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# COVID 19: IMPACT ON THE INDIAN ECONOMY AND BUSINESS SURVIVAL STRATEGIES

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## ABSTRACT

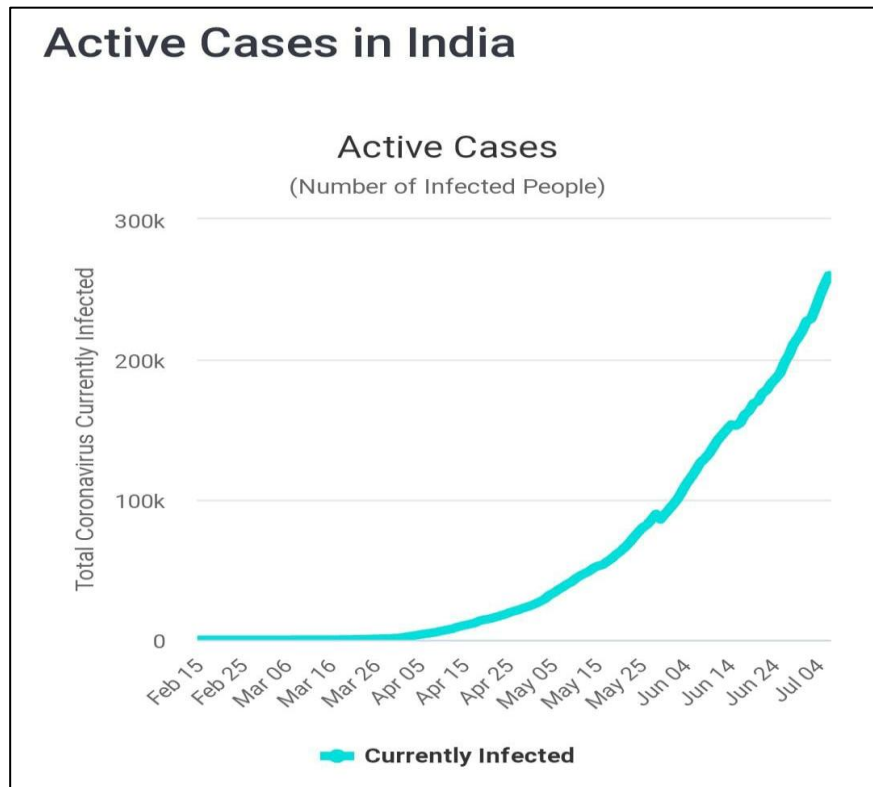
*The whole world is in the hold of Corona virus. The diffusion of the virus is so massive that it forced the World Health Organisation (WHO) to declare it as pandemic. The eruption of the COVID 19 pandemic is an unrecedented surprise to the Indian economy. The economy was already in a unsafe state before Covid-19 struck. With the lengthy country wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a extended period of slowdown. In this article it define the state of the Indian economy in the pre Covid-19 period, assess the potential impact of the shock on various sectors of the economy, analyses the policies that have been announced so far by the central government and the Reserve Bank of India to better the economy shock and mainly to specify the business existence strategies which is the crucial to overwhelmed this dangerous situation.*

**Keywords:** Corona virus, Economy, India, Pandemic, Sectors, Strategy

## 1. INTRODUCTION

We are in the central of a worldwide Covid-19 pandemic, which is imposing two types of shocks on countries: **a health shock and an economic shock**. The explosion of the diseases was first recognized in Wuhan, china in December 2019. World Health Organizations (WHO) has been thoroughly monitoring and assessing its global hazards, thus declaring it as a Public Health Emergency of international concern on 30<sup>th</sup> January 2020. The virus started disseminating at an unprecedented rate in different countries across the globe compelling WHO to proclaim it as pandemic on 11<sup>th</sup> March 2020. Now the whole world is facing with this useable malicious enemy. Most of the countries are under lockdown and everything including normal life, social and economic conditions seem to be grinding to a halt. In India, the first case of corona virus disease was reported in Kerala on January 30, 2020. Multiple cases were than reported in different cities in India. Hence, the Government of India took necessary action by announcing lockdown in every corner of the country on 24<sup>th</sup> March 2020. Given the nature of the disease which is highly contagious, the ways to contain the spread include policy actions such as imposition of social distancing, self-isolation at home,

closure of organizations, and community facilities, limitations on mobility and even lockdown of an entire country. These actions can possibly lead to terrible consequences for economies around the world. This has activated fears of a deep and prolonged worldwide recession. On April 9, the chief of International Monetary Fund, Kristalina Georgieva said that the year 2020 could see the worst global economic fallout since the Great Depression in the 1930s, with over 170 countries likely to experience negative per capita GDP growth due to the raging corona virus pandemic.



