

Globalization and Indian economy during covid-19: Development and challenges

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Keywords: Globalization, Covid-19, Indian economy, imports and exports, Growth.

DOI:
[10.11779/CJGE202111.1](https://doi.org/10.11779/CJGE202111.1)

ABSTRACT: An unexpected blow for the Indian economy is the onset of the Covid-19 Pandemic. Before Covid-19 hit, the economy was always in a prime position. The economy is expected to experience a long recession with a longer country lockdown, a worldwide economic crisis, and related disruption of demand and supply networks. The size of the economic impact depends on how long and severely the health crisis will last, and how the scenario will evolve once the lockout has been ended. The purpose of this study is to evaluate COVID-19 on the Indian economy by assessing its effect on growth, production and trade etc. Throughout the study, we will also examine the post-globalization and the present situation of the country. The effects of the pandemic on the Indian economy at various levels in many sectors and various scenarios of the full, expanded, and partial shutdown are huge. In an optimistic scenario, the economy of India can barely be succeeded with a positive 0.5% growth rate, but also faces the potential for a negative 3-7% growth in the worst possible cases of the calendar year 2020. Trade, manufacturing, and growth industries are seriously affected. The anticipated impact (deceleration) of COVID-19 from the best-case situation to the worst scenario is that the production has declined from 5.5% to 20%, exports from 13.7% to 20.8%, imports from 17.3% to 25%, and growth net added value (NVA) by 2000 from 2.1% to 5.7%. The economic slump is underway and methodical, well-considered and strong stimulus spending measures are required.

1. INTRODUCTION

The repercussions of a pandemic are not only characterized by death but are also defined by their influences on our everyday living and the economy in this era of globalization. In terms of demand and supply, pandemics influence the economy. Initially, consumers and investors tend to lose their trust in pandemic-affected markets, which undermines the market's demand side. Secondly, the supply side is negated by absenteeism and reducing the number of workers. Finally, public health and worldwide pandemic response influence commerce, tourism, and health, economic and development strategies. After the great 1930s downturn, the COVID-19 pandemic was perhaps the worst damage to the world economy. Around 60% of the world's population is either severely or partially locked up and has either stopped or decelerated considerably to remove millions of livelihoods without medical coronavirus and economic activities in countries. The world economy has been decreased to -4.9% in 2020 as a consequence of the pandemic, far worse than the economic meltdown of 2008-2009. Thickly populated India has poor medical facilities and has no choice but to implement its lock-down policy. There is a recession in the world economy and India is everywhere. The present epidemic is developing in a highly globalized society with interlinked industrial and financial marketplace networks. The failure of India's economy due to COVID-19 would be enormous because of its lockdown. There is a need to limit the spread of coronavirus, and India's global connectivity (Sun P, 2020).

Nearly all economic activities were ended by the part of the world shut down. After the lockdown will be lifted, the volatility of demand and supply continues. The Indian economy will take time to re-establish itself. According to the Ministry of Information, India's growth has been decreased to 3.1% .

Unemployment climbed from 6.7% in March 2020 to 26% in April. During this lockdown, 140 million people lost their jobs and other individuals lost wages. The Indian economy was predicted to lose \$4.5 billion each day during the first phase of the shutdown. The economic loss was projected to be close to

\$2.8 trillion over the whole lock-down period. Small and large businesses in the country have been substantially affected (A, 2020).

This pandemic of coronavirus has also been affected exports and imports. In April 2020, press information on exports and imports from India was communicated by the Ministry of Commerce & Industry, the Government of India. The paper shows that exports and imports from India declined to 36.65% and 47.36% in comparison with the prior year in April 2020. Export declines for the industry were reduced to 98.74% in April 2020, the Leather & Leather exchanges to 93.28%, the Handcrafts Exchange dropped to 91.84% and the ceramics product dropped to 91.67%, as compared with April 2019 (C, 2020).

