

Research Article

COVID-19's Impact on the Economy

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A B S T R A C T

At present time world is facing from the coronavirus disease mentioned as COVID-19. The first case of the coronavirus was reported within the December, 2019 within the Wuhan city of China which is known because the main transportation hub of China. After the spread of COVID-19 many countries have close up their sea ports and airports. They banned the import and export activities. Also, China is that the main distributor of the raw materials which affect the manufacturing activities across the planet because of lockdowns. India is that the developing country because of the COVID-19 spread the cases reported within India government has lockdown the country for 41 days which affected the manufacturing activities and majorly it affects the supply chains and economy of the country. Within this paper we've discussed the effect of COVID-19 on Indian economy and on supply chains in India. There are total of 18 critical barriers are acknowledged which affected the supply chains within India. It's expected that this study will helpful the researchers to develop the conceptual models to beat from this issue.

Keywords: COVID-19, Manufacturing Industries, Barriers Indian Economy, Supply Chain

Introduction

Manufacturing plays a crucial role within the development of countries by contributing to the GDPs.¹ Manufacturing industries are the main contributor within the global economy.² at the present time industries across the planet are that specialize in the high value and high margin products.³ Now the assembly of the low margin and high volume products have shifted towards the low economies.⁴ The appliance of the just in time and lean philosophies had contributed towards the value reductions within the industries. But still thanks to the COVID-19 issues around 35% of manufacturers have reported the disturbances within the manufacturing practices. At the present there's huge demands of the many products during which the face shields and pharmaceutical products are main. The demand of those products has increased in last two months.⁵

The manufacturing units in most of the countries have pack

up thanks to COVID-19 spread and most of the countries face from the shortage of the labor thanks to the fear of COVID-19 spread. The primary case of COVID-19 in India reported in January, 2020 and now Government of India has declared the lockdown within the country to attenuate the spread of COVID-19.⁶ Supply chain across the state is disrupted. The Indian government has already held the high level meetings to line the new manufacturing strategies. Japan and other countries also are trying to find diversify the availability chains and manufacturing systems to new destinations. Indian government is now that specialize in the attempt to establishing India as an alternate to the China for manufacturing for both the local and global market. Most of the countries have shifted their production out of China thanks to the disruption of the availability chain between major trading partners.⁷ Supply chain is additionally disrupted in India at local level thanks to some barriers which are discussed within the present

study. Within the present paper we've discussed the effect of COVID-19 on Indian economy and on supply chains in India. There are total of 18 critical barriers are acknowledged which affected the availability chains within the India. It's expected that this study will help the researchers to develop the conceptual models to beat from this issue.

Impact of COVID-19 on Indian Economy

After the good depression of 1930 during which the worldwide economy has faced the worst recession is now facing the worldwide pandemic of corona virus that has laid the adverse effect on all the economic activities across the globe. The sudden decline in economic activities because of the lockdown is unexpected within the history of India. The great economist Keynes has suggested the concept of trade business cycle after the great depression. The four stage of business cycle is taken into account to live the expansion rate and real GDP. International Monetary Fund (IMF) has projected the GDP growth as 1.9% and this shows the worst growth performance of India after the liberalization policy of 1991 in this fiscal year because the corona virus has disturbed the entire economy.⁸

Instead after this the IMF in its latest edition of the planet Economy Report has placed India being the fastest growing economy in 2020. The global economy is projected to contrast sharply by -3% percent in 2020 which is much worse than the financial crises in 2008-09. The country will now face multiple challenges in terms of monetary crises, health crises, collapse in commodity prices and far more.⁹ The banking industry has increased the excess liquidity thanks to the demand-side shocks that arises due to uncertainties also as lock down within the market.

There is an enormous impact on the financial shock that has stock exchange crash, liquidity crises because it began to empty out from global market in banking industry and various changes in monetary policies.

The US dollar liquidity crisis has started bothering the globe economy thanks to huge collapse of earnings, dollar denominated debts.¹⁰ As the most of the businesses that depends upon international trade will suffer severe pressure.

The global economic production is on decline and expecting an enormous recession within the entire economy. The global pandemic has hit the economy which questioned the target to make Indian economy of USD \$5 Trillion with 7% of GDP by the year 2024.

As per the planet Bank latest assessment, India is predicted to grow 1.5 percent to 2.8 percent also as consistent with IMF, it's projected a GDP growth of 1.9 percent in 2020 and to realize the thing of USD \$5 Trillion economy it's expected to grow at 9 percent per annum for five years.⁸ India's growth trajectory since 2011.

