

# COVID-19 OUTBREAK: IMPACT ON INDIAN ECONOMY

**Dr. Bipin N. Bhogekar**

Sau. Leena Kishor Mamidwar Institute of Management Studies & Research, Kosara, Chandrapur

**Dr. Vivek B. Kawade**

Sau. Leena Kishor Mamidwar Institute of Management Studies & Research, Kosara, Chandrapur

**Dr. Niyaj S. Sheikh**

Sau. Leena Kishor Mamidwar Institute of Management Studies & Research, Kosara, Chandrapur

## ABSTRACT

Covid-19 virus outbreak affects Global economy and Indian economy too. This article to analyzing impact on the various economic factor or financial growth and status of India before and after lockdown and analyze the comparative change of that particular economic data regarding last financial year and effect of the various parameter and trend of financial component.

**KEYWORD:** Inflation (Consumer Price Index), IIP, Sectorial Credit Growth, FDI, Money Supply, Government policy, International Trade, GDP.

Article Received: 10 August 2020, Revised: 25 October 2020, Accepted: 18 November 2020

## INTRODUCTION

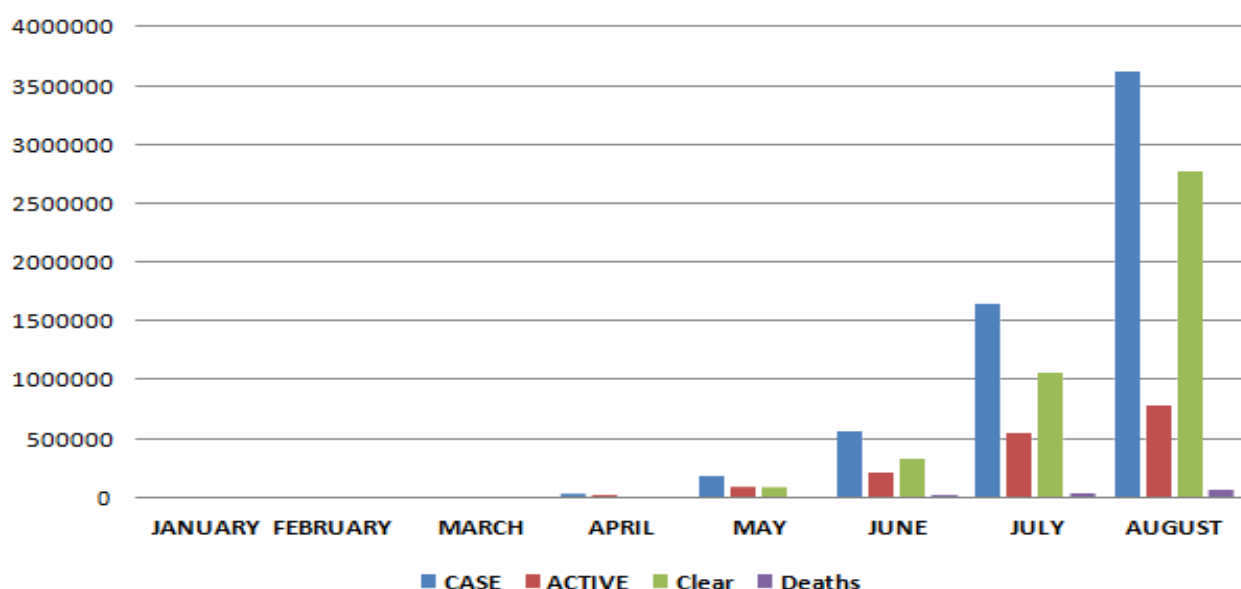
In the accounted year 2019, IMF predicted the slow down the economic growth due to US- China trade war, Syrian crises. In December-2019, China outbreak a first document of novel Coronavirus in Wuhan, Hubei province. This outbreak spreading more than 186 country. WHO may note of this and declare COVID-19 as global pandemic on March, 11, 2020. The Indian economy has been hit hard by the COVID-19 pandemic and the resulting blockade as it has disrupted people's lives and disrupted normal

economic activity.

## OUTBREAK IN INDIA

In India, the first imported case of Corona virus (COVID-19) was reported in the state of Kerala January 30, 2020. According to press releases by the ICMR on May 8th, 2020. 14,37,788 samples had been sent to National Institute of Virology (NIV), Pune 56,342 cases are tested positive. There after 1,97,192 cases have been reported from positive from different regions of India. Maharashtra, Delhi and Gujarat are the major hotspot sates for Covid-19.

## COVID-19 : Trends in India



## GOVERNMENT POLICY

WHO predicted spreading a virus in India it is difficult to control after that statement released statement Ministry of health and family welfare adaptation of building a multiple strategies and rising awareness

about the outbreak. The Central and state government formulating several wartimes protocols for prevention spreading of virus. There are several protocols or policy adopted by the government.

