



ISSN : 2456-1363

International Journal of Scientific Research & Growth

A multidisciplinary journal for empowering the research

Impact of COVID-19 on Indian Industries & Economy – a Detailed Study

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Abstract

Corona Virus (Covid-19) has badly impacted the world; it is a very crucial time for our globe to fight against this pandemic. Around the world all nations are trying their best to fight against Covid-19 both on medical grounds and on economic grounds. As per the need of today is to talk a lot about medical grounds, as at present it is the only need of nation. But on the other hand one should not underestimate the disaster raised from Covid-19 i.e. its impact on economy. It is drastic that nearly all countries around the world whether developed, developing, poor, are now facing economic problems. With combined efforts of all nations we can fight and win over Covid-19, but related to economic problems, condition it is a very slow process to come again at the same plate form, position as on or before Covid-19. In this paper we will try to enlighten the economic problems raised due to Covid-19 and its impact on all industrial sectors, and suggest measure to combat with the problem.

Introduction to covid-19

Coronavirus (Covid-19) first case was reported in Wuhan, China on 31st December 2019, from where it spreads to nearly all parts of world. Before proceeding further first let us know the Coronavirus; “it is a large family of viruses that cause illness with specific symptoms’ it ranges from the common cold to more severe diseases like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The novel coronavirus is a new strain of [virus](#) that has not been identified in human so far. As the virus is new to world so at present no direct medicine, treatment is available in world, so each county is fighting as per the conditions, and as per the resources available with them.



WHO is working closely with global experts, governments, and other health organisations to provide advice to the countries about precautionary and preventive measures.

We can't ignore the fact that the outbreak of COVID-19 in China is expected to have a significant impact on the economy globally including economic slowdown, trade, supply chain disruption, commodities, and logistics.

The impact of Covid-19 has put the Indian economy to a major slowdown, which is clearly evident from the growth of previous quarters, before Covid-19 strikes. In such lockdown atmosphere it is very difficult for companies to sustain, as the production is totally stopped, and the finished products, goods, materials, are dumped across the country as and where they are, due to lockdown. In current position industries are forced to take tough decisions for cutting down the expenses, by cutting salaries, and by opting other cost cutting measures. The outbreak of Covid-19 has become God's sin for the Indian workforce and especially for the daily wage and contractual workers.

In economy there has always been balance between demand and supply, but in present scenario the balance has completely been disturbed. As there has been demand but factories, companies are not able to supply, due to lockdown their operations are totally shut down, and the material ready for supply is not able to reach to concerned customers. The another important parameter in economy is tourism, hospitality industry the sector is very badly affected by Covid-19, as the tourist are not planning to come, due to lockdown and also due to danger of Covid-19 infection. In India some state are having revenue generation only through tourism industry, and they are facing extreme problems at this time, and it is even not sure that when will the tourism sector come back to its full boom.

Another important sector which also depends upon tourism industry is aviation industry. The aviation industry is going through worse days in history, as the industry demands involvement of lots of highly paid officials, and at present nearly all activities of aviation industry are lockdown due to Covid-19. Retail sector is also badly affected by Covid-19 as due to closing of cinema theatres and declining footfall in shopping complexes this disturbed the consumption of both essential and discretionary items.



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As it is clearly evident that when consumption of any product or services goes down then it readily affects the workforce. In present scenario when the retailers are closing down their operations, services, then the workers working or getting jobs from the sector are at dangerous risk.

Covid-19 and its impact on indian economy

Dependence of Indian market on China in terms of imports is very large. Majorly imported material India requires, major portion of it comes from China. India's total electronic imports account for 45% from China. Around one-third of machinery and almost two-fifths of organic chemicals that India purchases from the globe come from China. For automotive industry parts and fertilizers China's share is about 25% of the total import. Around 65% to 70% of active pharmaceutical ingredients and around 90% of certain mobile phones come from China to India. As it is clearly evident that due to outbreak of Covid-19 in China, it will directly impact on Indian Industry and economy.

