



---

## **IMPACT OF LOCKDOWN DURING COVID-19 CRISIS ON INDIAN ECONOMY**

**Dr. Gopal Ramkrushna Tadas**

**Principal**

**Shri R.R. Lahoti Science College Morshi, District Amaravati**

### **Abstract:**

Spread of covid-19 pandemic has shocked global economy. It has adversely affected Indian economy as all the economic activities were locked for about two months in lockdown period. It has disrupted demand and supply chain mechanism. All the sectors of economy are adversely affected by lockdown. It is tough time for government to recover the economic crisis. It is an attempt to study the impact of covid-19 and lockdown on Indian economy, to study the impact on various sectors of economy and necessary space required for recovering the economic crisis cause by covid-19 pandemic.

**Key Words:** Corona virus (covid-19), Indian Economy, Corona Pandemic.

### **Introduction:**

Whole world is suffering from covid-19 pandemic caused by corona virus. More than 60 lacks people are affected by corona virus and above 3.5 lacks people have lost their lives in the world. In India number of corona patients crossed two lacks and has crossed more than five thousand death. The number of cases and death are increasing rapidly. There is neither cure nor vaccine for covid-19. So, only measure to control pandemic is to maintain physical distancing. Almost all the countries including India have adopted lockdown for this purpose. Prime minister of India declared nation wise lockdown from 25 March for 21 days and it was extended three times and continued for 68 days. During lockdown period most of the economic activities were closed. It has adversely affected consumption, investment, industries and trade. India was suffering economic slowdown in the first three quarter of financial year 2019-20. The GDP growth rate was recorded at 4.5% in second quarter. It was expected to increase in the last quarter of financial year 2019-20. However covid-19 pandemic and the lockdown has adversely affected the GDP growth rate. The lockdown has negative impact on all the sector of economy including agriculture, industry, trade, tourism,



real estate etc. Economic slowdown caused by lockdown has distracted economic development and ruined the Indian economy to a large extent which will have long lasting effect.

**Objective:** The objectives for this article are as under

- To study impact of covid-19 on Indian economy
- To study impact of lockdown on various sectors of economy.
- To understand the impact on demand and supply forces.

**Research methodology:**

This research paper is based on secondary data collection from various research articles, newspaper, reports, e-journal and different websites.

**Impact of lockdown on Indian economy:**

Lockdown made all the economic activity stand still for about two months in April and May. It has adversely affected the economy on both demand and supply forces. Tourism and hotel industries were worst hit. Industries and shops were locked down. Millions of workers lost their jobs. The problem of unemployment, loss of income and purchasing power resulted in a decrease in effective demand for essentials and non-essentials goods. Workers in the unorganized sector have no source of income. Hence demand for goods and services collapsed. Travelling was banned so the transport sector suffered huge loss. Hotels, restaurants, malls, shopping complexes all were shutdown due to this demand forces being abolished resulting in decreasing consumption, production and investment. Private consumption expenditure which is the main component of national GDP is reduced considerably, has adversely affected the economy. During lockdown supply of essential commodities only was allowed, supply of non-essential goods and other facilities like transport, hotels etc. As a result private consumption expenditure was reduced by more than sixty percent during the lockdown period.

Lockdown adversely affected the supply side as all the industries were shut. Constraint in supply side arose early in Feb. 2020 when there was lockdown in China and other countries. Most of the industries in India depend on China for raw material, spare parts and machine tools. As there was lockdown in China there was a shortage of raw material and many industries were hampered. Such as automobile, pharmaceuticals, electronic and chemical products etc.



China is the largest source of imports among the covid-19 infected nations. India's import from china was 13.7% of total import, 6.9% from USA, 3.3% from South Korea, 2.9% from Germany and 2.5% from Japan during the year 2018-19. Top imported commodities include mainly the following items. The share of electrical machinery and equipment from China was 40% and 60% import from rest of the world. Machinery and nuclear reactor import from China was 31% and 69% import from rest of the world. And organic chemicals import from china was 38% and 62% rest of the world during the year 2018-19.

### **Impact of covid-19 lockdown on various sectors of economy:**

To understand the impact of covid-19 and lockdown on national economy, it is necessary to study the impact on various sector of economy. Impact of some important sector of economy is explained as under.