- Janta Curfew as on 22 March 2020

- Screening of passengers on AirPort
- SocialDistancing
- Closing an increasing Check post of InternationalBorders.
- Quarantine methods adaptation by State and

Centralgovernment

- Building a health care Services andsystems
- Establishing red, green, orange instates

**NATION WIDE LOCKDOWN/ UNLOCK (UNL)**

Lock Down	Duration	Days
1	02/03/2020 To 14/ 04/ 2020	21 Days
2	15/04/2020 To 03/05/2020	19 days
3	04/05/2020 To 17/05/2020	14 days
4	18/05/2020 To 31/05/2020	14 days
Unlock	Duration	Days
1	01/05/2020 To 30 05/2020	30 days
2	01/06/2020 To 31/05/2020	31 days
3	01/08/2020 To 31/08/2020	31 days
4	01/09/2020 To 30/09/2020	30 days
5	01/10/2020 To 31/10/2020	30 days

Due to the government lockdown adaptation most of the industries, MSME, facing a large scale economic problems and the economy of India also close down position and poles have fair about virus and impact of that demand in the economy is vanishing. Government of India's priority to boost the economic activity to roll back the situation offering economic packages by finance ministry and RBI.14 May 2020 Finance

Ministers NirmalaSitaraman with MOS, Anurag Thakur shared the details of About PM offering 20 Lakh Core package to Indian economy. The following showing declared amount of packages for the respective sectors with understanding the basic focus of pillars of the economy Infrastructure, Technology, Demography and Demand.

Sector	Provision of Amount
Infrastructure	1 Lakh Core
Agricultural and Allied	1.5 Lakh Core
MSME ( Change of Definition of MSME)	3 Lakh Core
Pradhan Mantary Garib Kalyan Yojana (PMGKY)	1.92 Lakh Core
Street Vendors	5,000 Core
Kisan Credit Cards	2 Lakh Core
Migrant Workes	11,000 Core
NBFC/ HFC/MFI (Conditional basis)	30,000 Core
EPF ( EMPLOYESS)	2,500 Core
DIS( Power Distribution Company)	90,000 Core
Contractors	6 month extension period
RBI (Reserve bank of India)	8.01 Lakh Core

**REVIEW OF LITERATURE**

The performance of an economy is generally assessed in terms of achieving economic goals. These goals can be long-term, such as sustainable growth and development, or short-term, such as stabilizing the economy in response to sudden and unpredictable events, called economic shocks.

"A collection of statistical information on the economy. The most widely used economic indicators in the country include gross domestic product, production by sector, employment, unemployment, inflation, price of production, imports, exports, public debt and interest rates. "Black John, Oxford University Press

"Statistical or economic indices produced on a regular basis. They are important as barometers of economic activity and the state of the business cycle. To the extent that it relates to government policy and asset

value assessment, it is important new information. Economic indicators are defined as leading, coincident or lagging indicators. Leading indicators are considered the most important in terms of new information, while the other types of indicators provide confirmation. By Moles Peter: The Handbook of International Financial Terms. Oxford University Press, 2012

COVID has created shock and uncertainty not only in India but around the world, putting two- thirds of the world's population under control. Humanity, knowledge and science face challenges; posing socio-economic and political risks for the whole world. This pandemic has disrupted the global economy, investment flows, the global value chains (GVC) supply chain network, declining global demand and, as a result, has slowed the growth of the world economy and India.

**OBJECTIVE OF THE STUDY**

- To analyze economical trend and strength of India.
- To analyze the comparative economic change in indicators for the year 2019 and year 2020
- To analyze the growth of the Indian Economy

#### **LIMITATION OF STUDY**

- This study is limited to the economic investigation activity in India.
- This study collects realistic data from authentic sources for the duration from January to September for the year 2019 and 2020

#### **INDIAN ECONOMY**

India is the second largest by population and the sixth by economic activity in the world. India's progressive economic changes and Indian GDP growth are slowing to 4.4% before the outbreak of covid-19.

Microeconomics plays a more important role in the development of the country's national economy. It indicates the behavior of the consumer or the people of the country, how they react and make the decision. In this situation, the following parameters will help to understand the thinking of Behavior of individuals and companies. The following things should measure the country's microeconomics.

- **Inflation (consumer price index)**

Inflation is a study on the increase in the prices of goods and services used daily. It is used in its entirety to determine a person's cost of living and how much to pay for it. Useful component for determining the government or fiscal policy of the economy, it measures a country's purchasing power and standard of living of people to pay for a basket of goods and services. The CPI index measures the rate of inflation for urban rural areas and combines the basis for identifying inflation.

- **IIP (Industrial Production Index)**

PII is a key indicator for the economy that tracks industrial output or manufacturing activity across various sectors. Indicates the growth of the central sector of the economy. It involves the demand for goods and the purchasing power of people. Positive IIP growth implies GDP growth.