With the amount of COVID-19 cases leaning dangerously over 200,000 and therefore the worldwide toll crossing over 8,000, the planet Health Organization (WHO) declared the virus outbreak a virulent disease within the second

week of March 2020, four months after the novel virus first made headlines. Nearly 182 countries are steadily going into lockdown, and businesses across the world are operating in fear of an impending collapse of worldwide financial markets. This example, clubbed with sluggish economic process within the previous year, especially in a very developing country like India, is resulting in extremely volatile market conditions. With rising unemployment, interest rates, and monetary deficit, the economy in India has seen better days. Adding fuel to the present fire is that the novel Coronavirus that's sending tremors down Indian trade markets addicted to China for imports.

It is difficult to forecast the impact on Indian economic process within the next two quarters and beyond. Any such study would require data of intra additionally as inter-country sectoral interdependence. The crisis today has affected an outsized a part of the planet and disrupted trade flow all around. Further, the continuing lockdown has severed all interdependencies in domestic sectors, within the absence of ready availability of such interdependency data; we propose to focus on factors, consequential to the lockdown, which are likely to influence/determine the course of the Indian economy, within the short- and medium-term.



Crisis of confidence

The principal data to hold out economic forecasting, is that the underlying demand and provide conditions, additionally as macro liquidity. This crisis, characterised by widespread lockdown/closure of the economy over an unknown/indeterminate period, has resulted in a very 'crisis of confidence', which is that the principal factor. This makes the present crisis distinct, therein it originates out of fear, anxiety and uncertainty, in contrast to all or any earlier ones, where demand/supply was the determining factor and confidence crisis was resultant.

Learning in crises

Every crisis is a learning opportunity for organizations, and this Covid-19 pandemic is proving to be quite the lesson. Here's how organizations are determining their next moves. Remote working in major cities on lockdown, organizations have had no choice but to probe their business continuity and contingency plans. As an outburst of cases, major companies across India had initiated 'work from home' concept, this drill is very good for future also, because some companies are planning to make the concept regular for their employees to lessen the burden, it's time to validate that whether work from home culture is feasible or not. Remote working also has its limitations and can't be dole out by other sectors like retail, hospitality, or manufacturing, leaving them no choice but to face business interruption.

Employee safety is that the need of the hour. Still, with no experience of managing a plague that has the potential to spread rapidly, most companies are brushing aside their hands by asking employees to remain home. Some organizations, however, are implementing measures like temperature screening, disinfection of office premises, fixing COVID-19 response teams, distribution of COVID-19 precautionary packages. An open line of communication. Even though the fatality rate of COVID-19 is not up to the 1918 influenza pandemic, it's caused a widespread panic thanks to unclear lines of communication. Opportunity in a very crisis like India, several international economies are getting cognizant of the chance they face by being overly addicted to one market. Making this situation a learning opportunity, we will have to believe that this can be the time India can work on capturing potentially 40% of their competitor's market share by observing indigenous production of products, furthering the country's Make in India campaign.

Impact of covid-19 on industries

Spare Parts and raw material; nearly 65% of electronics imported by India originate from China. These imports have already slid right down to 40% in light of the coronavirus outbreak and subsequent lockdown.



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In lieu to that now India is planning to generate resources within India, promoting Make in India campaign to compete with the dependency on one supplier. Additionally, China is India's third largest export partner for export of raw materials like cotton, mineral fuels, organic chemicals, etc. and a lockdown of the countries is probably going to open new doors for market in India.

Pharmaceuticals; The toll on the pharmaceutical industry is of serious concern for India, mainly as 70% of active pharmaceutical ingredients (API) are imported from China. These active pharmaceutical ingredients are essential to an oversized number of pharmaceutical manufacturing companies within the country. As COVID-19 is rapidly making its way through India, medication goes to be the quantity one consumer demand, and since there aren't nearly enough APIs to manufacture drugs, the following traders and therefore the market are witnessing skyrocketing prices. The costs of vitamins and penicillin alone already see a 50% surge.

Tourism; India is a place of cultural, historical tourism, attracting tourists from domestic as well as all over the world. It doesn't come as a surprise that an oversized number of confirmed COVID-19 cases in India include foreign tourists. But with visas being suspended and tourist attractions being

shut indefinitely, the entire tourism value chain, which has hotels, restaurants, attractions, agents, and operators is anticipated to face losses worth thousands of crores. Experts believe the tourism industry is probably going to require a large hit, and it could find yourself crippling the industry for the foreseeable future.