**Fig.1: Confirmed Covid-19 cases in India**

(Source: Ministry of Health and Family Welfare, Citibank Research)

## 2. OBJECTIVES OF THE STUDY

The objective of the paper is to study the following aspects:

1. To understand impact of Covid-19 on overall Indian Economy
2. To know impact of Covid-19 on different sectors
3. To specify the strategies that the Indian businesses should adopt in order to cope with the effects of corona virus and to survive in this dangerous situation.
4. To find out the challenges for different sectors in Indian economy

### 3. INDIAN ECONOMY IN PRE COVID 19 PERIOD

Even before the pandemic, since FY 2018-19, India's growth was falling, 8% in Q4 FY18 to 4.5% in Q2 FY20. In January 2020 itself, well before India's lockdown or reactions to the pandemic, the International Monetary Fund reduced India's GDP estimates for 2019 and also reduced the 2020 GDP forecast. The 2016 Indian banknote demonetisation and goods and services tax enactment in 2017 led to severe back to back disruptions in the economy. On top of this there had been numerous banking crises such as the Infrastructure Leasing & Financial Services crisis and government scheme failures such as that of 'Make in India'. There was also a significant "income crunch" for both rural and urban sectors in the year prior to the lockdown.

The policymakers have already announced an initial round of actions. Much more needs to be done to minimize the impact of the shock on the economy.

### 4. STEPS INDIA HAS TAKEN SO FAR TO CONTAIN ECONOMIC FALL OUT OF COVID-19

- **LOAN FREEZE:** RBI Governor Shaktikanta Das has stopped the clock on loan repayments. All lenders can freeze repayments for three months on term loans outstanding March 1.
  - **INVITING FOREIGNERS:** India opened up a wide swath of its sovereign bond market to overseas investors, taking its biggest step yet to secure access to global indexes as the government embarks on a record borrowing plan.
  - **LIMIT BORROWING:** India announced a fiscal first-half borrowing number that's lower than what traders expected, as it seeks to check any rise in yields amid a global risk aversion that's sparked outflows from emerging markets.
  - **MORE DOLLARS:** RBI pledged to inject dollars through dollar-rupee swaps — Two \$2 billion swap lines each for March 16 and March 23 provided \$2.7 billion.
  - **SHORTER TRADING HOURS:** Trading in sovereign debt and the rupee will be held from 10 a.m. to 2 p.m. Mumbai time starting April 7 through April 30. These markets normally worked from 9 a.m. to 5 p.m.
  - **For Capital Markets:**

Allows companies additional 45 days for declaring their quarterly and annual results; extends the date for submission of corporate governance report by a month; company boards exempted from provision of maximum time gap between two meetings (March 19)
  - **For States and Wider Economy**
    - a. **EXPORTS:** The time period for realization and repatriation of export proceeds for shipments before July 31 extended to 15 months to provide greater flexibility to
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exporters in negotiating future export contracts with buyers abroad

- b. **CROPS:** State agencies will buy more oilseeds and pulses from farmers at government-set minimum purchase prices
- c. **LOCKDOWN EASED:** India allowed farmers and certain industries outside virus hotspots to resume operations from April 21

- **For Consumers**

**FREE FOOD AND FUEL:** 800 million poor people will get 5 kilograms wheat or rice and 1 kg pulses every month during April to June; 80 million families to get free cooking gas

**CASH TRANSFERS:** 200 million women with basic bank accounts will get Rs 500 a month until June; 30 million senior citizens, widows and disabled to get Rs 1,000; 87 million farmers will be immediately paid Rs 2,000 under an existing program

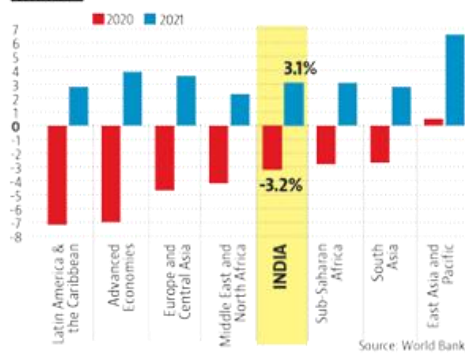
**INSURANCE:** 2.2 million health workers fighting COVID-19 will get an insurance cover of Rs 50 lakh.

**JOBS AND WAGES:** For people earning less than Rs 15,000 a month, government will pay 24% of their monthly wages that feed into pension and provident fund accounts; Wages under job guarantee program increased to provide annual benefit of Rs 2,000 to a worker.

