

Impact of Covid 19 on Indian Manufacturing Sector: An Analytical Study

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ABSTRACT

First case of novel coronavirus SARS-CoV-2 (Severe Acute Respiratory Syndrome Coronavirus-2) infection was reported in Wuhan China in December 2019. The world Health Organisation declared it a global pandemic in January 2020. So far, the disease, termed as Coronavirus Disease-19 or COVID-19, has killed over 52 lakh people all over the world, out of which 4.5 lakh were from India.

Covid-19 forced governments to impose lockdown to stop spreading of the infection. In India, Prime Minister announced nationwide lockdown on 24 March 2020, during which, except emergency services, no other service was allowed. Lockdown was increased from time to time and later opened on June 2020. During the lockdown, all the manufacturing work, except essential services, was on standstill. It has a highly negative impact on the global economy. India suffered heavily as Indian economy was not performing well before the announcement of lockdown, and covid-19 increased its miseries. Also, Indian manufacturing sector was in trouble after the Financial Year (FY) 2016-17. It tried to revive when finally lockdown was eased up. However, second wave of covid, between February 2021 and April 2022, again broke its momentum. During the lockdown lakhs of migrant labourers were forced to take journey on foot towards their villages and towns from the big cities. During the exodus of labourers, many lost their lives because of trauma caused by hunger and fatigue. India was relatively safe during the first phase of covid-19. However, second phase was devastating. Lakhs of people lost their life during this phase.

Industries faced various problems viz. halting of operations, unavailability of labourers due to migration of labourers, unavailability of raw material and transportation of finished goods due to disruption of supply chain, increasing operational cost, inability to pay to creditors due to non-availability of funds, deterioration of machinery on account of non-maintenance of machines during the and after the lockdown. Lockdowns had adverse effects on labour markets, production supply chains, financial markets, and other vital activities of industries. Around 23 crore Indians have been pushed into poverty during the past one year. To revive the economy, central government announced ₹20 lakh crore bailout package to industries and businesses. It announced more packages later. However, despite of these packages, Indian economy suffered heavily. There had been -7.1 percent growth of GDP for the Financial Year (FY) 2020-21. Share of manufacturing in Indian economy has decreased over past years. It is also failing to create enough jobs. In fact, its share in job creation has also reduced compared to agriculture sector. MSMEs suffered heavily during and after lockdown. Many units closed their business as they had no resources to run their business. Cash crunch, disruption in supply chain, unavailability of raw material, exodus of labourer, covid restrictions, decreased demand etc. hampered growth of MSMEs.

Hence, covid-19 has a devastating impact on Indian economy, manufacturing sector and society. We need to analyse its impact so that we may find the way to mitigate its impact and make effective strategy to tackle problems that may arise in future. Government needs to take various steps like providing funds to industries, reduce tax rates, provide support to labour intensive industries, simplify rules and regulations, etc. Businesses need to work on supply chain management, better planning, etc. to be prepared for such an unforeseen events in the future.

Key Words: *COVID 19, Manufacturing, Lock Down*

Introduction:

Pandemics are not new for humanity. Various pandemics had beleaguered human population all over the world since our society developed. Currently, the human population of the world is being tormented by a mysterious virus since the first quarter of 2020. This

unknown virus was later identified as the new member of coronavirus family which members include SARS (Severe Acute Respiratory Syndrome) and MERS (Middle East Respiratory Syndrome) viruses. The virus was named as SARS-CoV-2 (Severe Acute Respiratory Syndrome Coronavirus-2) and the disease caused by it was termed as Coronavirus Disease-19 or COVID-19.

The virus originated and spread from Wuhan city of Hubei province in China in December 2019.[1] Afterwards, several clusters of patients with pneumonia like symptoms were reported all over the world. After having some hesitation, the World Health Organisation (WHO) declared the coronavirus outbreak a global health emergency in January 2020. It was claimed that the virus transmitted from bats and other wild animals which are traded freely for meat in the infamous wet market of Wuhan city where thousands of wild animals are kept in captivity and killed every day for their meat. However, its origin is still debatable.[2] Now many scientists and virologist claim that it was a lab made virus which accidentally leaked from Wuhan Institute of Virology in Wuhan city, China where gain of function research was being carried out by Chinese virologists and even the Institute was funded by the USA.[3]