- **Cash flow**

The flow of money into the economy is controlled by the country's central bank. In India, the RBI must control the flow of money by implementing monetary policy with the fundamental objective of controlling the rate of inflation and skewing the growth rate of the economy to increase the demand for production and investment. Includes CRR (Cash Reserve Ratio) and Interest Rate (MCLR) for borrowers and repurchase rate for the banking system. If the CRR is low or minimal, the money flow into the economy is greater, which indicates the momentum of demand in the

economy and controls inflation. When the interest rate on the loans is minimal, the firm's operating activity, savings and capital investment and the loan are in high demand. There is some basic component to including tight money with public and M3 money supply.

- **Credit growth**

It is an important banking function of the economy to promote savings and investment to ensure a better allocation of the country's financial resources. You are transferring excess funds to promote entrepreneurship to raise the level of income in the economy. This in turn is to drive the country's highest GDP and industry productivity.

It involves lending to the public, private and individual. It indicates the feelings of the domestic economy of individuals, private and public. When credit growth is on the rise, the consumer can borrow and spend this money on business operations and encourage investment and enlighten the needs of the economy. If credit induces the economic boom, it comes to an end. In addition, it correlates and adjusts interest rates per bank with maintaining the reserve as collateral to pay off a liability or debt in the flow of money in the economy.

- **Trade balance**

Trade balance or trade balance means the difference between import and export values within a set period. If imports are greater than exports, the trade balance is in deficit, indicating the negative balance. This implies that foreign states pay importers and employees on the resources of other countries, which suffer from the country's income.

- **RES (Foreign currency reserve)**

The foreign exchange reserve is the backbone of the economy. It plays a vital role in the internal and international market to stabilize the economy during uncertainty. It is useful to analyze the level of confidence of the international market, as well as stabilize the price of the Indian currency against the different international currencies. RES plays an important role in the country's crisis management. It is useful to reserve to pay off external debts.

- **FDI (foreign direct investments)**

FDI is the long-term flow of capital and investment from the cross-border country and businesses. It plays the main role in transforming the growth of the economy if the flow of FDI increases, increasing technological, industrial and job creation in the country, which creates an attractive and profitable investment for the foreign investor and increases the global confidence for the country. The negative impact indicates low morale and low participation in the country's GDP growth.

- **GDP (gross domestic product)**

GDP is the resulting indicator of independent growth of the economy and also measures the country's per capita income and the trend in the country's standard of living. Most economists have observed that if GDP rises, the economy is strong and the nation moves forward and if GDP falls, the economy could be in trouble.

### HYPOTHESIS

- Covid-19 impact is very harmful for the Indian economy and influence the growth for a long time with high speculation rate

### SOURCES OF DATA

The data has been collected from secondary sources. It includes government and RBI authentic website and press released document on regular basis monthly, quarterly and annually.

### DATA ANALYSIS

In Indian context financial year starts from April (Current Year) and ended at March (Next Year). In this paper assumes the only year not the financial year. Statistical data is calculated on the basis of the assessment year 2019 and 2020, not on financial year context.

#### 1. Year -2019:

- Q4 For the year ended 2018-19 assumes as Q1

Month	Combined	Rural	Urban	CPI % ( in Change Monthly)		
DEC	150.4	152.3	148.3	Combined	Rural	Urban
JAN	150.2	151.9	148.2	-0.13	-0.26	-0.07
FEB	149.1	147.7	150.4	-0.73	-2.76	1.48
MAR	148.7	149.8	147.4	-0.27	1.42	-1.99
APR	151.7	154.1	150.4	2.02	2.87	2.04
MAY	151.9	154.3	150.3	0.13	0.13	-0.07
JUN	151.8	152.7	150.8	-0.07	-1.04	0.33
JUL	154.2	155.1	153.1	1.58	1.57	1.53
AUG	154.7	155.4	154	0.32	0.19	0.59
SEP	156.5	157.6	155.2	1.16	1.42	0.78
OCT	151.92	153.09	150.81	0.45	0.39	0.51

(Jan-March),

- Q1 For the new financial year 2019-20 assumes as Q2(April-Jun)
- Q2 For the new Financial year 2019-20 assumes as Q3(July-Sep)