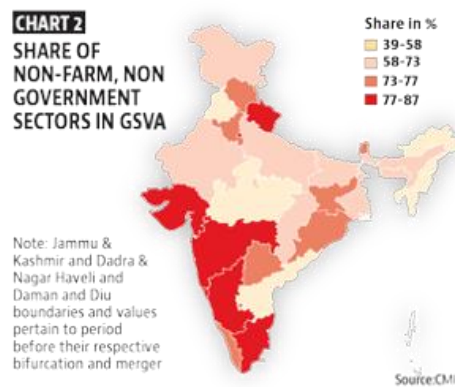
## 5. IMPACT OF CORONAVIRUS ON DIFFERENT SECTORS OF THE ECONOMY

### MAPPING THE RECESSION

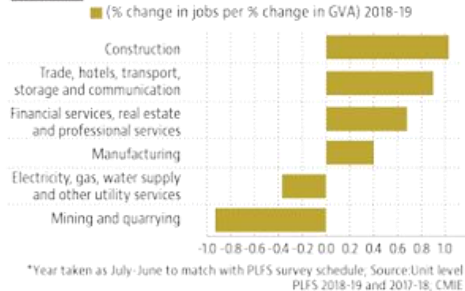
**CHART 1** PROJECTED GDP GROWTH



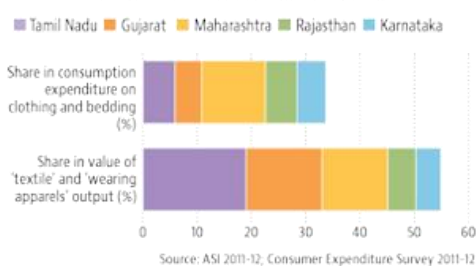
**CHART 2** SHARE OF NON-FARM, NON-GOVERNMENT SECTORS IN GSVA



**CHART 3** EMPLOYMENT ELASTICITY OF OUTPUT\*



**CHART 4** MISMATCH IN PRODUCTION AND CONSUMPTION SHARE IN TEXTILE



**A. Exports and imports sector**

India's exports in April 2020 fell by -36.65% year-on-year, while imports in April 2020 fell by -47.36% as compared to April 2019.

**B. Energy sector**

Night lights and economic activity are connected. India's fuel demand in April 2020 as compared to the previous year fell nearly 46%. By the first half of June 2020, India's fuel demand was 80-85% of what it was before the lockdown.

**C. Agriculture sector**

A study during the first two weeks of May by the Public Health Foundation of India, Harvard T H Chan School of Public Health and the Centre for Sustainable Agriculture found that "10% of farmers could not harvest their crop in the past month and 60% of those who did harvest reported a yield loss" and that a majority of farmers are facing difficulty for the next season. By the end of April, ₹17,986 crore (US\$2.5 billion) had been transferred to farmers under the PM-KISAN scheme. Odisha passed new laws promoting contract farming.

**D. Manufacturing sectors**

Major companies in India such as Larsen and Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, the fashion and retail wing of Aditya Birla Group, Tata Motors and Thermax temporarily suspended or significantly reduced operations in a number of manufacturing facilities and factories across the country. iPhone producing companies in India also suspended a majority of operations. Nearly all two-wheeler and four-wheeler companies put a stop to production till further notice

**E. Stock markets**

On 23 March 2020, stock markets in India post worst losses in history. SENSEX fell 4000 points (13.15%) and NSE NIFTY fell 1150 points (12.98%). However, on 25 March, one day after a complete 21-day lock-down was announced by the Prime Minister, SENSEX posted its biggest gains in 11 years, adding a value of ₹4.7 lakh crore (US\$66 billion) crore for investors. On 8 April, following positive indication from the Wall Street that the pandemic may have reached its peak in the US, the stock markets in India rose steeply once again. By 29 April, Nifty held the 9500 mark.

**F. E-commerce**

In the third week of March, Amazon announced that it would stop sale of non-essential items in India so that it could focus on essential needs. Amazon followed the same strategy in Italy and France. On 25 March, Walmart-owned Flipkart temporarily suspended some of its

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services on its e-commerce platform and would only be selling and distributing essentials.<sup>1</sup>BigBasket and Grofers also ran restricted services, facing disruptions due to the lockdown. . E-commerce companies also sought legal clarity related to defining "essentials".

#### **G. Defense**

The Department of Military Affairs led by the Chief of Defence Staff postponed all capital acquisitions until the corona virus pandemic recedes. No new major defence deals would be made in the beginning of the financial year 2020–21. While the delivery of S-400 missile systems won't be affected, the delivery of Rafale fighter jets was reported to maybe being affected however on 24 March, France confirmed that there will be no delay in the delivery of the 36 Rafale jets. In May, the Chief of Defence Staff General Bipin Rawat again emphasized the need for India to minimize costly defense imports and boost domestic production.