The first ever Covid positive case in India was reported by the Ministry of Health and Family Development on 30th January 2020.[4] Since then, India suffered heavily from it. From inception to the time of finalization of this project, i.e. end of November 2021, this deadly virus has killed over 52 lakh people all over the world and 4.5 lakh in India alone, though actual numbers are much higher. Severity and infectiousness of the virus forced the governments to stop economic activities and impose lockdowns. On 24th March 2020, Indian Prime Minister Mr. [5] Narendra Modi appeared on national television and announced lockdown for 21 days in the entire country, which was later extended from time to time.[6] After 8th June 2020, lockdown was opened in a phased manner but, the 2nd wave of Covid-19 in 2021 which proved deadly for Indians, again forced the government to take strict measures.[7] February 2021 is marked as a start of the 2nd wave of coronavirus in India, which aggravated in April 2021.[8] Though the central government didn't announce lockdown this time, it allowed state governments to take necessary action under Disaster Management Act, 2005. Later, state governments imposed lockdown, and it was prevalent in many states by the end of March 2021.

We have experiences of pandemics. So, social distancing¹ and disallowing mass gathering become the effective way to stop spreading of the pandemics. During lockdowns, except essentials services, nobody was allowed to go outside. Schools, shopping malls, institutes, businesses, factories, offices and everything remained closed during the lockdown, except hospitals, factories and offices that were engaged in production and operation of essential goods and services.

However, lockdowns have their terrible affects as well.[9] Lockdowns caused complete halting of economic activities. It resulted in an unprecedented mass exodus of labourers and working class with their families, from the big industrial centres like Delhi and Mumbai towards small towns and villages. Due to unplanned lockdown in India, lakhs of people were

stranded in remote places for weeks where they had gone before the announcement of the lockdown. During the exodus of labourers, many lost their lives because of trauma caused by hunger and fatigue. Lockdowns had an adverse effect on labour markets, production supply chains, financial markets, and other vital activities of industries.[10] The pandemic and the subsequent interventions also lead to higher levels of mental health distress and increased economic inequality, which proved more fatal for the economically weaker section of societies.

On 12 October 2020, the finance minister announced another economic stimulus package labelled as *Atmanirbhar Bharat Abhiyan 2.0*- which aimed at boosting demand.[11] In this package some perks were given to central government employees so that they may spend more on consumer durables during the festive season. It also included a much higher capital expenditure for both the centre and states. Also, interest-free loans for states were made available to boost capital expenditure. It was claimed by the government that up to 7 September 2020, PM *Garib Kalyan Yojana* had provided support to the tune of ₹68,820 crore. Later, on 12 November 2020, the government announced another economic stimulus package worth ₹2.65 lakh crore, labelled as *Atmanirbhar Bharat Abhiyan 3.0*.[12]

Despite of these bailout packages, Indian manufacturing sector suffered heavily. During the first quarter of 2020-21, India's Gross Domestic Production (GDP) contracted by 23.9 percent and the share of the manufacturing sector in total gross value added (GVA) reduced to 13.8 percent, which had been 17.5 percent in the first quarter of 2019-20.[13] In the first quarter of 2020-21, growth rate in the manufacturing sector plunged to -39.3 percent. Second phase of covid-19 even made the situation worse. During this phase lakhs of people died and economic activities were again restricted.[14] Though pandemic made the situation worse, it was not new for manufacturing sector as during eight consecutive quarters manufacturing growth rate has been declining, displaying a lack of demand and a deeper structural crisis in the sector.[15] Government revenue has been severely affected with tax collection going down, and as a result the government has been trying to find ways of reducing its own costs.

Indian economy was already witnessing slowdown before the onset of pandemic.[16] Since 2018-19, India's growth rate was falling. Well before the announcement of lockdown, in January 2020 the International Monetary Fund (IMF) had downgraded India's growth estimates for 2019 to 4.8 per cent. That had been the lowest for over a decade and also revised its 2020 growth rate to 5.8 percent, 1.2 percentage points below from the previous predictions. Indian economy was already suffering from the impact of Indian banknote demonetisation in November 2016 and implementation of goods and services in 2017, which proved fatal to unorganized sector and MSMEs.[17]

Apart from this, numerous banking crises such as the Infrastructure Leasing & Financial Services crisis and government scheme failures such as that of 'Make in India' had crushed the Indian economy.

