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COVID-19 lockdown and its impact on Indian economy

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Abstract

Coronavirus (COVID-19) pandemic has created an unprecedented loss and disruptions all across the world. From developed to developing, no country has been spared from its brunt. The ongoing COVID-19 pandemic is causing unprecedented disruptions to economic activities across countries, and India is no exception. Almost all the sectors have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. India has been hit hard by the pandemic. The sharp drop in GDP is the largest in the country's history, but this may still underestimate the economic damage experienced by the poorest households.

Keywords: Covid-19, lockdown, Indian economy

Introductions

The outbreak of the new coronavirus infection, COVID-19 (coronavirus disease 2019) was initiated from the Hunan seafood market in Wuhan, Hubei Province of China in December 2019. It is a communicable viral disease and quickly spread globally. So the World Health Organization (WHO) declared it as a pandemic on 11, March, 2020 (Prakash and Srivastava, 2020). It is caused by a single stranded RNA virus known as SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2) (Kumari and Shukla, 2020) [3]. Genomic analysis revealed that SARSCoV-2 is phylogenetically related to severe acute respiratory syndrome-like (SARS-CoV like) bat viruses, bats could therefore be the possible primary source. Intermediate host for SARS-CoV is palm civet and camel. Although the intermediate source of origin and transfer to humans is not clearly known, it is supposed that pangolins or snakes may be intermediate hosts for SARS-CoV-2. The reserve host for both is bat.

The COVID-19 pandemic has probably given the biggest blow to the world economy after the great depression of 1930s. Around 60 per cent of the world population is either under severe or partial lockdown without having medical solution to the coronavirus and economic activity across countries has either stalled or significantly decelerated taking away millions of livelihoods.

In the post-independence period, India's national income has declined only four times before 2020 – in 1958, 1966, 1973 and 1980 – with the largest drop being in 1980 (5.2%). This means that 2020-21 is the worst year in terms of economic contraction in the country's history, and much worse than the overall contraction in the world. During the 2020 -21 financial year, the rates of decline in GDP for the world were 3.3% and 2.2% for emerging market and developing economies.

India being densely populated country with inadequate medical facilities was left with no option but to follow the policy of lockdown. World economy is heading for a recession and India is no exception. The current pandemic is working its way through a highly globalized world with interconnected production networks and financial markets. The fall out of the COVID-19 on Indian economy is going to be huge because of its own lockdown, which was necessary to contain the spread of coronavirus, and also because of India's integration with the rest of the world. The complete lockdown and currently the ongoing partial lockdowns have both demand-side and supply-side effects on the Indian economy.

During lockdown millions of migrant workers returned to their native places. But what was surprising was the fact that neither the state government nor the central government had any data regarding the migrant workers who lost their jobs and their lives during the lockdown. The fall in economic activities and overall output growth leads to employment loss.

With regard to the impact on employment and income, it is estimated that global

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unemployment may be increased four times and pushing these people towards below poverty line. Moreover, lockdown followed by Corona pandemic exerted a number of positive and negative impacts on environment, society, education and so on (Verma and Prakash, 2020; Roy *et al.*, 2020; Srivastava *et al.*, 2020; Roy and Chaube, 2021) ^{18, 6, 7, 51}.

Impact of Covid-19 on different Sectors

Each sector has its own specific characteristics, in terms of the nature and scale of capital, the levels of labour absorption, infrastructure requirements, and demand and supply patterns and elasticity.

Hospitality Sector

The hospitality sector includes many businesses like restaurants, beds and breakfast, pubs, bars, nightclubs and more. The sector that has contributed to a large portion of India's annual GDP has been hit hard by restrictions and curfews imposed by the states.

Aviation and Tourism Sector

Aviation and Tourism were the first industries that were hit significantly by the pandemic. The common consensus seems to be that COVID will hit these industries harder than 9/11 and the Financial Crisis of 2008. The hospitality sector is also linked to the tourism sector. The sector that employs millions of Indians started bouncing back after the first wave, but the second wave of covid-19 was back for the devastation. The tourism sector contributes nearly 7% to India's annual GDP. The restrictions due to the second wave have crippled the tourism sector, which was already struggling to recover from the initial loss of first wave of covid-19.

Travel and Automobile sector

The travel sector is also taking a hit as people are scared to step out of their homes. For airlines and the broader travel sector, its recovery will depend on whether people in future will opt for such services. At present, the outlook for the aviation and broader travel sector does not look good. The automobile sector is expected to remain under pressure in the near term due to the covid-19 situation in India.

Real Estate and Construction sector

The real estate and construction activities have started facing a disruption during the lockdown as a large number of migrant workers have left the urban areas.

Power sector

The power sector in India has undergone rapid structural changes in the last two decades and even before the COVID-19 pandemic arrived at Indian shores, the sector was tittering on the edge of a crises (Chandrasekhar, 2018) ^[1]. The reasons for this potential crisis like situation were multifold. Accumulated debt due to less than anticipated sale of power in the power market, lack of strong coal linkages for thermal power plants, lower than anticipated demand for power due to economic slowdown, and a large share of new capacity in the sector of both conventional and renewable energy (Kanitkar, 2020) ^[2]. The COVID-19 pandemic is therefore set to further weaken the already strained health of the power sector.

Pharmaceutical Sector

The pharmaceutical industry has been on the rise since the start of the Covid-19 pandemic, especially in India, the largest producer of generic drugs globally. Generic drugs are the most impacted due to heavy reliance on imports, disrupted supply-chain, and labour unavailability in the industry, caused by social distancing. Simultaneously, the pharmaceutical industry is struggling because of the government-imposed bans on the export of critical drugs, equipment, and PPE kits to ensure sufficient quantities for the country.

Food and Agriculture Sector

Since agriculture is the backbone of the country and a part of the government announced essential category, the impact of Covid-19 is likely to be low on both primary agricultural production and usage of agro-inputs. Several state governments have already allowed free movement of fruits, vegetables, milk etc. Online food grocery platforms are heavily impacted due to unclear restrictions on movements and stoppage of logistics vehicles.

Thus all the major sectors of the economy has been disproportionately affected and even within a sector, there is a disproportionate loss except agriculture. The second wave of Covid-19 has brutally exposed and worsened existing vulnerabilities in the Indian economy. India's \$2.9 trillion economy remains shuttered during the lockdown period, except for some essential services and activities. As shops, eateries, factories, transport services, business establishments were shuttered, the lockdown had a devastating impact on slowing down the economy. India has a large share of young people in its workforce and the pandemic has put them at heightened risk of long-term unemployment. This has negative impacts on lifelong earnings and employment prospects.

The recovery after the first wave was too muted to get many young Indian workers back into employment. For example, rural migrants continued to be reluctant to return to work in urban areas. It heightened these risks of long term unemployment by increasing the spells of economic inactivity. While India's policy response was strong in terms of some aspects of lockdown stringency, it was ineffective in dealing with both the public health and economic aspects of the crisis. What's more, it failed to limit the damaging impact of the crisis on the most vulnerable sections of the population.

Thus the Indian economy was facing headwinds much before the arrival of the second wave. Coupled with the humanitarian crisis and silent treatment of the government, the covid-19 has exposed and worsened existing inequalities in the Indian economy.

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