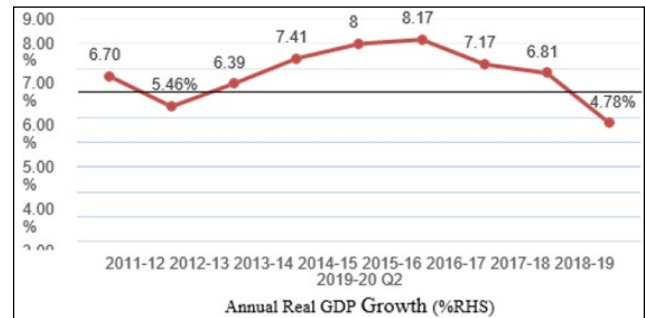


Figure 1. India's Growth Trajectory Since 2011

Demand Side Shock

It includes the varied facilities and services provided by the Indian government and personal sectors like Tourism, Hospitality and Aviation are the main sectors that face maximum loss in the present crises. Tourism that account for 9% of GDP may decline a minimum of next 2-3 quarters.² Sectors such as auto, that contributes 10% of GDP and employee around 40 million of people, is declining continuously due to less of demand and due to which the marginal firms and other industries has forced to pack up.³ Closing of cinema halls, declining in shopping from malls has affected the retail sector too and also to the consumption pattern of consumer in terms of essentials and luxury goods. The consumption pattern of consumer has impacted and has shown a downfall thanks to fall in income and lost jobs especially to the daily wage earners that questioned. The constant fear of the pandemic within the public has affected their mental well-being and confidence level that postponed their purchasing decision. The service of travel and transport is on an interruption thanks to lockdown across the country as has direct impact on slowdown in economic activities. It is accounted for a loss of \$4.5 billion a day of the lockdown. The hotel services are catching huge cancellation from business travellers from various conferences, workshops seminar that got cancelled on such an outsized scale.

Supply Side Impact

The shutdown of the marginal companies is determined by certain targeted industries inside the supply side. As India is the largest exporter of raw materials and the import source of goods needed for its intermediate and final goods, the delay in the supply of goods from China is now on hold. There is a shortage of necessary components in various sectors, such as pharmaceuticals, vehicles, electronics and chemical products, etc.⁹ China accounts for 27 percent of India's imports of automotive parts. India imports about 85 percent of Active Pharmaceutical Ingredients (API) from China and there is a risk of lack of availability due to the fact that prices may continue to rise. The organization is hampering the development cycle,

which would further impact investments, because of the lockdown and global pandemic.⁴ Around 55 percent of electronics are manufactured from China, which has fallen down to percentage.

Impact on International Trade

According to the WTO, due to the COVID 19 pandemic, which has disturbed normal economic activity, global trade is projected to decline by between 13 percent and 32 percent in 2020. The share of Indian exports in total world exports is 3.5% and the share of imports in world imports is 3.1%. (2019). In March 2020, India's trade balance reported a trade deficit of 9.8bn USD. The sudden drop in trade and production has had a negative effect on companies and households. The government should look for a countermeasure for indigenous production as an aspect of foreign trade and to reduce the ratio of reliance on a single country, which would somehow improve domestic industry production and reduce the trade deficit. China is India's largest foreign exchange and is the largest market for many Indian items such as sea food, gems and jewelry, petrochemicals, etc. The fishing sector has shown a decline of Rs. 1300 crore due to the fall in exports. India's current fiscal exports have fallen by 1.5 percent to 292.91 billion for the period from April to February.⁶ India's trade impact is likely to be \$348 million, according to UNCTAD. India was among the 15 most impacted economies due to a decline in China's manufacturing, which is affecting the world's entire trade pattern. In India, the most important trade impact is projected at \$129 million for the chemical industry, \$64 million for textiles and apparel, \$34 million for the automotive sector, \$12 million for electrical machinery, \$13 million for leather goods, \$13 million for metal and metal products and \$15 million for wood and furniture products. The UN economist has reported a decrease in manufacturing exports across the globe by USD 50 billion. India mainly exports 7500 commodities from 140 countries to 190 countries and imports about 6000 commodities. India shares its trade surplus with the USA, the UAE and Bangladesh, with China, Switzerland and Saudi Arabia having trade deficit.