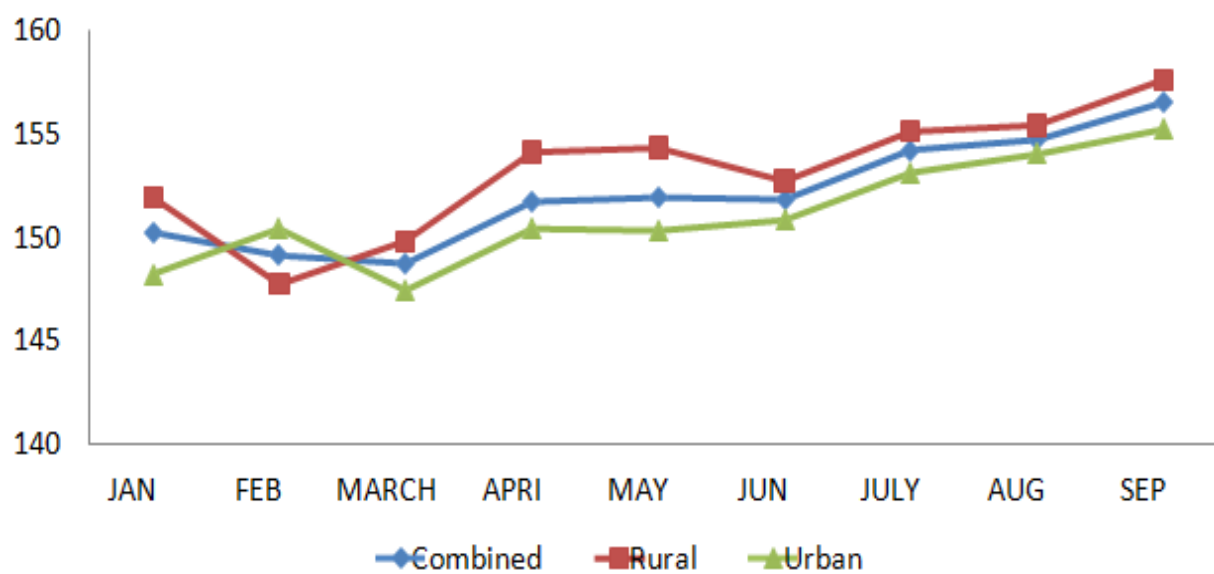
#### 2. Year- 2020

- Q4 For the year ended 2019-20 assumes as Q1 (Jan-March),
- Q1 For the new financial year 2020-21 assumes as Q2(April-Jun)
- Q2 For the new Financial year 2020-21 assumes as Q3(July-Sep)

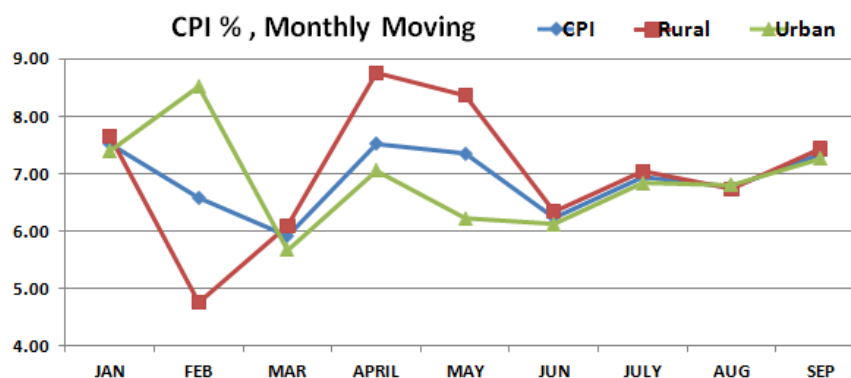
3. Ratio of change is calculated on the basis of previous years and quarter basis of the respective year and change of the quarter of the previous year identified the impact of covid- 19 outbreaks and present situation of the Indian economy. The following economic indicators are compared.

### 1. Inflation

#### a. CPI Movement for the Year 2020:



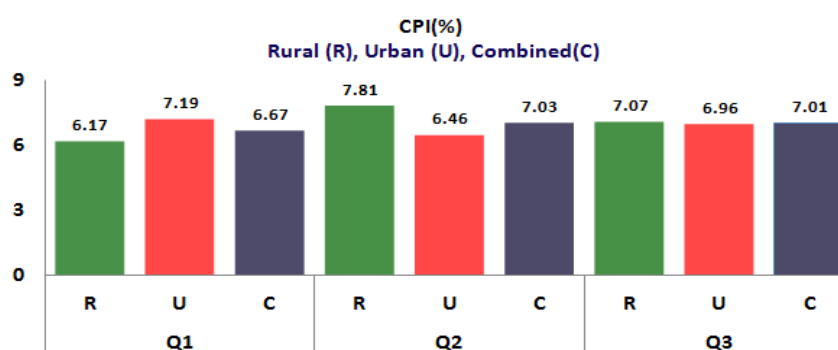
**a. CPI change in percentage from the year 2019 to2020:**



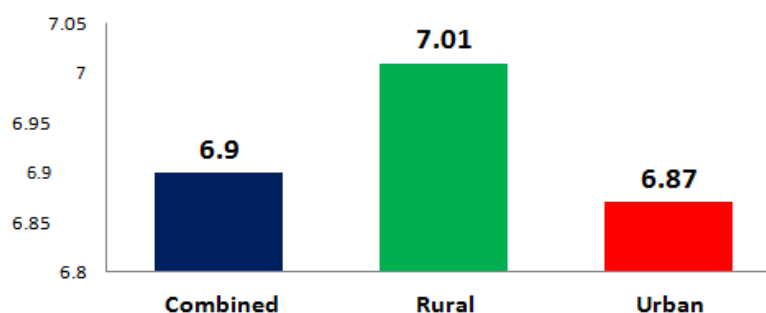
CPI Index	2020				2019				Inflation (%)	
	Maximum		Minimum		Maximum		Minimum		High	Low
CPI Combined	SEP	156.5	MAR	148.7	SEP	148.5	JAN	139.7	JAN 7.52	March 5.91
Urban	SEP	155.2	MAR	147.4	SEP	144.7	JAN	138	FEB 8.51	March 5.66
Rural	SEP	157.6	FEB	147.4	SEP	146.7	FEB	141	APR 8.75	FEB 4.75