The IMF has previously warned that the epidemic of the Coronavirus is casting a terrible effect on society and has become financially cruel. Covid-19 triggered a catastrophe not only in the international stock market but also in the Indian stock market. The world economic downturn also gives rise to this fear. Many of India's major brands including BHEL, Tata Motors, UltraTech Cement, Grasim Industries, and L&T have shut down their operations or drastically curtailed their operations. The Sensex dropped a lot in the Bombay stock exchange between January 2020 and March 2020. On 23rd March, 2020, the stock market registered the biggest losses ever. Due to the decrease in COVID-19 financing, young enterprises were affected. The firms that provide the items in India overall have decreased their activities (Patel P K, 2020).

2. Review of Literature

In the current COVID-19 pandemic, economic operations across countries have suffered extraordinary disturbances, and India is no exception. The pandemic has significantly disrupted global value chains, local production networks, commerce, services, and MSMEs, continued to disrupt them and hurt overall growth and welfare. It is stated that a highly globalized society with interrelated financial markets and manufacturing networks is taking its way through the current epidemic (Liu,2020). The total closure and currently partially lockdown have an impact on the Indian economy on both producers and consumers. A study by Sun (2020) shows that global trade is badly disrupted due to the impact of spreading the virus. Indian growth models rely on export-led growth. Therefore, the lockups between the viral spread might have a huge effect on GDP. It is predicted that it would dive into an optimistic and pessimistic situation in the international trade front from between 13 and 32%, Gupta (2019), in some other calculation, used the modeling of the Computable General Equilibrium (CGE) and projected the reduction in global GDP in a low-end pandemic that is considered to be a key point from around US\$2.4 trillion in 2020. Mishra (2019) examined the overflow of the COVID-19 impacts and expressed praise for the disruption of financial markets, organizations, and events, which in return may have a major influence on financial growth, utilizing the socially distancing method for virus management.

As far as influence on employment and income is concerned, in 2019 the International Labor Organisation (ILO) estimates that worldwide unemployment ranges between 5.3 million and 24.7 million individuals and 188 million people are below from the baseline of poverty. According to Parvathi(2019), it is need to focus on international growth, trade, and poverty, some of which are particular to India. In the framework of this study, COVID-19 on India's economy is being evaluated and critical policy actions to prevent probable economic impacts are highlighted.

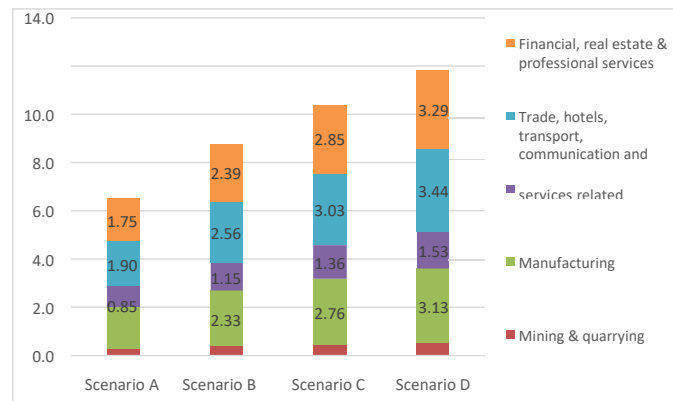
3. Methodology

In light of different sorts of economic shocks, there exists several economic growth forecasting techniques. The precise growth forecasts in India has been strongly discussed, in which RBI is regarded as the most advantageous forecast (Joo, 2019). The impact of this is assessed in two broad outlines: first, a fast reversal following the lockdown and a vertical rebound in the economy (V-shaped). Second, the economy is undergoing a U-shaped recovery in which the lock-down effects last for a lengthier duration till September 2020. We construct two hypothetical scenarios A and B for the V-figure recovery. In scenario A, it is assumed after 3 May 2020, that the regular level of economic activity will resume after 40 days of lockdown. In case 2, the whole lockdown is considered until 3 May 2020 and the use of the economy to 50% till 31st May ,2020. Similarly, in the case of U-shaped recuperation, we have two hypothesized scenarios C and D. In Scenario C, we anticipate that by 30 June 2020, 70% of capacity utilization, as well as 50% capacity utilization, would be expected between 3 and 31 May 2020. Scenario D, in which the degree of normality is anticipated in three phases 50% by the end of May, 70%

by June, and 90% by September 2020, provided 10% of the badly damaged sectors may take time to recover. The amount of these capacity uses is based on partial economic liberalization across sectors and sites and the views of subject-matter experts.