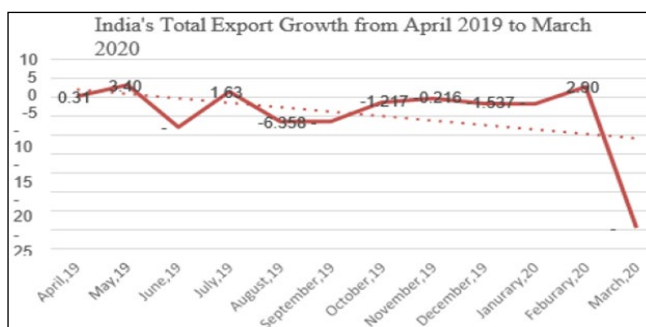


Figure 2. India's Total Export Growth from April 2019 to March 2020

Impact on Global Manufacturing and Supply Chain

N-CoV has influenced the world's manufacturing companies and their supply chain. Our supply chains and development activities are impacted by COVID-19 on a regular basis. The COVID-19 virus peak has already impacted the supply chain and forced thousands of factories to temporarily throttle or shut down their assembly lines in the United States and Europe and now in developing countries such as India.¹⁰ Many of the world's industries rely on China for materials and components. China's production units have already been shut down and will be shut down for the next couple of months. Because of n-CoV, it takes about 30 days to ship from China to the U.S. or Europe,⁹ supply lead time has also affected. This means that if China shuts down its manufacturing units in January, shipments will arrive in February and the temporary closure of production units will spike in mid-March. For example, as parts imported from China, Fiat Chrysler cars have already announced a temporary shut-down of their production in Serbia. Similarly, because of the disturbances in the supply chain due to n-CoV, Hyundai has also announced the suspension of its assembly lines in Korea. The impact of n-CoV is already noticeable to the world as there is a decline in 40 percent of departures from China's ports due to the n-CoV outbreak, which indicates that there is a huge impact on worldwide development. Industries have to face the six main challenges for this:

- Transparency on the multi-tier supply chain with the critical component list needs to be established. The origin and alternate sources of the supply chain must be determined in order to resolve the present situation
- The current inventory, which includes the spare parts and after-sale stock, must be calculated and can be used as a bridge to keep the manufacturing processes going until the situation is managed
- In such cases, the specifications of some products can increase or decrease. According to industry experience, there should be adequate demand preparation. Demand forecast strategies need to be developed that identify the time frame for the demand forecast that will assist in industries' risk-informed decisions
- There is need to optimize the production and distribution capacity in the organization. Optimization process begins by ensuring employee safety which includes the engaging and sourcing with the teams working on the crisis situation to communicate with the employees of the industries regarding infection risk concerns. There should be opportunities for working at home or in remote areas
- There is need to identify and secure the logistic capacity. It helps to estimate the capacity and accelerate

whenever possible also results in flexible transportation whenever required

- The cash and network capital must be handled by running stress tests that help to understand when the financial effect will begin to be generated by the industry's supply chain

Barriers in Supply Chain during COVID-19 in India

Some barriers are still affected by supply chains.¹⁰ The developing country is India, COVID-19 has disrupted India's supply chain. COVID-19 is also affecting global supply chains. Many countries has banned on the import and export of the many goods which affected the manufacturing firms across the world. With the academic debate and supply chain experts, the challenges to the Indian supply chain caused by the COVID-19 are pointed out. In the report, which is discussed below, a total of 18 essential barriers were found.

Table I. Barriers in Supply Chain

S. No.	Barrier	Barrier Name
1.	B1	Lack of labour
2.	B2	Lack of raw materials for production
3.	B3	Unavailability of imported goods
4.	B4	Shortage of livestock feed and their availability
5.	B5	Bottleneck in last mile delivery
6.	B6	Lack of transportation
7.	B7	Slow movement of goods
8.	B8	Lack of availability in local transport
9.	B9	Ban on overseas transportation
10.	B10	Decline in consumption of high value food commodities
11.	B11	Lack of awareness in people regarding COVID 19 (affect the chicken and egg demands)
12.	B12	Lack of buyers
13.	B13	Perception of scarcity among masses
14.	B14	Increased shortage of perishables
15.	B15	Slow credit flow from banks and non-banking financial institutions
16.	B16	Lack of cash flow
17.	B17	Pressure from local news enforcement
18.	B18	e-Pass issues

Conclusion

The influence of COVID-19 on the Indian economy and supply chain is explored in the present report. The COVID-19 impact on the global production and supply chain was also recorded in this analysis. N-CoV has influenced the world's manufacturing companies and their supply chain. COVID-19 is affecting our supply chains and manufacturing operations daily. The COVID-19 virus peak has already impacted the supply chain and forced thousands of factories in the U.S. and Europe and now in developing countries like India to temporarily slow down or shut down their production lines. In the expert consultation report, a total of 18 critical barriers were found, affecting the local supply chain in India. This study can be extended by assessment of barriers with the multi-criteria decision making approaches. With interpretive structural modelling, the interrelationship between the barriers can be established 2030.

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