



## CHALLENGES FOR INDIAN ECONOMY DURING COVID-19 PANDEMIC

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**Abstract:** *The COVID-19 pandemic was a great challenge to the world economy. More than half of the world population is either under severe or partial lockdown without proper health care due to the coronavirus, and economic activity across countries has either stalled or significantly decelerated, taking away millions of livelihoods. India, being a densely populated country with insufficient health care facilities, was left with no choice but to follow the policy of lockdown. The world economy is heading for a recession, and India is no exception. The COVID-19 pandemic is working its way through a highly globalized world with interconnected production networks and financial markets. The fallout of COVID-19 on the Indian economy is going to be huge because of its own lockdown, which was essential to contain the spread of coronavirus, and also because of India's integration with the rest of the world. The study explores the effects of the pandemic on several sectors of the Indian economy and the challenges to be faced post-COVID-19.*

**Keywords—** *COVID-19, Lockdown policy, Health Care, Indian Economic Sector, Growth Strategies, Fiscal Policies*

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### INTRODUCTION

The World Health Organization declared the COVID-19 pandemic on March 11. The Corona virus could be more communicable, evade the immune system for longer, and spread more quickly. A series of lockdowns were announced by the Indian government to stop the spread of the novel Corona virus. It seems impossible to forget the horrible scenes of migrants despair and agony during the lockdown. The

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Indian economy was enormously affected by the pandemic. Since the COVID-19 pandemic in India, more than 120 million people have been pushed into poverty. The worst pandemic's consequences were felt by India's most vulnerable people in the form of job losses, increasing poverty levels, and reduced per-capita incomes. Overall, it was expected to cause a steep decline in India's annual GDP rate and have a long-term effect on people's lives in various ways. India's lockdown and social distancing measures initially reduced the spread rate of the COVID-19 impact, but the lockdown also caused severe economic consequences. Some estimates suggest that the decline of India's economic activity during the lockdown cost about 34,000 crores daily, affecting jobs and incomes in major sectors. The important industries that have borne the brunt of the lockdown are agriculture, auto, hospitality, travel, micro, small, and medium enterprises, restaurants, real estate, and the start-up ecosystem. It also caused rising unemployment, revealing the drawbacks of globalization and the adverse effects of neo-liberal policies that have prevailed over the last quarter century. In general, the Indian economy has faced severe challenges due to the pandemic situation, and to overcome these challenges, appropriate policies must be initiated.

#### **METHODOLOGY**

The study is descriptive in nature and relies on secondary data to make an impact, challenge, and opportunity assessment of COVID-19 on the Indian economy. The secondary data was collected from reports of National Account Statistics, a publication of the Ministry of Statistics and Programme Implementation (MOSPI), the Handbook of Statistics on the Indian Economy, and the Monthly Bulletin of the Reserve Bank of India.

#### **PANDEMIC SITUATION AND INDIAN ECONOMY**

The Indian economy had been extremely damaged by the imposed lockdowns. India imposed a complete lockdown in March, which coincided with the peak harvesting season of Rabi crops in India, mainly in the north-west, which posed significant losses to the farmers. However, there were relaxations to the agriculture sector during lockdown, but transport constraints, mobility restrictions, and a lack of labor due to the reverse migration of labor to their native places were the major problems faced by the farmers. Agriculture and other activities are not a homogenous group of activities; in fact, they are an umbrella of different activities with different dynamics. So, the impact of COVID-19 on this sector varies according to the set of activities, that is, on crops, livestock, fisheries, and so forth. Horticulture and foodgrain production are part of crops and are impacted differently. Horticulture is likely to face the

brunt more due to the nature of perishability, whereas food grains are non- perishable, apart from problems in harvesting and labor shortages. Similarly, floriculture has been affected by fewer demands due to the shutting down of religious places, the postponement of marriages, and so forth. In livestock, milk is the major contributor that has been impacted and, fortunately, had stability during the lockdown. Fishing and aquaculture are expected to have a high negative impact, food grains and livestock are low, and horticulture is relatively medium. There are some effect of Covid 19 in different sector:

**Manufacturing sector**

The manufacturing sector is the main provider of GDP and employment in the secondary sector. It has been known as an engine for vibrant development and the inventor of the nation's wealth. The manufacturing sector is very significant in the way that it has strong linkages with other sectors, like both forward and backward linkages, so any impact in this sector will affect other sectors as well. But during COVID 19, the manufacturing sector overall is going to be affected very seriously by demand-supply disruptions and the global value supply chain. The automotive sector was suffering before COVID- 19 too due to low consumer demand, inadequate credit facilities, and more problems due to the NBFC crisis. There is a lot of pressure due to demand-supply disruptions on the health of the auto sector in India due to COVID-19. The micro, small, and medium industries as a whole form a significant share of manufacturing in India and play a crucial role in providing employment opportunities and also in the country's exports. As indicated by recent reports, MSMEs contribute 30% to India's GDP and 50% to the employment of industrial workers. But this sector has issues like the non-availability of adequate, timely, and affordable institutional credit. Although all businesses and sectors are affected by the pandemic, this sector is badly hit due to reduced cash flows, supply chain disruptions, shortages of migrant workers due to reverse migration, less demand, and so forth.

**Financial sector:**

Finance, which is the most essential sector and plays a role in the crisis, has also been having huge problems in India, like an inadequately capitalized banking system. During COVID, the private corporate sector was also financially weak and over-leveraged. But there is no such impact on the banking sector, and because banks are at the forefront of public attention, the indirect impact of several other sectors that are hit by the pandemic is likely to be on the banks and other financial institutions. Banks are the major source of help in times of crisis; therefore, when all other sectors are badly hit, banks will also face the brunt. The already existing problems in the financial sector are expected to

multiply due to this draconian crisis. The stock market also saw the worst in March 2020 due to the lockdown and collapse of various business activities.

### **CHALLENGES OF INDIAN ECONOMY DURING PRE AND POST COVID-19**

The COVID-19 pandemic, the whole world was enveloped. India was also under complete lockdown as its population density and modest health infrastructure left the government with no option except to impose a lockdown. The whole nation stayed indoors; the economy of India dealt with a crushing blow. The central government and the Reserve Bank of India had announced a galaxy of stimulus packages to reestablish the economy. The Indian call for self-reliance can be the right impetus for India's domestic manufacturing. Due to the impact of COVID-19, worldwide supply chains were affected, and the world market faced a shortage of masks and other related apparatus supplies.

A number of companies in the world have decided to relocate their production bases. As many countries are looking for low-risk avenues for their production, India could be their ideal destination. However, India needs to provide a conducive environment, i.e., a better business climate, outstanding infrastructure and logistics, simplified land and labor laws, and single-window clearances that can enable India to develop a robust manufacturing ecosystem for foreign investors. Besides that, the second wave of COVID-19 hit the complex Indian economy: many capitalists in India decided to move to other countries due to poor medical infrastructure in the country. During this period, many young entrepreneurs were discovering worldwide business, getting investment chances, and searching for risk-free avenues. At the same time, India must redefine its self-reliant strategy. Before 1991, the Indian economy was self-reliant; the state-run heavy industries and strategic sectors in the following post-independent period put India ahead of developing countries. Though, in the 1970s and 1980s, India unnoticed the need to modernize its industries and climb the technological ladder. At the start of the post-independence period, the private sector was content with the state-run core sector approach in its Bombay Plan. Unfortunately, little effort was made to modernize these industries, and they failed to produce new consumer products. India's industrial ecosystem is therefore characterized by low productivity, poor quality, and inadequate technology, and it is globally uncompetitive.

However, unfortunately, India missed out on the third industrial revolution, which comprised electronic goods, microprocessors, personal computers, mobile phones, decentralized manufacturing, and global value chains during the last era. India today has the world's second-largest smartphone user numbers after China, but India does not have active production of any of these goods. The idea of a self-reliant

India with old wine in a new bottle. India should remember that we live in a globalized world where domestic production possibilities are considerably reduced. Manufacturing involves high technology, multiple components, and different expertise, and it is very difficult to start producing them in India quickly.

### CONCLUSION

The COVID-19 pandemic has incurred unprecedented losses globally, but India, being an emerging economy, is likely to get more affected in every sector, and that too disproportionately. International researchers and members of the expert community have predicted that 21st-century international relations will belong to India. The question remains about how it will happen in practice. There are many roadblocks to achieving this goal, and India needs to tackle the major issues and concerns. Policymakers should have to implement reforms sector-wise. Today, India's main focus is on privatizing various strategic areas, but the reforms should not focus on the privatization of every sector. India should provide more opportunity in education, research, and development to become a key player in international relations. Since India is rich in natural resources and demographic dividends, it needs to utilize these resources for maximum gain for the country.

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