4. Gross Value Added

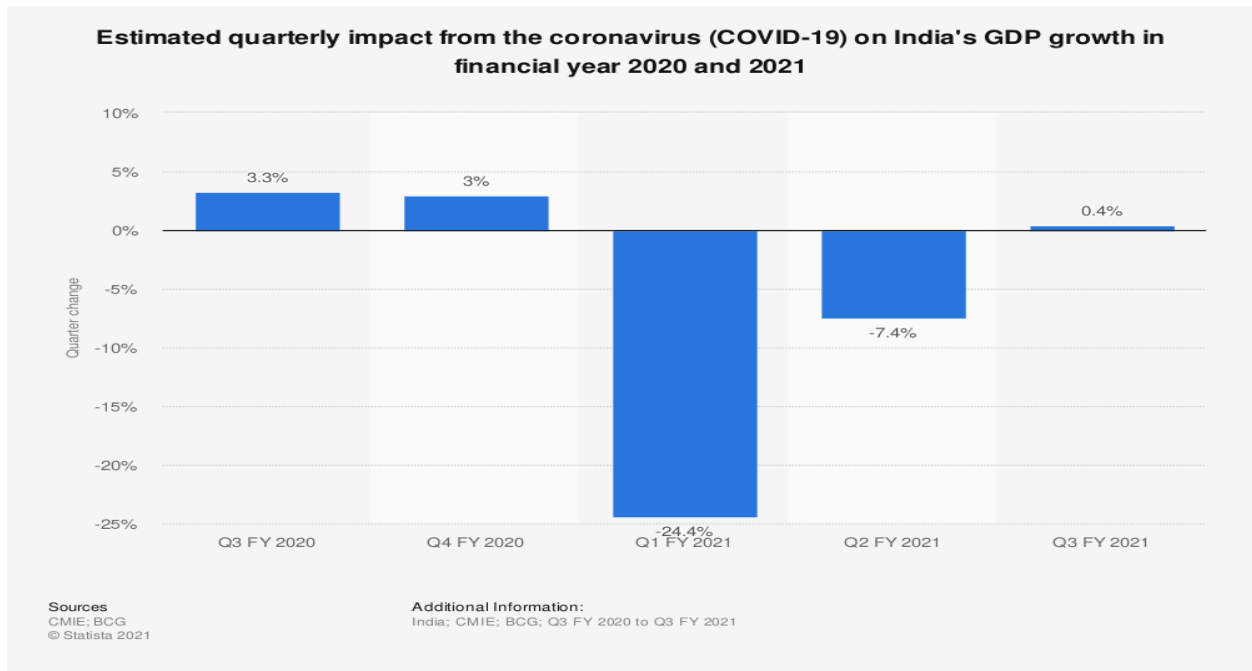
We take the real GVA based on prices from 2011-2012, to examine the influence on economic growth. Till 2019-2020, the financial, real estate, commercial, and consulting companies and the public administration are available at the aggregate level and across the broad categories, such as agriculture, mining and quarries, power, gas, water supply, and other utilities; construction, commerce, hotels, transportation, communications and services in the field of transmission and broadcasting. Firstly, for 2019, we collect the data from every quarter and then calculate each sector's quarterly (year-by-year) growth and the aggregate GVA for 2018 and 2019.



5. Discussion and Results

Impact on Growth

Over the previous a few years, the Indian economy is suffering from COVID-19 pandemics, which are at their lowest level of growth, due to the absence of aggregate consumer demand, private net exports in recent years. When everybody expects a return in the economy, the COVID19 epidemic almost struck the economy throughout the sector and contributed to an economic supply glut. Since the very first quarter of 2018, GVA's quarterly growth has decreased steadily. In recent quarters, mining and carriage have had the biggest decrease, and production and construction industries have followed.



