A Study on The Impact of Lockdown in Various Sectors of Indian Economy

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ABSTRACT

Life before COVID 19 wasn’t as traumatic as it became after the pandemic struck. The outbreak of COVID 19 has affected the socio-economic conditions of the entire country. The lockdown and social distancing virtually made the Indian economy inaccessible leaving no sector unaffected including the agricultural sector, manufacturing units, and service sectors to MSMEs, transport sector, education system and many more. The aim of the current study is to assess how the lockdown has affected the various sectors in the Indian Economy through a survey of available literatures addressing this issue. It is also observed from various literatures that the pandemic showed the economy how important role has played by digital connectivity and internet access to move on from the pandemic and go beyond.

Keywords: crisis, distancing, economy, lockdown, pandemic, virus

1. Introduction

Indian economy is dominated by various sectors that contribute to its high productivity and enhance its GDP growth. From travel to construction, from entertainment to education, every industry is affected by COVID-19 pandemic. During the Pandemic year of 2020 there was a sharp decline in Indian economy mainly due to the effect strict lockdown and social distancing norms. WHO also indicated that this outbreak is not just a public health crisis, but it is a crisis that will touch every sector. Shutdown of all economic activities to contain the spread of virus was followed globally and India was no exception. All major sectors like the manufacturing and the service sectors including hospitality, tours and travels, health care, retail, banks, hotels, real estate, education, health, IT, recreation, media and others were affected by COVID 19 (Chaudhary et al, 2020).

2. Impact of Lockdown on Agricultural Sector

More than half of Indian’s population is engaged in the agricultural sector. The sector was adversely affected due to the scarcity of labour and shutdown of all forms of transportation. Challenges were also faced in doing interstate sale when nationwide lockdown announced. While evaluating the impact of COVID-19 on the agriculture and food sector, it has been observed by Aday and Aday (2020) that the pandemic had an impact on the whole process from the field to the consumer. The economic chaos due to the pandemic possessed a great threat to economic access and physical availability of food. There is a fall of productivity in the global economy especially in developing countries like India due to difficulties as ranchers and homestead workers set out to modify their lives and jobs as suggested by Arumugam et al (2020). It is observed that the pandemic has put a potential effect on the agribusiness item store network which is a mind boggling web of maker, transporter, distributer, retailer and lastly the customer. The demand and supply shock in agricultural market due to COVID crisis also affected the price and quantity of agricultural products. The period wise categorization as observed by Varshney et al. (2020) has shown the sharp price spike in the market as strictest measure implemented with correspondent to
lockdown when several markets were closed. On the other side it is also observed the decrease in quantities arriving at markets as compared to previous year.

3. Impact of Lockdown on Service Sector

Service sector is one of the most important drivers for the growth of Indian economy and the various activities covered under this sector contribute immensely to increase value of India’s GDP. During the pandemic, the services of public transport have been avoided mainly to maintain social distancing and people have used their private arrangements in case of short distances. As people were travelling less, the pandemic had a major impact on India’s tourism industry, especially on airlines (Kulshrestha and Seth, 2020). The decreased demand in travelling might result less car traffic, less congestion in peak hour, less out of home activity which eventually will result lower air pollution, reduced respiratory diseases and possible slowing down global warming. With the cancelation of flights, trains and other transport agencies, hotel bookings were subsequently canceled resulting in tremendous impact on the hospitality sector.

Kim and Lee (2020) investigated how perceived threat of the virus affected consumers in making decisions about dining at restaurants. Mass dining has been avoided by most conscious customers on precautionary grounds. Their preferences have changed to requirements of private dining and private rooms or tables in restaurants. Hotel industries have taken considerable steps to transform adversity into opportunity during the period of pandemic and after its resilience to recover and sustain development in hotel marketing and management from various dimension including AI and robotics, hygiene and cleanliness, and health and healthcare. During lockdown initially gig economy workers like ola, uber faced a drastic drop in their income but it is anticipated by De et al (2020) that gig economy will rise in scale with increased number of work from home and gig worker in post pandemic period.

The financial services including banking sector comprising of public sector banks, private sector banks and foreign banks and the non-banking financial companies are no exception to the crisis due to pandemic. It is observed that increased risk of default on loan by MSME, high chance of becoming non-performing asset on loans given to micro enterprises, sharp decline in credit growth and deterioration of asset quality across all private banks and rise in non-performing loans in financial system resulting banking industry to struggle during lockdown (Singh and Bodla, 2020).

Kanitkar (2020) observed that the reduction of daily supply from coal based thermal power plants resulting in reduced emissions of about 15-65 metric tons of carbon dioxide is the only positive impact is observed during lockdown. As physical communication was restricted due to lockdown in all over the world, it was observed that there was also an increased use of digital communication in every aspect like text messaging, voice calls, video calls and use of social media. Internet service has become the blessings to all human beings during this period where more or less every work is to be done by sitting at home to maintain social distancing. Telecommunication report has shown that there is a huge hike in monthly data consumption after the outbreak of the pandemic as people are more dependent on internet and the users ranged from professionals belonging to entertainment, shopping, teaching to banking, game, health, fashion, beauty, yoga etc. (Subudhi and Palai, 2020). With the increase of internet access, the pandemic created a scenario of insecurity and increased number of scam, cases and frauds. Consequently Security innovations and firms that offer security services were on the rise.