Theoretical perspective- Literature Review

Covid-19 is a new disease and its impact is very vast, especially in the modern world, which is highly interconnected. It negatively affected every aspect of life, regardless of the economic, politic and social structure of the countries.[18] Regarding its impact, most of the information is based on empirical observations and data provided by the various agencies like NSO, RBI, World Bank, Ministry of Finance, Gov. of India, etc.

Modern world is financially, culturally and politically connected.[19] Negative impact on big economies also affects medium and smaller economies. Pandemic like Covid-19 had widespread effects. It forced governments to cut their connections from the outside world. Movement of goods and services were halted all over the world. Hospitals were full of patients and even the near ones of sufferers were not ready to look after their kin. People were forced to reduce consumption of goods and services as supply was drastically affected by prolonged lockdowns and restrictions.[20] Lack of demand, exodus of labourers, disruption in supply chain and non-availability of raw material made situation worse for the manufacturing sector. Besides normal life, it also made worse effect on the economy which reminds us of the subprime crisis of 2007-08.

The United Nations and all member organizations of the Committee for the Coordination of Statistical Activities (CCSA), (2020) collected and made available a host of information for assessing the multifaceted effects of the pandemic and summarised them in three volumes of their report namely 'How Covid-19 is changing the world- a statistical perspective'. This report provides information related to impact of Covid-19 on global economy, society, and environment[21]. Reports highlights impacts of the pandemic on specific regions and population groups as well. For this purpose CCSA collected information from UN's various organisations and other sources viz. ILO, FAO, UNIDO, UNICEF, UNCTAD, ADB, World Bank, etc. Key findings of the report are:

- In 2020, 8.8 percent of global working hours were lost which are equivalent to 255 million full-time jobs. This amount is four times greater than the job losses during the financial crisis of 2009.
- It is estimated that the COVID-19 has pushed 119 to 124 million people into poverty in 2020.
- Aviation passenger traffic declined by 60 percent in 2020, while shipping activity which is measured by vessel port calls, was likely to decline by 10 percent approximately.
- Due to this pandemic the Human Development Index recorded its first drop since 1990. It has wiped away

decades of progress in the female labour participation rate.

- International tourism has declined by 74 percent.
- This report claims that the global manufacturing production had stabilized after the economic disruptions triggered by COVID-19 and has reached pre-crisis levels in September 2020. This reports claims that China's manufacturing production was recording year-over-year growth since June 2020, while many industrialized countries were reporting negative annual growth rates due to the extension of containment measures since onset of the disease.[22]

Abel Brodeur et al. (2020), in 'A Literature Review of the Economics of Covid-19' had reviewed various research work done on covid-19 and its impact on various aspects of life, health, environment, society, economy, culture, industry, business, etc. Though, the study was related to research paper written in a short span of time, it was significant as it covers views and findings of various researchers who tried to make use of research method to combat the crisis engendered by this deadly disease. This may be helpful to find many solutions to the problems caused by the virus[23].

Monika Chaudhary et al. (2020) in 'Effect of COVID-19 on Economy in India: Some Reflections for Policy and Programme' predicted that MSMEs would undergo a severe cash crunch. They emphasise on inclusive growth and development in India and also exposed the problem of supply chain risks which we had seen during and after the lockdown. According to them, the global firms had left themselves dangerously exposed to supply chain risks to bring down costs. These global industry depends on 'Just in Time', refurbishment of products and maintain very low inventories. They concluded that economic activity must begin gradually after screening of the labour force and strict preventive measures should be implemented by the industry in order to safeguard the health of the workers. Policy and reforms should be led by the government to recoup the economy, and the industry, civil societies and communities have an equal role in it. They also emphasized on compliance with the norms of social distancing and preventive measures to fight against the virus.[24]

S. Mahendra Dev and Rajeswari Sengupta (2020) in their research paper, 'Covid-19: Impact on the Indian Economy', analysed the impact of Covid-19 on Indian economy. They find that GDP growth had slowed down to 4.2 percent in 2019-20. This is the lowest level since 2002-03. Industry, which comprises 30 percent of total GDP, contracted by 0.58 percent in the fourth quarter of 2019-20. Unemployment rate has reached the highest level of the last 45-years. The total outstanding investment projects between 2015-16 and 2019-20 have declined by 2.4 percent, while new projects announced declined by 4 percent.[25] Expenditure on consumption had also fallen for the first time in several decades. So, Indian economy was already in a critical position before Covid-19, and Covid-19 made the situation worse. According to them demand is unlikely to get restored in

the next several months and three major components of aggregate demand- consumption, investment, and exports are likely to stay restrained for a prolonged period. They predicted that the MSME sector would be badly hit by reduced cash flows, produced by the nationwide lockdown. They assessed the package announced by the Indian government would fall short and might need to be enhanced and policy makers need