The business has to ensure that its operations, plans, etc. are agile so that it can adapt quickly and effectively to any potential or threats, whether external or internal,

Impact on Trade

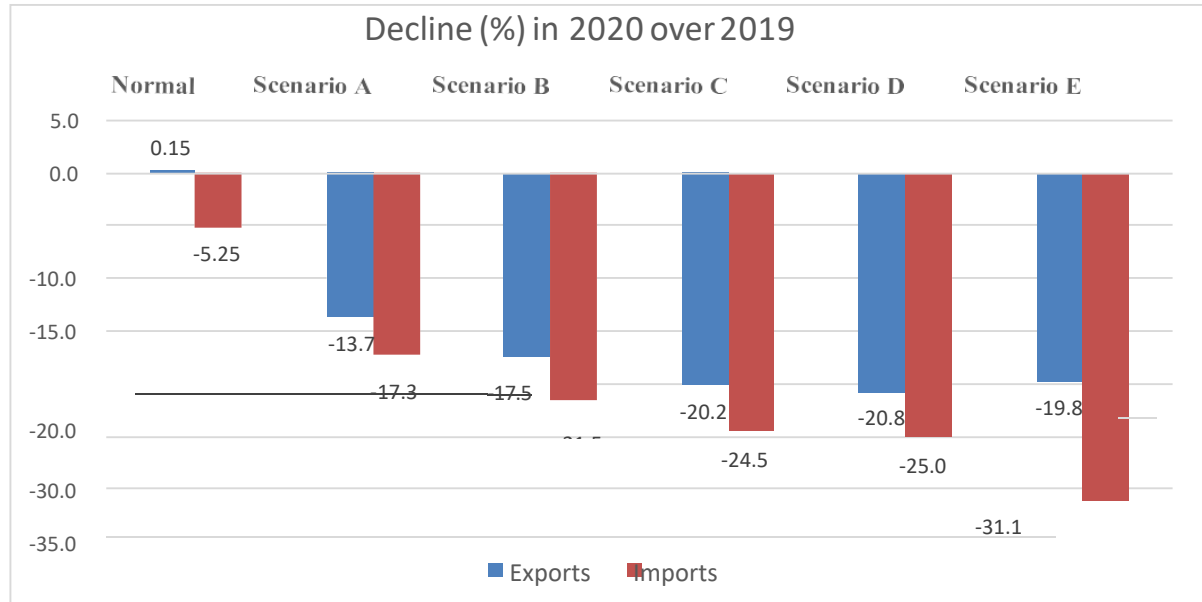
The epidemic of COVID-19 hit Indian trade, particularly exports, which is already slow down. India relies largely on the European Union (EU), the United States, China, and the nations of southeastern Asia, which together provide almost two-thirds of Indian exports and imports correspondingly. Trade-in India is exposed in several ways, with two-fifths of the exports and one-third of import share, to badly impacted coronavirus (the US, EU, and China). Most notably, one-fifth of India's exports and imports were accounted for by the USA and China. It should be noted that the vulnerability of India to the EU, USA, and China to their exports and imports combined is two-fifths and one-third correspondingly. As the nations are faced with recession and a considerable decline in aggregate demand, the prospect of exports increase with decreasing rupees is therefore reduced. India also has larger exposure to imports in comparison to exports in particular ASEAN and other Asian nations, with fewer projected gains owing to devaluation in the currency.

Table: India's trade with its top partners

Country	Average (2018-2019) to (2019-2020)		Shares in India's total %	
	Exports	Imports	Exports	Imports
EU	57.8	49.38	18.45	10.93
USA	48.56	34.03	17.36	6.2
China	15.60	65.13	5.25	14.98
Rest Asia	81.54	147.00	26.45	32.27
Total	203.5	295.53	69.51	63.38
India's Total	297.03	498.61		

Exports are likely to lose 9.4% as a percentage of absolute value for 2020 to 16.8% while imports vary from 10.6% to 18.9%. In Scenario E, the possible export and import declines (as a percentage of 2020), respectively, were calculated at 15% and 23.6%. 18 Due to sluggish global demand and depreciating

currencies, loss of exports and imports might be connected with the risk of poor competitiveness. Furthermore, India's top exporting goods are also among the leading import commodities, showing significant domestic commerce.