**a. CPI % of Change Quarterly (Rural, Urban, and Combined-General):**

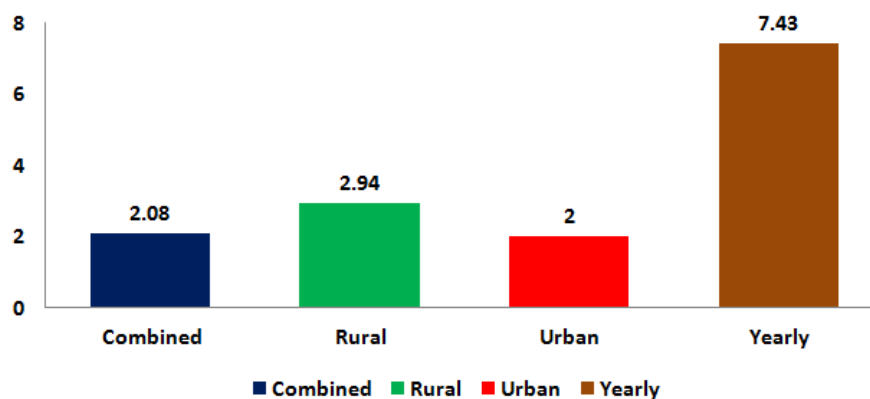
YEAR	Q1			Q2			Q3		
	R	U	C	R	U	C	R	U	C
2020	149.8	148.67	149.3	153.7	150.5	141.8	156	154.1	155.1
2019	141.1	138.7	140	142.6	141.4	151.8	146	144.1	145



**a. Inflation Rate (CPI%)**

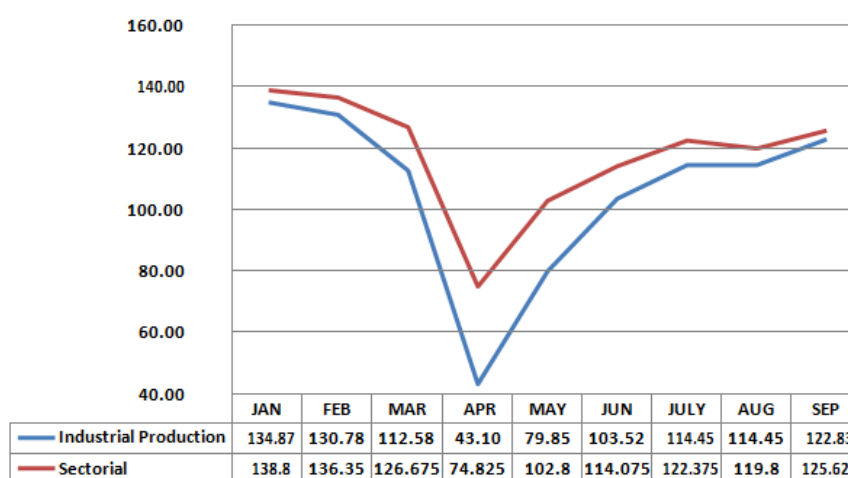


**a. Inflation in Pandemic (March- MAY)**



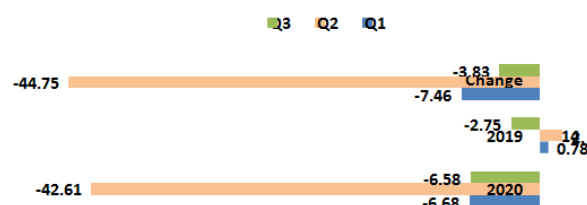
## 2. IIP (Index of Industrial Production)