Research Methodology

Research studies done earlier to assess the economic impact of epidemics have been based on simulation models. Actual data was difficult to get. Pandemic is still in existence, despite of vaccinations. After passing of time, data was available to study and analyse. In this project work data obtained from various publications, organizations and agencies were collected and analysed.

Data Analysis and Discussion

Covid-19 and announcement of lockdown

First case of covid-19 was reported in China in December 2020. Having some hesitation in the beginning, the World Health Organisation (WHO) declared the coronavirus outbreak a global health emergency in January 2021. In India, the first Corona positive case was reported by the Ministry of Health and Family Development on 30th January 2020. Due to severity of the disease and the rate of the infectiousness of the pandemic, Indian Prime Minister Mr. Narendra Modi announced sudden nationwide lockdown for 21 days on 24th March 2020 which was later extended time to time. After 8th June 2020, lockdown was opened in a phased manner, except in hotspot areas. But, the 2nd wave of Covid-19, which started in February 2021 and aggravated in April 2021, proved deadly for Indians.[28] It again forced the government to take strict measures. Though the central government didn't announce lockdown during this time, state governments were given freedom to take necessary action under Disaster Management Act, 2005. Later, state governments imposed lockdowns, and it was prevalent in many states by the end of May 2021.

Permissions and prohibitions during the lockdown

Indian government imposed one of the most stringent lockdown in the world. During the lockdown, except for people engaged in essential services, nobody was allowed to go out of the house. During the lockdown everything including schools, colleges, educational institutes, factories, offices, gym, cinema, restaurants, shops, malls etc. remained closed. Transport facility was not available and railways, air travel and road transport was fully restricted. Only essential services like police, fire brigade, hospitals, banks, etc. were opened during the lockdown. The lockdown impacted every household in one or the other way.[29] Sudden announcement of lockdown forced lakhs of people to forcefully stay wherever they were staying just before the announcement of the lockdown. Tourists, businessmen, students, travellers who were at the other places, were stranded. They were not given the time to return back home. Hotels, restaurants and road side *dhabas* were closed which made situation worse for

to prepare policy to minimise the impact of the shock on both the formal and informal sectors and pave the way for a sustained recovery.[26] According to them the policy makers must ensure that the comebacks remain enshrined in a rules-based framework and exercise of discretion should be limited in order to avoid long-term damage to the economy.

In this project work adopted research methodology is descriptive, using secondary data.[27]

Sample size and method – as this study is based on secondary data, sampling is not required.

Data analysis is done using documentary analysis. The data collection method undertaken by reviewing previous studies at various levels on the circumstances in this country during Covid-19 these people as it become difficult for them to get food as well. Later government realised its mistake and arranged schemes for evacuation of people. But, it was very late which caused millions to suffer and some also died due to harsh treatment of the authorities.

Migration of workers/labourers

These are some pictures of labour exodus which will haunt our memories for ever².

India is considered a country which has surplus human resource, also known as demographic dividend. We have the youngest workforce in the world.[30] Due to this demographic dividend, we have cheap labour available for our industries which gives us edge over other countries where workforce is not as younger and energetic as we have. However, we also have downsides. Our industrial areas and business centres are not distributed equally all over the country. Some states like Maharashtra, Tamilnadu, Gujrat, and Delhi NCR have well developed industries and business centres. On the other hand states like Bihar and Uttar Pradesh are rich in population but poor in development. Hence, millions from states like Uttar Pradesh, Bihar, Uttarakhand and Jharkhand migrate towards industrially developed states as labourers. Many works in small units as daily wage labourers, contract labours and servants. These daily wage labourers and workers from the unorganized sector were the worst hit by the pandemic driven unexpected lockdown. Many of such labourers live in small rented rooms with family and lots of others live in a small group and eat out at nearby *dhabas*. These people are daily earners and after getting their wage, they used to go to buy ration every day. They do not buy and store much of the food stuff in their home due to cash crunch and insufficient space. Sudden lockdown presented great difficulties before them. Those who used to eat out were left without food as *dhabas* and small restaurants were closed. Those who were with family, had consumed the stored food stuff shortly. Even one who was capable of buying utensils and food stuff, could not do so as the shops were also closed. Some had to receive payment for their work or

