab and Haryana are among India's agricultural powerhouses, although farming work in these states is mostly carried out by migrant labour from East India.

**Chemicals**

Local dyestuff units in India are heavily dependent on imports of several raw materials, including chemicals and intermediates, from China. Delayed shipments from China and a spike in raw material prices are affecting the dyes and dyestuff industry, especially in Gujarat. Nearly 20 per cent of the production has been impacted due to the disruption in raw material supply. China is a major supplier of specialty chemicals for textiles, especially Indigo required for denim. The business in India is likely to get affected and people are securing their supplies. However, it is also an opportunity since the US and the EU will try and diversify their markets and mitigate China risk. Some of this business can be diverted to India if taken advantage of.

**Drugs and pharmaceutical**

Production is expected to recover quickly as the government is extending support for essential commodities. Businesses have started resuming operation in China, which accounts for around 85% of India's active pharmaceutical ingredients imports. This alleviates the supply chain disruptions, though not by a great extent.

Though India is one of the top formulation drug exporters in the world, the domestic pharma industry relies heavily on import of bulk drugs (APIs and intermediates that give medicines their therapeutic value). India imported around Rs 24,900 crore worth of bulk drugs in FY19, accounting for approximately 40 per cent of the overall domestic consumption. With India's API imports from China averaging almost 70 per cent of its consumption by value, importers are at the risk of supply disruptions and unexpected price movements. For many critical antibiotics and antipyretics, dependency on imports from China is close to 100 per cent. These APIs require large capacities of fermentation boilers, a USP of Chinese manufacturers, giving an upper hand to Chinese manufacturers. Delivery and tracking of consignments are still uncertain within China whether inward or outward.

**Information Technology**

The extended Lunar New Year holidays in China have adversely impacted the revenue and growth of domestic IT companies, operating out of China. IT companies are heavily dependent on manpower and are not able to operate due to restriction in movement of people arising from lockdown and quarantine issues. Consequently, they are not able to complete or deliver the existing projects in time and are also declining new projects. Further, the global customers for Indian IT companies in China have started looking for other service providers in alternate locations such as Malaysia, Vietnam, etc.

**Real Estate**

Post lockdown decision, all private companies and most of the public companies directed their employees to work from home. Due to this, the working class has come to realize that it can work from anywhere they want, as long as they have the required environment, internet connection, and electronics. People have started realizing that staying in the big city is not worth it after all and migrate back to their hometowns, to stay with their family. Moreover, due to the overall downfall of the economy, huge investments and expenditures like purchasing properties is going to be very for the pockets of many.

**Micro, Small, and Medium Enterprises (MSMEs)**

Recessionary pressures across the globe are expected to have a direct impact on the level of global exports. Given that MSMEs contribute to over 40% of India's exports, the impact will be severe and linger for a longer time. MSMEs are expected to experience severe liquidity problems due to delayed payments from their customers.The strain in the banking system is expected to increase the credit gap for MSMEs.

**Impact on Financial Market:**

As the global economy is declining in terms of output and production it is expected that the world will suffer from recession. The American Credit Rating Agency Fitch has forecasted Indian rupee, the currency will average 77 per US dollar in 2020 and 80 in 2021 and steep monetary easing. In the short run steep monetary easing will pressure the rupee weaker but over the long term it is expected of overvaluation of Indian rupee. The foreign investors have pulled out $14 billion dollar in March 2020. The economy is facing huge crashes and wealth erosion, which in turn is impacting consumption levels. On the other side Sensex and Nifty closed sharply baked by weak global cues amid historic due to fall in oil prices. BSE Sensex closed 1,011 points lower at 30,636 and NSE Nifty ended 280 points lower at 8,981 on 21 April 2020. The domestic equity markets was seen on March 12, when following the trend of the global equity markets, both the BSE Sensex and NSE Nifty crashed by more than 8% in a single day. An estimated Rs 10 lakh crore of market caps was reportedly wiped off due to this single day fall. The virus crises have already dropped out equity wealth to 40 percent of the expected size of India's gross domestic product (GDP). The aggregate market capitalism of all BSE listed shares of 52 lakh crore, as it fall from Rs.155.53 lakh crore on December 31, 2019 to Rs. 103.69 lakh crore in March 24,2020. The Reserve Bank of India (RBI) has reduced the repo rate by 75 basis points (bps) and brings it.

**CONCLUSION:-**

The outbreak of the Covid-19 Pandemic is an unprecedented surprise to the Indian economic system. The economic system became already during a parlous state before covid-19 struck. The economic system is perhaps to face an extended length of slowdown. The importance of the economic effect will depend upon the duration and severity of the fitness disaster, the amount of the lockdown and therefore the manner wherein the scenario unfolds once the lockdown is lifted. on this paper we describe the state of the Indian economic system within the pre-covid-19 length, examine the potential effect of the surprise on diverse segments of the economic system, analyse the regulations that are announced so far via the crucial government and therefore the Reserve Bank of India to ameliorate the monetary surprise and suggests a tough and fast of policy suggestions for precise sectors.

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