Aviation; After the Government of India indefinitely suspended tourist visas, airlines are said to be working fraught. It is estimated that nearly 600 international flights across globe from India were cancelled, imposing heavy loss. Around 90 domestic flights are cancelled, resulting in a pointy come by airline fares, even on popular local routes. Private airport operators have requested the government to grant permission to impose a nominal passenger facilitation charge on airfares to hide the increased disbursement.

Shipping Industry: Indian shipping industry is highly affected from Coronavirus outbreak, and impacted the business in highest potential. As per the sources, per day per vessel has declined by over 75-80% in dry bulk trade. As shipping industry is the major sector for Indian economy and goods imported, and exported throughout the globe. Due to outbreak of Covid-19 the shipping industry has seen some of the toughest times.



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Auto Industry: Indian auto industry is not a lot dependent on China, still some of the raw materials for auto industry is imported from China. However the auto industry is also facing acute shutdown and demand of vehicles has gone to zero in last few months, so the factory will have to shut down the production, or to decrease the total production output. Indian auto industry at present is having high levels of inventory and is sufficient to start production in full swing. The Covid-19 has created about 8-10% contraction of Indian auto manufacturing industry in 2020.

Textiles Industry; because of coronavirus outbreak, several garments/textile factories in China have halted operations that successively affecting the exports of material, yarn and other raw materials from India. In textile sector both China and India are interdependent of each other, as there are several products which we export to China and in term several products which we will import from China. So it is said that Covid-19 will certainly hinder the growth of textile industries in India, and it is estimated that approx six months will be needed to settle the industries to work in full swing.

Solar Power Sector: Solar power sector, green energy sector is highly dependent upon China, as major of raw materials will be imported from China. Indian industry will surely face shortfall of raw materials, needed in solar panels and cells, as their stock

of the products will shortfall and China will not be able to provide the materials by upcoming next 6 months.

Electronics Industry: China is a key supplier of electronics goods, all over the world. India's electronic industry may face supply disruptions, production, reduction impact on product prices because of heavy dependence on electronics component supply directly or indirectly and native manufacturing. China is the major producer and exporter of major electronics appliances, and the outburst of Covid-19 will certainly hinder the supply and lead to disturbances in economy.

Other dimensions of the crisis

The lockdown for a period will certainly lead to shortage and will directly show its impact on economy. The lower level of economic activity and therefore the lockdown could lead on to closure of activity, especially in tiny businesses and weaker units. This presents a weak prognosis on the longer term asset quality of banks. We are probably watching a spike in NPA numbers again, now more widespread than earlier. This may have an adverse effect on credit flow and liquidity within the banking sector.



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The crisis is additionally reflected within the secondary capital markets (both debt and equity) worldwide, including India. Large losses are likely to discourage investor appetite for quite it slow.

Tackling the crisis

To tackle with such crises, it is the need of the day that all of us will stand together, and Government should follow steps to overcome the effect of Covid-19 on Indian economy.

Though evaluation/conclusion on the efficacy of those policy measures, so early, would be hasty, available evidence don't indicate much success. It should be mentioned that liquidity enhancement through an external mechanism, like financial institution intervention, is vitally necessary when internal dynamics are disrupted. Rate cut is, however, unlikely to get rid of the 'crisis of confidence' till the virus is put to rest. The monetary policy measures being pursued by the central banks don't appear to supply a comprehensive solution either. Considering that the crisis could be a fallout of an unknown virus, a good policy measure, in our view, is to extend spending on medical and health programmes, which might be extending testing centers, capacity of testing centers so an early identification of infected can be done. That would indeed be a confidence booster. Meanwhile, a well-thought-out programme for restoration of the availability chain, albeit during a limited manner, may additionally be thought of.