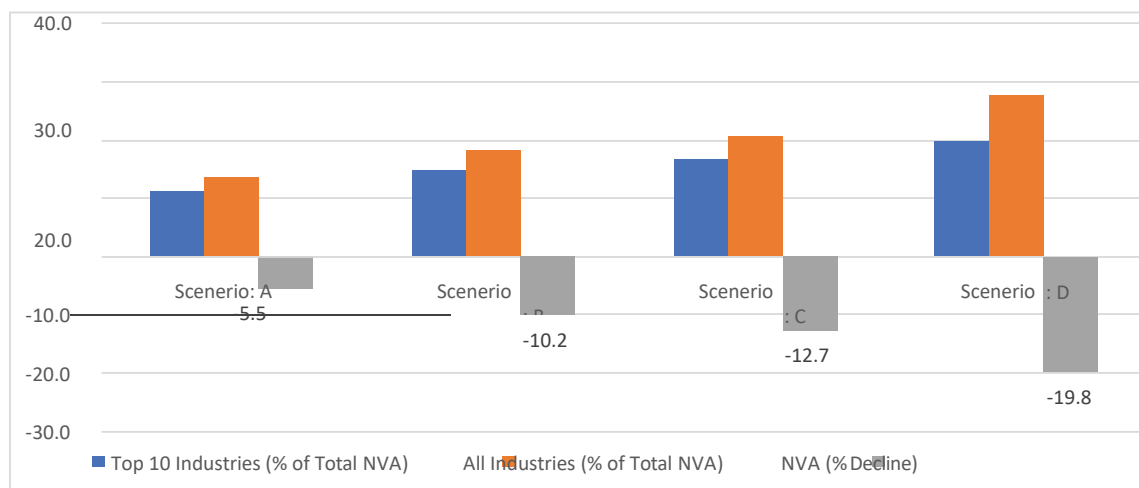
Decline (%) in 2020 over 2019

It is difficult, especially for the secondary and service industries, to overcome the current scenario. They will either survive, fight or close down depending on financial, managerial, and leadership skills. For organizations to survive during this era, there should be a transformation into productive and proactive activity by adopting specific tactics.

Impacts on manufacturing

In this section, we look into industry economic losses because of industry-wide epidemics utilizing registered manufacturing industry ASI data. The loss is determined by the addition to the NVA of individual industries of the labor costs and fixed costs. The effect of the NVA decrease at the aggregate level on multiple fronts is discussed. The economic cost deceleration for the NVA across all industries has been calculated at 5.5% and 19.8% in the basic and worst-case scenarios, respectively, as indicated in the figure. In scenario B the projected decline in the NVA is 10.2%. For baseline case scenario and worst-case situation, the loss in industrial NVA (all industry) is calculated as a percentage of base NVA at 12.7 to 19.8 percent.

The decline in manufacturing of products



One of the major effects of the Coronavirus is a failure to stabilize the supply chain. The entities that rely mostly on raw resources from foreign nations face further difficulties. They must develop their dynamic supply chain architectures and diversify their supply channels from a geographical perspective to reduce the supply-side risk. The companies can also strive for at least part of their supply route to be located. This will increase investment in the Indian local industry and shoot the Indian economy in trouble.

6. Conclusion

There is a ferocious coronavirus throughout the planet. The emergence of a pandemic triggered an overall health catastrophe and the social and economic crisis has unleashed catastrophic economic and corporate collapse. The impact on the world of business is tremendous. This study, therefore, identified the possible impacts of coronavirus on the various industries of the Indian economy and why India is among the world's growing economies in this use including. In addition, the study emphasizes the strategy for survival that is vital to a company in response to the current scenario. However, each company should prepare itself for uncertainties and problems arising from coronaviruses during this current pandemic situation. They need to be proactive and develop measures to counteract the influence of coronavirus in these difficult times. There is need to understand the likely imminent changes in the corporate environment and discover chances to succeed.

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