#### **H. State income and expenditure**

State governments incurred huge losses to the extent of having to cut capital expenses as well as government plans in the near future and finding alternate ways to pay salaries..Maharashtra put a hold on all new capital works till March next year; spending under government development schemes has been reduced by 67% for the current fiscal.

#### **I. Supply chains and logistics**

Following the lockdown, certain essential supply chains broke down. Although inter-state travel has been banned, it doesn't apply to essentials, and in places like Maharashtra the state police are yet to streamline the process, disrupting supply chains. On 29 March the government allowed the movement of all essential as well as non-essential goods across the country during the lockdown. The milk and newspaper supply chains are also allowed to function.

#### **J. Migrant workers and labour force**

Due to the lockdown, daily-wage workers (the urban poor and migrant laborers) were left with no work. At the same time, the lockdown restrictions put a stop on the movement of buses and trains. Large numbers of migrant workers ended up walking back to their villages. Railways transported 48,00,000 migrants back to their homes in the special trains allocated for them between 1 and 27 May. On 20 June 2020 the government launched the Garib Kalyan Rojgar Abhiyaan for the welfare of migrants.

## 6. RESULTS AND FINDINGS

**To survive in this pandemic period, the organizations should adopt certain strategies to transform panic into constructive and proactive action.**

- Firstly, every organization need to know the present exterior environment, for which they need to conduct PESTEL (Political, Economic, Social, Technological, ecological and Legal) analysis. This will help the business to avail the benefits provided by the government which may soothe their business operations in this turmoil Assessing financial environment will throw light on the current economic situation of the country, buying power of the buyer, change in their taste and preferences, volatility in demand and supply, etc.
  - Then the creativities should conduct internal analysis to appraise their present position. They should properly know their essential competent area, availability of resources and manpower and their capabilities. More powers should be bestowed upon the CEO and CFO by the Board so that they do not confront impediment while taking urgent decisions in the period of crisis As well as, they need to identify the serious worries and must take a lead in designing contingency plans and developing plausible scenarios so as to overcome the crisis situation.
  - On basis on internal and external analysis, the entities should use SWOT analysis to correctly identify its strength, weaknesses, opportunities and threats. Strength checks what an initiative excels at and in what it is exclusive compared to its players. Whether it has skilled workforce, better knowhow or technology, loyal customer base, adequate capital, strong brand image, better equipment, ideal location and so on. Weaknesses will help an organization lacks such as insufficient capital, high debt pressure, shortage of skilled workers, weak brand, resource limitations, inadequate supply chain, etc. An opportunity specifies the favorable exterior factors which might give rise to certain competitive advantages for an enterprise. Threats refer to all those external factors that poses a risk to the entity or its likelihood of growth and prosperity.
  - Organizations need to rethink their commercial model, focus on their core business area, recover their strategies, reword their plans and policies, try to explore new markets, embrace new sales channel and find more opportunities to grow. Companies should focus on zero base budgeting by starting from zero and including only those expenditures which are essential to withstand the current situation.
  - Technology is one of the dynamic aspect which the companies need to focus on. At present, every business should concentrate on digitalization since social distancing is a prime issue today. Digital technology can help the companies to alleviate the effect of corona virus.
  - Entities should focus on their core customer segments and need to predict their behavioural changes due to corona virus. Certainly, the consumption pattern will change for the crisis. So,
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the firms should rebuild their customer base and maintain contact with the key customers to strengthen loyalty and get their support.

- Companies need to figure out the availability of workforce as there may be unavailability of outsourced and migrant labourers for certain period of time. Companies should also ensure labour health and safety in the workplace for carrying out the operational activities properly.
- Lastly, to keep the business floating in course of challenging period, a robust business continuity and disaster management plan is required. Every business should have such plan to cope with the difficulties and uncertainties that may arise anytime during the course of business.

## **7. CONCLUSION**

The whole world is in the clutch of vicious corona virus. It has severe consequences on the global business world. Therefore, this study has put forward the possible effects of corona virus on the dissimilar sectors of Indian economy and the reasons for which India one of the emerging economies in the world can be benefitted in this crisis period. However, during this current pandemic scenario, every enterprise should support for the worries and challenges that are cropping up due to corona virus. They need to be active and should build up strategies to battle the effect of corona virus in order to sustain during this tough time. Strategy creators need to be prepared to scale up the response as the events unfold so as to minimise the impact of the shock wave on both the formal and informal sectors and pave the way for a V-shaped recovery. At the same time they must ensure that the responses remain well-preserved in a rules-based framework and limit the exercise of discretion in order to avoid enduring damage to the economy.

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