According to the latest survey by (FICCI) Federation of Indian Chambers of Commerce & Industry, the results clearly indicates that Covid-19 has made a clear impact on demand and supply on businesses, products, and services, are facing reduced cash flows. The Major results of survey include; A significant 53 per cent of Indian businesses indicate the marked impact of the COVID-19 pandemic on business operations even at early stages. The pandemic has significantly impacted the income at organizations with almost 80 percent reporting a decrease in income. The pandemic has had a heavy impact on the supply chains as quite 60 per cent respondents indicate that their supply chains were affected. The companies are expecting that the condition can be worse in coming future. Organizations have brought in an exceedingly renewed focus on hygiene aspects concerning the pandemic. Almost 40 per cent have put in place stringent checks on people entering their offices and disinfection.

Nearly 30 per cent organizations have already put in place Work-from-Home policies for his or her employees. Nearly 42 per cent of the respondents feel that it could take upto 3 months for normalcy to return. For some of the sectors, the work-from-home proposition is posing implementation challenges because it features an on the spot concerning the business operations.



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This is often particularly true for manufacturing units where workers are required to be physically present at the assembly sites, and services sectors like banking and IT where many confidential data is utilized and remote working can enhance security threats. Hence, companies operating in these sectors are finding it difficult to implement work-from-home facilities without compromising on their day to day operations. Implications on the workforce Job losses and salary cuts are likely within the high-risk services sector, including airlines, hotels, malls, multiplexes, restaurants, and retailers, which have seen a sharp fall in demand thanks to lockdowns across the country. If this global and domestic economic slowdown persists, it'll impact demand and realization.

Undoubtedly, with this crisis impacting the business around the country, it'll create very challenging situations for the workforce. Companies aren't meeting the revenue targets hence, forcing employers to cut down their workforce. The world Travel & Tourism Council has predicted 50 million tourism jobs getting eliminated because of the pandemic. Not only the workers of multinational companies, but daily wage workers are impacted the foremost during this crisis.

The International Labour Organization has fixed urgent, large-scale and coordinated measures across three pillars - protecting workers within the workplace, stimulating the economy and employment, and supporting jobs and incomes. According to a preliminary assessment report, nearly

25 million jobs could be lost worldwide thanks to the coronavirus pandemic, but an internationally coordinated policy response can help lower the impact on global unemployment. While on one hand, Indian employees are losing their jobs and receiving a cut, there's also an assumption that the majority of expats have gone back from India which they're going to take time to return. Different sectors like automobile, banking and manufacturing employ an oversized number of expats. Indian companies need expats for several industry verticals and job functions like after-sales services, business development and market audits. Need for policy intervention There is an urgent must take instant steps to not only contain the spread of the virus, but also to handle the key pain areas of the industry which could help in minimising the impact of the outbreak on the Indian economy and businesses.

The Indian Government & RBI must support the Indian industry and economy at this juncture in numerous ways: Maintain liquidity at surplus levels and provide special liquidity support for any companies / NBFCs / banks that come under strain thanks to intensifying risk aversion in financial markets or thanks to large demand shock. Increase credit limits for all regular banking accounts by 25 percent across the board. Also, Increase overdraft facility to state governments from the RBI. Pay the pending GST compensation immediately.



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IBC to be suspended for a short period for the aviation and hospitality sectors as they're the worst affected. Since an oversized number of people will stand to lose their jobs especially within the retail, hospitality, travel, construction sector, the govt. can consider giving incentives for employers to remain the workers, while the coronavirus problem tides over.

Conclusion

It is clearly evident that outbreak of Covid-19 pandemic in India is a major problem for health as well as economic concern. The health of individual can easily be gets normal after taking medication for proper time and afterwards he or she becomes healthy. But in terms of economy it is not as

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easy, it required a lots of thinking and efficient team work from all major economic bodies of our country, to understand the causes, and remedial measures to be observed to fight against the loss in economy from Covid-19. It is an urgent need for economist to understand the problem and to develop remedial measures to cope with the problem. As in India nearly all sectors of industries has been highly impacted by Covid-19, and are facing the bad times, and it is very tough to say that some of the industries will certainly not revoke back from the crises, as they are already facing economic problems, so Government will have to think for them also. It's the time to work together, to fight with Covid-19 to revoke India from Covid-19.

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