### 1. IIP Movement for the year 2020

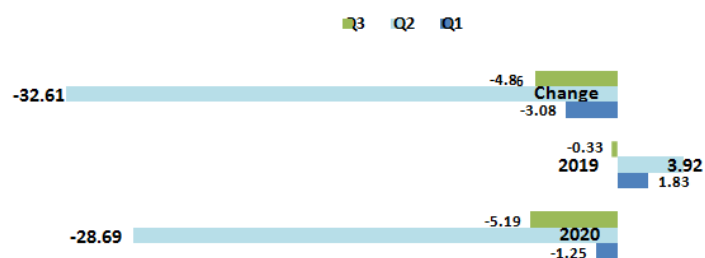


### 1. Quarterly Growth Rate

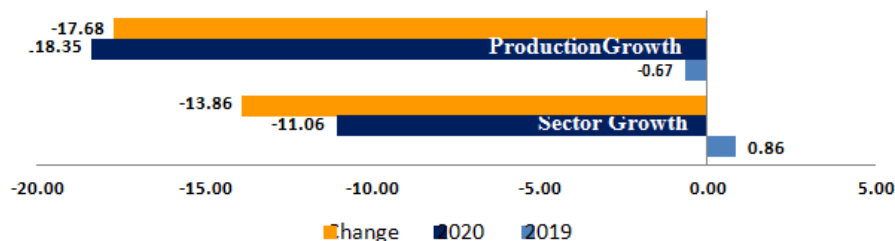
#### A. Industrial Production



#### A. Sectorial



### 2. IIP Annual Growth Rate(%)



### 3. Money Flow

#### a. RBI Monetary Rate

Monitory Rate	Quarterly			Change (%)	
	Q1	Q2	Q3	Quarterly	Pandemic
CRR	4	3	3	-25.00	-25.00
Deposit Rate( cash)	4.74	3.8	3.71	-21.73	-19.83
MCLR	7.4	6.7	6.65	-10.14	-9.46
Repo	4.9	3.55	3.35	-31.63	-27.55
Term Deposit	5.9	5.1	4.9	-16.95	-13.56

#### a. Monitory Flow

Monetary Flow	2019 ( Crore Lakh)				2020 ( Crore Lakh)		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Narrow Money	35.07	35.70	36.06	36.70	39.34	41.17	42.92
Money Supply	150.47	154.05	156.87	159.87	165.60	171.90	176.72
Reserve Money	26.62	28.07	27.83	28.74	29.90	31.05	31.70

#### a. Monitory Growth Rate

Money Impact	Growth Rate (%)				Rs. (Crore Lakh)
	2019	2020	Change	Pandemic	
Narrow Money	4.64	9.11	4.47	1.80	1.83
Money Supply	6.25	6.71	0.46	2.37	6.30
Reserve Money	7.95	6.03	-0.24	-20.40	-0.30

### 4. Credit Growth Rate

#### a. Annually

Sector	2019 (Rs. Crore)		2020 (Rs. Crore)		Growth Rate		YOY (%)
	JAN	SEPT	JAN	SEPT	2019	2020	
GROSS	8274989	8674892	8978800	9183525	4.83	2.28	-2.55
Food Credit	70700	41474	78664	66204	-41.34	-15.84	25.50
Services	2234030	2415608	2431975	2576254	8.13	5.93	-2.20
Personal Loans	2137063	2220732	2497250	2571712	3.92	2.98	-0.93
Priority Sector	2664619	2739021	2772197	2884154	2.79	4.04	1.25
MSME & Large	2750038	2885778	2817525	2774867	4.94	-1.51	-6.45
Agricultural & Allied	1083159	1111300	1153386	1194488	2.60	3.56	0.97
Export Credit	17519	15566	13503	14831	-11.15	9.83	20.98

#### a. Pandemic

Sector	2020 (Rs. Core)		rowth Rate (%)
	March	MAY	
GROSS	9263134	9108882	-1.67
Food Credit	51590	79135	53.39
Services	2594946	2543079	-2.00
Personal Loans	2553652	2478863	-2.93



Priority Sector	2897461	2795546	-3.52
MSME & Large	2905151	2861607	-1.50
Agricultural & Allied	1157791	1146207	-1.00
Export Credit	16114	17381	7.86

## 5. International Trade

### a. Trade Balance -2020/ USD Billion

Month	Jan	Feb	March	April	May	Jun	July	Aug	Sept
Export	25.97	27.65	21.41	10.36	19.05	21.91	23.64	22.7	27.58
Import	41.14	37.5	31.16	17.12	22.2	21.11	28.47	29.47	30.31
Trade Balance	-15.17	-9.85	-9.75	-6.76	-3.15	0.8	-4.83	-6.77	-2.73

### a. Annual Analysis 2020/2019

International Trade	2019 ( USD Billion)			2020 ( USD Billion)			Total Trade YOY		Ratio (%) YOY
	Q1	Q2	Q3	Q1	Q2	Q3	2019	2020	
Export	86	81.07	78.34	75.03	51.32	73.92	245.41	200.27	-18.39
Import	121.77	127.04	99.83	109.8	60.43	88.25	348.64	258.48	-25.86
Trade Balance	-35.77	-45.97	-21.49	-34.77	-9.11	-14.33	-103.23	-58.21	-43.61

### b. Pandemic

International Trade	2020 ( USD Billion)		Ratio (%)
	Q1	Q2	
Export	86	81.07	-5.87
Import	121.77	127.04	4.32
Trade Balance	-35.77	-45.97	27.95

## 6. Foreign Exchange Reserve

### a. Rupees /USD

Currency	JAN	FEB	MARCH	APRIL	MAY	JUN	JULY	AUG	SEPT	Deficit (%) April-Sept
USD	71.29	71.59	74.53	76.36	75.73	75.81	74.97	74.66	73.56	3.69