service which they could not get. Due to sudden and unplanned lockdown people like rickshaw pullers, daily wage earners, and people engaged in petty and small businesses, street vendors, domestic workers, students, tourists, people performing journey etc. were stranded having no option as means of transport like buses, railways, airplanes and personal vehicles were not allowed to run.[31] It created panic and restlessness among such persons who were already terrified due to severity of the disease. State governments could not provide them assurance of food security.

Closure of businesses

With the announcement of the lockdown majority of the businesses, small, medium and even the big one were closed. Factories, shops, offices, institutions, agencies all were shut. Only businesses and offices engaged in essential services like police, administration, and hospitals, healthcare, pharmaceutical companies, etc. were allowed to work during the lockdown. Though, restrictions were uplifted in phased manner during the

unlock period, companies and establishment falling in a corona hotspot areas were not allowed to function until the area was declared free from infection.

Industries involved in essential supplies were allowed to function, though with the several restrictions.

Impact of lockdown on economy and manufacturing sector

Indian economy is typically categorised in three sectors- primary sector, secondary sector and tertiary sector. In terms of operation, Indian economy is also divided as organised sector and unorganised sector. Agriculture and allied activities make up the primary sector, manufacturing and allied services fall in the secondary sector while service sector falls in the tertiary sector category.

Covid outbreak had its bad impact on Indian manufacturing sector as well as on Indian economy. As it has been already discussed, we know that the Indian economy had a tough time much before the arrival of covid-19.

Item Description	General Index	Manufacture of basic metals	Manufacture of chemicals and chemical products	Manufacture of coke and refined petroleum products	Manufacture of computer, electronic and optical products	Manufacture of electrical equipment	Manufacture of fabricated metal products, except machinery and equipment	Manufacture of machinery and equipment n.e.c.	Manufacture of motor vehicles, trailers and semi-trailers	Manufacture of other non-metallic mineral products	Manufacture of pharmaceuticals, medicinal chemical and botanical products
2020:02 (FEB)	134.2	169.5	121.7	125.5	137.7	102.8	94.6	113.6	100	133.5	228.1
2020:03 (MAR)	117.2	143	101.1	132.3	100.6	71.4	73.1	86.9	64.2	107.2	168.6
2020:04 (APR)	54	40.3	53	87.7	12.6	5.6	3.7	9.1	0.7	16.9	93.6
2020:05 (MAY)	90.2	103.2	95.9	95.9	64.5	31.6	44.2	44.6	20.7	91.2	234.3
2020:06 (JUN)	107.9	131.5	117.3	104.5	114.8	61.7	67.3	80.2	53.7	110.4	237.1
2020:07 (JUL)	117.9	153.1	122.2	109.4	144.9	82.6	82	85.6	73.5	105.4	243.1
2020:08 (AUG)	117.2	162.9	118.9	100.6	146.3	94.4	83.9	92.6	85	96.2	221.9
2020:09 (SEP)	124.1	160.5	125.5	103.2	167.2	126.5	92.1	108.9	99.5	103.8	236
2020:10 (OCT)	129.6	170.6	128	109.3	151.1	132.4	95.7	113.2	109.9	117.1	239.6
2020:11 (NOV)	126.7	165.4	120.4	124.8	115	114.4	81.8	105.4	99.2	112.7	226
2020:12 (DEC)	137.4	181.7	131.8	125	138.8	131.8	99	118.5	103.2	122.6	239.9
2021:01 (JAN)	136.6	179.8	131.6	129.3	155.6	109.7	93.7	110	107.8	127.2	205.4
2021:02 (FEB)	129.9	163.6	119	113.7	166.5	106.3	92.4	111.8	105.6	124.4	216.8
2021:03 (MAR)	145.6	184.7	127.9	130.9	206.2	110.1	102	130.5	114.9	140.3	230.7
2021:04 (APR)	126.1	168.5	118.1	118.5	119.2	84.5	78.2	94.4	102.2	128.1	202.3
2021:05 (MAY)	115.1	159.8	109.1	113.8	95.2	61.6	64.4	76.3	59.2	110.1	217.1
2021:06 (JUN)	122.8	163.5	116.3	110.1	125.6	84.2	79.7	96.3	87.8	119.2	226.9
2021:07 (JUL)	131.4	170	128	117.9	138.1	118.4	89.9	109.1	101.4	126.8	229.9
2021:08 (AUG)	131.3	174	124.7	112.1	139.4	129.4	91.3	109	93.6	122.3	233.8
2021:09 (SEP)	127.9	169.2	123.7	108.6	163.1	143.8	88	112.4	90.5	116.4	237.6