#### 1. Agriculture and Allied business:

Agriculture which is considered as backbone of Indian economy was adversely affected due to lockdown. Transport facilities were closed, so supply chain of agriculture produce was disrupted. Vegetables, fruits and other products were destroyed; price of soya bin, meat, grams were crash. Rabbi crops which were ready for harvesting and marketing in April could not be sold due to non availability of labors and transport. Poultry farming and fishery business were totally ruined.

#### 1. Tourism:

Due to travel restriction during lockdown period tourism and hospitality business was hampered both national and international tourism inside and outside India were cancelled. Accordingly all booking in hotels, restaurant there also cancelled. Many workers engaged in tourism and hotel business lost their job. Summer vacation which is considered as peak period for tourism in India was finished due to lockdown. Due to cancellation of domestic and foreign tourist both inbound and outbound tourism was reduced by 67% and 52% respectively in comparison to previous year. According to the Indian association of tour operators travel, hotel and aviation sector have suffered loss of 8500 crore in one month.

#### 2. E-commerce :



Government has banned e-commerce operation during lockdown period. Delivery of essential goods only was allowed to limited extend. Delivery of non essential goods like electronic, home appliances, cloth and other article were totally banned irrespective of large demand for such items. Thus e-commerce operations weredisrupted fortwo months. Therefore turnover and profit of e-commerce companies was reduced very much.

3. Real estate :

Real estate and construction sector was facing slowdown problem last three years due to demonetization, GST, and low demand for houses. It was expected that real estate sector will grow in the year 2019-20. However covid-19 problem ruined hopes due to unemployment, loss of income and liquidity crunch and the slowdown may continue for many year.

4. Capital market :

Financial transactions werepostponed during lockdown period. Industry,trade and commerce were closed therefore investment in capital market was stopped. Share markets collapse and investor suffered loss ofcrore of rupees. This unfavorable condition of capital market and liquidity crunch and despair of investors has hampered capital market to large extend and there is no hope of improvement in near future.

**Measures for recovering the economic crisis:**

It is very tough time for save the economy. The policy makers have to frame useful policy and strategy to overcome the economic crisis. Some of the measures recommended by scholars are as follows.

1. Workers in unorganized sector are worst hit by lockdown. Millions of workers lost their job. They have no income and no money to spend. It is necessary to provide them employment in rural sector under MNREGA scheme, to give cash



assistance and deposit amount in their Jan Dhan Account, provide free ration etc. so that they will survive their life.

2. To review organized sector by giving subsidy and cash assistant to pay salary to employee and wages to worker for unproductive lockdown period and to save them from insolvency.
3. To boost consumer confidence by increasing liquidity.
4. To make compulsory for companies to create fund and spend it for disaster management.
5. To create appropriate frame work for disaster management to control the community spread of covid-19 pandemic.

### **Conclusion:**

Covid-19 pandemic cause by corona virus has adversely affected economies of all developed and undeveloped nations. The crisis has hampered Indian economy by slowing down economic growth. Government has imposed nationwide lockdown for 68 days for controlling community spread of the pandemic. The lockdown disrupted economic activity resulting in increased unemployment and poverty. It has adversely affected all the sectors of economy including agriculture, industry, trade, commerce, tourism and hospitality etc. Government has announced economic package of 20 lackscrore rupees for providing relief to various sector and recovering economy from the disaster cause by covid-19 pandemic. It is expected that the scheme will help the industries and other sectors to recover the losses suffered due to lockdown and bring the economy that on rails of economic development to realize the goal of “AtmaNirbhar Bharat”.

### **References:**

1. <http://www.ficci.in/publication.asp?spid=23195>
  2. [https://www.business-standard.com/article/economy-policy/covid-19-impact-world-bank-sees-india-s-economy-shrinking-by-3-2-in-fy21-120060801688\\_1.html](https://www.business-standard.com/article/economy-policy/covid-19-impact-world-bank-sees-india-s-economy-shrinking-by-3-2-in-fy21-120060801688_1.html)
  3. <https://etinsights.et-edge.com/wp-content/uploads/2020/04/KPMG-REPORT-compressed.pdf>
  4. <https://hbr.org/2020/03/what-coronavirus-could-mean-for-the-global-economy>
-



5. <https://www.mycii.in/KmResourceApplication/65567.COVID19PMOnote20Mar2020002.pdf>
6. <https://www.industrialautomationindia.in/reportitm/9649/KPMG-Report-on-Potential-Impact-of-COVID-19-on-the-Indian-Economy/research-report>
7. <https://www.statista.com/study/72531/coronavirus-covid-19-impact-in-india/>