### b. Annual Analysis 2020/2019

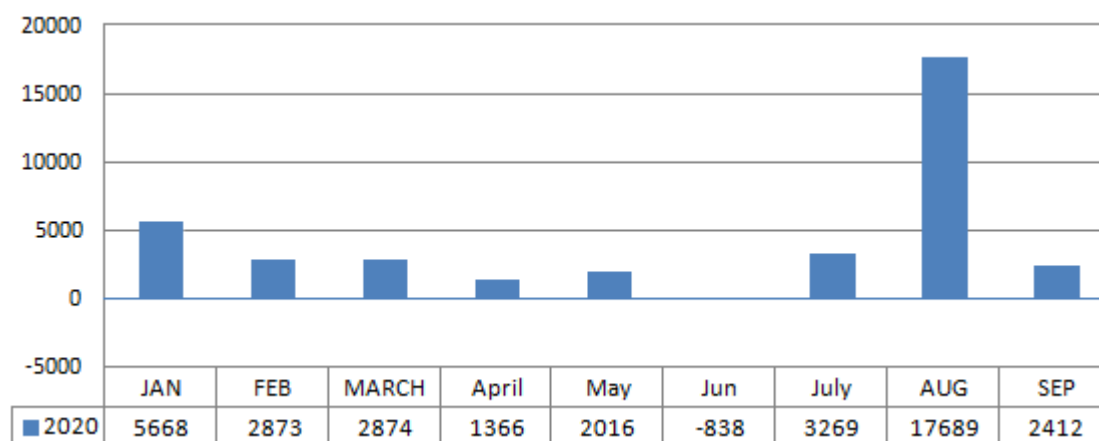
YEAR	2019 (USD Billion)			2020 (USD Billion)			Total Reserve		Growth Rate Q3/Q1		YOY (%)
Quarter	Q1	Q2	Q3	Q1	Q2	Q3	2019	2020	2019	2020	
FER	1209.30	1268.06	1291.85	1428.40	1479.77	1618.02	82.55	189.62	6.83	13.27	6.45

### c. Pandemic

YEAR	2020 (USD Billion)		Total FER		Growth Rate (%) Q2/Q1	
Quarter	Q1	Q2	2020	2019	Grow Rate	YOY
FER	1428.40	1479.77	51.37	58.76	3.59	-7.39

## 7. Foreign Direct Investment(FDI)

### a. FDI Inflow for this year 2020 (US \$Million)



**b. FDI Comparative Analysis Year: 2020/2019:**

Year	Month								
	JAN	FEB	MARCH	April	May	Jun	July	AUG	SEP
2020	5668	2873	2874	1366	2016	-838	3269	17689	2412
2019	3682	1949	789	4649	2818	7352	3812	1851	1981

Year	Total	AVG (Annually)	AVG Growth Rate	AVG (%) Increase/ Decrease
2020	37329	4147.67	29.24	5.91
2019	28883	3209	23.34	

**c. Pandemic**

YEAR	Quarterly AVG. FDI			
	Q1	Q2	Inc./ Dec.	Rate (%)
2020	3805	848	-2975	-78
2019	2140	4940	2800	131

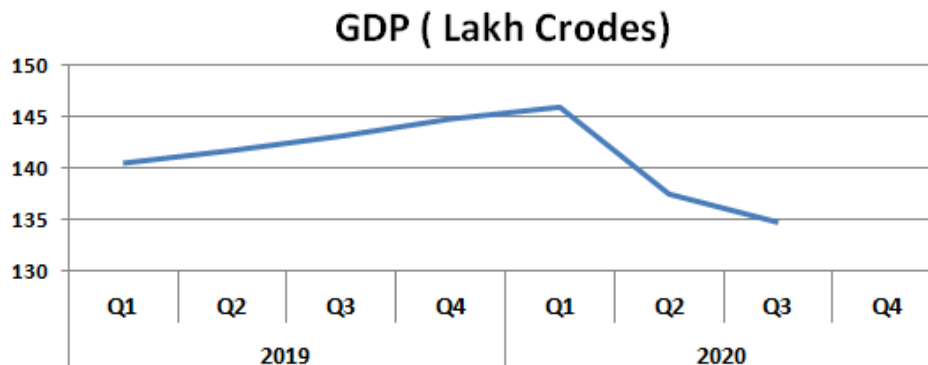
**8. GDP (Gross Domestic Product)**

**a. Quarterly Growth of GDP (Lakh. Core)**

YEAR	Jan- March	Apr- Jun	July-Sep	Oct-Dec
	Q1	Q2	Q3	Q4
2019	36.90	35.35	35.84	36.65
2020	38.04	26.90	33.14	N/A
Growth Rate (%)	3.09	-23.9	-7.5	N/A