Sl. No.	Item	2018-19 (2 nd revised estimation)	2019-20 (1 st revised estimation)	2020-21 (provisional estimation)	Percentage change over previous year	
					2019-20	2020-21
1	GVA at basic prices	12744203	13271471	12453430	4.1	-6.2
2	Net taxes on products	1259114	1297797	1059310	3.1	-18.4
3	GDP (1+2)	14003316	14569268	13512740	4.0	-7.3
4	NDP	12392839	12822882	11874000	3.5	-7.4
5	GNI	13850857	14427632	13384612	4.2	-7.2
6	NNI	12240380	12681246	11745872	3.6	-7.4

Per capita GDP also dropped. Percentage change over previous year for 2019-20 and 2020-21 had been 3.0 and -8.2 respectively.

Problems of India's manufacturing sector

During the covid period every sector of economy suffered all over the world. However, Indian manufacturing sector had some structural deficiencies which had been the result of various factors originated in the past. Demonetization in November 2016 and then implementation of Goods and Service tax in 2017 proved fatal for MSMEs and unorganized sector. Indian economy is growing steadily since India adopted the policy of globalization in 1990s. However, this growth failed to create enough jobs. Covid-19 only aggravated the existing problem. Let us discuss these issues one by one.[32]

- **Jobless growth-** During 2016-17 there were 5.10 crore employees engaged in manufacturing sector. This number almost halved in four years as in 2020-21, only 2.7 crores were employed in the manufacturing sector. India struggled to make its manufacturing industries capable to create a growing bank of jobs. This situation has worsened in the past 4-5 years as instead of soaking up excess labour from other sectors of the economy, manufacturing is actually letting go of workers. Contrary to it, agriculture sector employed 14.56 crore people in 2016-17 and this number has increased by 4 percent and have reached to 15.18 crore in 2020-21. It indicates that everything is not good in manufacturing sector. Its share in the economy is shrinking and it is also failing to create jobs. Apart from this, other sectors, except agriculture, are not performing as they should have performed. Jobless growth has become a normal thing in India's economy. During the year 2017-18, rate of unemployment had been 6.1 percent which was at the highest level in last 45 years. This may be the outcome of the structural weakness in economy induced by demonetization that presented cash crunch and payment crisis before MSMEs and unorganized sector. Later introduction of GST made the situation worse for them as the MSMEs could not confirm to new tax regime. Firms and businesses which could survive after onslaught of demonetization, could not sustain in the new tax regime.

- **Use of Artificial Intelligence (AI) and robots-** We are living in an era where technology has surpassed all the limitations which were once thought. Once computers and Information Technology (IT) were the job creator. Now, use of IT tools can replace dozens of workers. AI is the future. AI enabled computer software can effectively work in place of humans. AI is evolving at a rapid pace and AI equipped robots can perform those tasks which require lots of human labourers. Robots are being used in car manufacturing, mines, metallurgy and hazardous works. Even driverless cars have been introduced which will further make humans dispensable[33]. There is another face of the problem. Enterprises which are not able to use innovative techniques in their business operation, are not able to face tough competition and thus obliterate soon. Futuristic technologies are not creating jobs while enterprises which do not use futuristic techniques cannot cope with the tough competition. This is a double edged problem.

- **Labour laws-** Some people think that Indian labour laws are unfavourable for growth. Some businessmen say that labour cost is an integral part of their business expenditure. They can stop buying raw material when there is no demand of the product, but they cannot stop paying salary to their employees. Also, labour unions sometimes create problems. During lockdown, in order to enable manufacturing establishment to work efficiently, some State governments including Uttar Pradesh, Gujrat and Madhya Pradesh issued ordinances to exempt manufacturing establishments from the purview of most of the labour laws. However, labour laws are not villains. They need reforms so that every a win-win situation may be ensured for every stakeholders.