4. Impact of Lockdown on Education

Closure of schools, colleges and educational institutions was the most eminent strategy taken by the government to save the world from the spread of novel corona virus which has impacted on students’ learning procedure in different ways. A significant inequality in school learning was observed during lockdown on the basis of difference of economic status. The influencing factors in learning were the family characteristics and school characteristics, appropriate guidance and support given to children and accessibility to technological devices. Many other challenges were also faced by the educational sector like delayed payment of fees, lack of funds to pay fixed charges, lack of infrastructural support to take digital classes, lack of adequate training, competition from online educational service providers etc. (Jena, 2020). But the pandemic has given the education system few opportunities such as rise in online meeting and use of learning management system, enhancement of digital literacy, improvement in collaborative work and many more. Jena (2020) elaborated the way secondary as well as higher education system in India has been converted into online digital teaching learning system though different social media tools like Google meet, Zoom, YouTube etc. The education ministry also took initiative by developing various online educational platforms. Along with digital development other barriers regarding technical support, family interruption during teaching, internet connection, institutional support and other different issues have been raised.

5. Impact of Lockdown on Manufacturing Units
As supply chain of raw material and finished goods were stopped during pandemic due to strict restriction imposed on transport; manufacturing industries faced lots of challenges. The negative impact of pandemic mostly hit the auto, electronic and machinery manufacturing industries. As a result manufacturing giants such as Ford, Tesla etc. have taken this adverse situation an opportunity by converting their manufacturing strategy to pandemic based requirements by producing respirator and ventilators, surgical masks, sanitizers which are required more to fulfill customers’ demand during pandemic. After a massive disruption in production all over the world due to the pandemic, the Indian manufacturing companies adopted new strategies to offer medical products and medical equipments to enhance competitiveness (Deshmukh and Haleem, 2020). To maintain social distancing and reducing large number of work force from the threat of spread of virus many manufacturing plants also adopted digitalization for smooth functioning. Although all the factories, manufacturing plants were closed down during pandemic the wages and other fixed expenses remained with the firm resulting increase the fixed cost of the operation. Consequently, percentage of Net Value Added of the industries declined compared to other financial year as calculated by Sahoo and Ashwani (2020). The negative Net Value Added impacted the economic growth of the country. The study has shown the loss in NVA of all manufacturing industries except pharmaceutical products, food and beverages products and medical products are expected to 13.5–27.8 per cent.

6. Impact of lockdown on Small business

A sharp decline at the operating level has an impact on the credit worthiness, aggravating the liquidity stretch of business units. Small businesses, Startups, Business with nonessential products like textile, cosmetics, luxurious items, gold and jewels, fashion and outfits were hugely effected and faced an existential crisis due to corona virus induced lockdown that could pose challenge for them. Many retail stores, departmental stores and shops were closed down temporarily or permanently for an uncertain period of time resulting decline in overall employment, limited cash in hand, difficulty in taking up loan from Government (Bartik et al, 2020). Small and medium enterprises faced huge amount of bankruptcy due to shrinking orders, increasing operational cost and limited capital reserve. There is an increase demand on retail business of FMCG products like food, beverages, daily necessaries, mask, sanitizer, hygiene products in comparison to non-essential items. Pharmaceutical companies, medical shops, fertilizers and pesticide businesses as falling under essential items, were open after a short time closure during the period of lockdown. The awareness among retailers increased and few shifted their mode of operations. Some of them moved from their defined area of operations to medical support system and hand sanitizers, some started flexible policies to enhance customer base, some started friendlier operations by providing delivery services and some innovated newer methods of online operations. In addition they became more conscious regarding consumer’s vulnerability and to satisfy customer’s special needs during the pandemic period they invented newer retailing strategies and took up new roles in the society. Notwithstanding the negative impact the businesses started to regain their long-term visions instead of the day today survival mode they had in the lockdown.

7. Conclusion

The unprecedented year of pandemic gave a vehement blow to every sector of the economy all around the world and economy of every country is the prima facie to be effected foremost as shut down and social distancing was the only way of recuperation for the resilience from the outbreak of COVID 19. Indian economy is of no exception of it and every sphere of life as well as socio economy is measurably disrupted. The growth of economy has become stagnant and GDP has declined due to Lockdown.

It is observed from this study different sectors of Indian economy are trying to cope up with this global loss and converting this adverse situation into opportunity for resilience. The financial support of Government to poor laborers and alleviative measures in Agribusiness was a great helping hand for agricultural sector to revive back. Many manufacturing units has started producing pandemic based production such as ventilators, mask shield, respiratory equipments etc. Small retailers are more concern in fulfilling special needs of customer during this COVID crisis. Travel and tourism industries are massively affected as overall close down announced. Restaurants and Hotel industries are setting private dining rooms as per requirements of consumers. Digital communication is increasing as work from home system expanding the use of internet, laptop, and mobile phone. Banks and non banking financial services are threatened due to default of loan and increase in NPA. The traditional education system has changed to online education due to shut down of schools, colleges and other educational institutions. The only positive impact has been observed due to Lockdown is the reduced CO2 emission resulting improvement of environment. Small and medium enterprises measurably affected due to sudden shock in demand and supply in the market. Although with the help of digital connectivity many industries are trying to revive back and adopting new strategies and technologies to survive in the economy.
Reference