**b. GDP Growth Rate last Four Quarter (Lakh. Core)**

Quarter	2019		2020		Growth Rate (%)		Quarterly Growth Rate (%)	
	GDP	Per Capital (Rupees)	GDP	Per Capital (Rupees)	GDP	Per Capital (Rupees)	GDP	Per Capital (Rupees)
Q1	140.47	102489.02	141.88	105818.84	1.00	3.25	-1.98	0.79
Q2	141.68	103221.08	137.48	99623.19	-2.96	-3.49	-3.20	-5.85
Q3	143.09	104685.21	134.73	97630.43	-5.84	-6.74	-2.04	-2.00
Q4	144.74	104992.75	-	-	-	-	-	-

**c. GDP Movement(Year:2019-2020)****GDP ( Lakh Crodes)****FINDINGS**

- Inflation (CPI):** Inflation (CPI) is annually in 7% and in pandemic is increasing in 2% which is very high accompanier to targeted rate 4-5% .Which showing increasing in trends.
- Industrial and Sectorial Production (IIP) :** IIP index showing 'V' Shape recovery in Industrial as well as Sectorial which indication the point of switch of operation due to pandemic by lock down the operation and not to be consider as indicator of recovery or growth of resolving lockdown condition. The annual growth rate of Industrial and Sectorial as compare to year 2019 is negative growth rate 18% and 14% respectively. High in lockdown negative growth rate 45% and 33% respectively in situation of pandemic.
- Money Supply & Rate:** Monetary rate is highly in deduction. Narrow money rate is high, supply of money by is increasing in increasing mode and reserve rate money is slightly in downwards.
- Credit Growth:** Annual Credit growth of the economy is in negative mode as compare to year 2019 and during the pandemic quarter also while the low rate of interest in economy. Food Credit, Priority Sector and Export Credit is positive annual growth rate 25.5%, 1.25% and 20.98% as compared to year 2019. During pandemic is food credit and Export credit growth is positive in 53.39% and 7.86% respectively.
- International Trade :** The gap between import and export is minimize and in month of the June trade balance of Indian Economy record little bit but positive in mode around 0.8 USD Billion. Yearly trade balance is reduces 43.61%, Export 18.39% and Import is of 25.86%.as compare to year 2019. Which trade balance indicates positive signal for Indianeconomy.Duringthepandemicquartertradebalanceisincreases27.95%,Export -5.87% and Import increases to 4.32%.
- Foreign Exchange Reserve (FER):** USD Dollar is

very high in April around 76.36 rupeesand it defecate form 3.69%. Annual Growth rate of foreign exchange reserve is inclined by 6.45% as compared to year 2019 and in this year 2020 inclined quarterly by 13.27%. During pandemic growth rate is3.59%.

- Foreign Direct Investment (FDI):** FDI inflow during this year 2020, 17,689 US Million in the month of August. Annual average FDI growth rate is 5.91% as compared to last year 2019 and in this year up to this quarter 29.24% while 23.34% in the last year which indicates incrementalgrowth.
- Gross Domestic Product (GDP):** Quarterlyaverage GDP growth of the Indian economy is recordednegative 9.43%. and highly decline in Q2 around decline in 23.9% and Q3 recorded negative growth rate -7.5% as compared to last year quarter. While preceding last four quarter analysis the GDP of the country is Rs.134.73 (Lakh core) and annual income per capita income of country is RS. 97,630/- . GDP and annual per capita growth rate of the country is decline 5.84% and 6.74% as comparedto year 2019.While considering the quarterly growth rate of the GDP is decline 2.04% which is recovered from the Q2, 3.20%, annual per capita income is recorded decline growth of 2% which recovered from last Q2, 5.85%. The growth of Indian economy movement indicating the lower GDP growth rate and in high risk in economy.

**CONCLUSION**

Covid-19 impact is affected by the county and this effect is very long time but actual growth of the country is decline in nature before pandemic. Except FDI, FER and International trade. Demand within of the economy is not rising in various sectors by decline rate of interest with high inflation rate. GDP growth of the Indian financial year 2020-21 it lives between and expected to be up to the 1% or less than that

**SUGGESTION**

- Focus to Stable and make economic growth activity rather than radical changes in economy

- Indian government should invest in national infrastructure project to develop urban unemployment to boost the economy and demand with relating allied sector growth.
- Recruitment in major sector nationwide to boost domestic economy and demand within an country
- Government established liberal talks with various institutional and major industry to established and develop the confidence level the economy to boost the demand confidence level of consumer

- Government focus liberal recruitment and job creation in private and public sector to develop the credit growth and demand within country

#### REFERENCE

- [www.cga.nic.in](http://www.cga.nic.in)[www.dea.gov.in](http://www.dea.gov.in)[www.rbi.org.in](http://www.rbi.org.in)[finmin.nic.in](http://finmin.nic.in) [mospi.nic.in](http://mospi.nic.in) [doe.gov.in](http://doe.gov.in)
- [pib.gov.in](http://pib.gov.in) [labourbureau.gov.in](http://labourbureau.gov.in)  
[www.statistics.gov.rw](http://www.statistics.gov.rw)[economictimes.indiatimes.com](http://economictimes.indiatimes.com)