Employers want to have rights to hire and fire as per their requirement. But, this is against the principle of safeguarding rights of common people which is enshrined in the Constitution of India. During lockdown many companies failed to pay their employees their dues and also retrenched many of them. It resulted in mass exodus of migrant labourers during the covid lockdowns. It made difficult for companies to arrange labourers after the end of lockdown. These labourers are also consumers which are indispensable for growth of

businesses. Making common people poor would ultimately result in decline in demand and will further destroy the economy.

- Red-tapism- Indian laws are very intricate in nature and many times law enforcing agencies impose them with negative intentions.[34] One has to face a lot of difficulties for a new startup. One has to fulfil lots of formalities and even have to pay bribery to officials and politicians. There are too many laws and if someone, who is not a powerful person, fails to abide by them, then he/she has to pay heavily for it. This is one of the major problem which is hampering the progress of Indian manufacturing sector. Also, jealousy is a factor as many cannot digest progress of someone. They try to

put every hurdle on the path of an entrepreneur. Nepotism, corruption, red-tapism and mind-set of people is harmful for a fair business environment.

- State of MSMEs and unorganized sector- Micro, small and medium enterprises (MSMEs) are the backbone of most of the industrial activities in India. They generate employment, earn foreign currency for India through export, work as the ancillary units of big manufacturing units and businesses, decrease regional disparities and enhance the economy of the country significantly. High inflation rate- Despite of its efforts Indian government could not save economy from rising inflation. Inflation rate for July to October 2021 and corresponding months of 2020 is as under:

Months	Consumer Price Index (CPI)		Consumer Food Price Index (CFPI)	
	2020	2021	2020	2021
July	6.73	5.59	9.27	3.96
August	6.69	5.30	9.05	3.11
September	7.27	4.35	10.68	0.68
October (provisional)	7.61	4.48	11.00	0.85

Though, NSO data is showing significant reduction in CPI, actual position had been different from the above, especially due to all time high price of petroleum products. There has been continuous decline in CPI since July this year. Despite of it, it had been very tough for ordinary people to save money. CPI has mounted again in November 2021 (4.91%) due to increase in vegetable prices.[35]

Petrol price in some cities even crossed 110 per litre. Diesel which is used for transportation and industrial use, also become costly. During FY 2020-21 when economic activities were low and for a long time there was ban on travel, government of India made unprecedented revenue collection from taxes on petrol and diesel. In 2021-21, it earned 3.35 lakh crore as excise duty on petrol and diesel, despite of interruption in travel, transport and lower demand of petroleum products from the industry. That price increase put a huge burden on people and industries. It increased input cost of manufacturing and also decreased the profit. Rising commodity prices and logistics costs, forced companies to increase prices for their products. In one hand it is increasing cost of production and also forcing consumers to cut their consumption. It would also force exporters to increase prices and thus, make their products costlier compared to their competitors. Hence, it will lead to decrease the demand for the goods manufactured in India. This is not good for economy as it would ultimately harm the manufacturing sector and rising inflation with economic slowdown will further destroy the economy[36].

Future prospectus

Various expert and economist suggest that India’s recovery could be ‘V’ shaped. They also suggest that if India could not contain the virus, recovery could be ‘U’ shaped and in the worst case scenario, it would be ‘L’

shaped. They also talked about the ‘K’ shaped recovery and the ‘X’ shaped global recovery.[37]

Every sector, except agriculture, forestry and fishing, registered negative growth by January 2021. By this time manufacturing, real estate, construction, tourism, professional services, public utility and defence were still in recession. The economic survey of India for 2021, tabled in the Parliament on 31 January 2020, stated that the ‘Indian economy was on the path of a resilient v-shaped Trajectory’. It claims that despite of headwinds, manufacturing rebounded and industrial value started to normalize³.

IMF in its publication (October 2021) has forecasted that the revised global growth rate for 2021 would be 5.9 percent, and for 2022 it would be 4.9 percent.

Conclusion, Findings and Suggestions

In the light of the above discussions, we find that Indian economy was already slowing down before the advent of covid-19. Indian economy was running at the smooth pace before 2016-17. However, that growth were jobless. It could not create sufficient jobs and even labour participation in agriculture sector increased which indicates that other sectors are not performing well. Global conditions, demonetization and later implementation of GST halted manufacturing sector’s progress. Later covid-19 had a devastating impact on our life, economy and it even changed the society a lot. Masks, sanitizers, online shopping etc. have become a common thing. Despite of all the efforts of the government and people economy could not be saved from the negative effects of lockdowns. All the apprehensions regarding bad condition of Indian economy proved true. Indian economy decreased by 7.3 percent in 2020-21. As it happened with the

demonetization, long-term effect of covid-19 has still to make their effects. After sudden spurge, economy may slow down due to global as well as interior weaknesses. Covid-19 had widespread social and economic negative impacts. It forced lockdown and lockdown resulted in decrease in growth rate of economy. Indian manufacturing sector's contribution to India's total GVA shrunk to 13.8 percent during the first quarter of 2020-21 with -39.3 percent growth rate. That was 17.5 percent in the first quarter of 2019-20. Second phase of covid-19, in which delta variant of covid killed lakhs of people in India, has made the situation grave for Indian manufacturing sector. During the time of finalizing this report, a new covid variant (omicron variant) has arrived and it has frightened the world once again. Fear of lockdown is again lurking over the country. We have achieved target of vaccination of over 100 crore people. But, vaccination is not a guarantee against the virus. Omicron variant is spreading through people who are travelling from one country to another and this is the irony that they are fully vaccinated. Hence, despite of vaccination, availability of medical facilities and experience of one year, we are still on standstill. Future is still uncertain.

We still have opportunity for developing a suitable strategy to mitigate the impact of covid-19 on economy. Government intervention and relief packages are need of the hour for recovery of industries, economy and livelihood of people.

First of all government must avoid locking the country in a short notice. It not only creates various problems, but also shakes confidence of investors, entrepreneurs and common man. Government had experience of demonetization in which people suffered a lot. Similar mistake should never have been repeated. It is one of the main reason behind country's many problems which are tormenting us now.

Ease of doing business is a must for the overall growth and development of trade and industry as it encourages foreign investors and make path easier for entrepreneurs. India's rating in ease of doing business ratings has improved significantly over the years. However, there is a need of riddance from obsolete and complicated laws, unnecessary formalities and red-tapism. Without effective laws and implementation of fair orders, it is not possible for us to create a society where business flourishes. In India, companies have to comply with numerous mandatory regulations which make their path tougher. We need simplified policies and laws to reduce the cost of compliance. That would create an industry friendly environment and enable firms to focus on their core businesses. Judicial matters must be executed in time to avoid uncertainty, and reduce cost of justice.

MSMEs are important for overall growth of manufacturing sector and economy as a whole. There is no clear demarcation between private funds and business funds of small businesses. Their business savings might have been used for their personal use as

they had no other choice left in such a dire situation as we have witnessed during covid-19.

During lockdown entrepreneurs were forced to close their businesses. Their savings shortly depleted and many of them had no option but to take loans or close their business for ones and all. They faced various problems due to covid-19 like unavailability of labourers because of their exodus during the lockdowns, increased cost of sanitization of premises and plants and tools, unavailability of raw material, disruption in supply chain, increased cost of servicing of plants and machinery which were lying idle during the lockdown etc. Cash crunch had been a bigger problem. Many startups and businesses arrange capital from loans. They were unable to repay the loans due to stopping of business activities. Hence, many of them could not survive because of scarcity of resources. Government must take a step to fund them before it is too late. Their loan payments should be deferred and loans should be restructured. Apart from it, there is a need of short and medium term funding for MSMEs to meet their revenue expenditures. There is a need of identification of such units which need immediate funding. Government have announced various loans and waivers during the lockdowns. However, actual situation is different. Lower interest rates for consumers and businesses and lesser compliances for MSMEs vis-à-vis ease of doing business at the ground level is vital for the economy. Hence, it has become imperative to fuel the factors that may enhance household consumption and private investment to increase aggregate demand for development of economy. Apart from providing funds, TDS rate for financial year 2021-22 to the tune of 50 percent can be reduced in order to provide some liquidity to the taxpayer who are reeling under acute liquidity shortage in the current situation.

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