

# **A Study on Impact of COVID-19 a Global Pandemic on Indian Economy: With special Context to Goods and Service Tax.**

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**Abstract:** Study is intended to emphasize significant impact of covid-19 a global pandemic situation in Indian economy. Indian economy consists various segments like, rail system, ecommerce industry, automobile sector, restaurants industry, information technology and software services, travels and tourism industry and lots of others industry having vital role in Indian economy. Economy was running as usual and suddenly at the end of third quarter of fiscal year 2019-20 a novel corona virus entered in Indian territory and start to infect the peoples silently. Gradually number of infected persons increased and a global pandemic situation been declared by the concerned authorities. Just within two months it's been spread across the country and survival gone typical in normal course. Hence Indian government decided to complete lockdown nationwide to cope up with this global pandemic situation. Indian economy been sickening due to global pandemic situation. Every industry adversely affected by this covid-19 a global pandemic. Financial as well as convenience crises been arisen. To run and maintain economy every government required funds which is collected in form of taxes like, income tax, goods and service tax, etc. goods and services tax leviable only on supply of goods or services. Now in nationwide lockdown, supply of goods and services are completely affected adversely. Hence GST collection will also be affected adversely.

**Keywords:** India, Economy, COVID-19, GST

## **INTRODUCTION:**

Indian economy characterises as developing economy across to world. India is fastest growing developing country with 3 trillion US dollar. Indian economy is fifth largest economy by GDP across the world. India has fourth largest rail network, second largest internet user base, fourth largest in automobile industry, largest exporter of information technology and software services, second largest road network, significant role of pharma industry, infra industry, textile industry, restaurant industry also across the world. GDP contribution by the agriculture industry, manufacturing industry and service sector is 17 percent, 26 percent, 57 percent respectively. Hence service sector with highest contribution has playing a vital role in Indian economy. Manufacturing industry comprise defence, electricity sector, engineering, gems and jewellery, infra, petroleum products, textiles and garments articles, pulp and paper etc. Whereas service industry comprises aviation, banking and financial services, insurance services, information technology and software services, tourism service, health and medical services, logistic and supply chain

services, telecommunications etc. Taxes, duties, cess are only source of revenue to Indian government to run the Indian economy smoothly.

Seen as revolutionary moments in India's fiscal history, The Goods and Service Tax ("GST") came in to force at a historic midnight session on 1<sup>st</sup> July 2017 in central Hall of Parliament when Hon'ble President Shri Pranav Mukherjee and Prime Minister Shri Narendra Modi jointly pressed a buzzer to mark the introduction of new modern tax system, which has been the most aspiring indirect tax reform in decades. Prior to that, in the series of events for GST in the making, four key GST legislation namely, Central GST act, 2017, Integrated GST act, 2017, State or Union territory GST act, 2017, GST (compensation to states) act, 2017, received the assent of the Hon'ble President of India as on 12<sup>th</sup> April 2017. Earlier, these Bills were passed in Rajya Sabha as on 06<sup>th</sup> April 2017 and by Lok Sabha as on 29<sup>th</sup> March 2017. Its (GST) extended to whole of India except the state of Jammu and Kashmir. Further it's extended to whole of India including the state of Jammu and Kashmir. (Wef 8<sup>th</sup> July 2017). Currently 162 countries have been adopted GST in world including India. All over the world only two counties namely Brazil and Canada have been adopted dual GST model. Since India also adopt Dual GST model. GST introduce as the Single biggest indirect tax reform since Independence, is a destination based consumption tax levied at multiple stage of production and distribution of Goods and Services, with GST credit available of taxes paid on Inputs and input services, which can be adjusted towards GST to be paid on outward supply of goods and services or both. The Central GST act, 2017 provides for the levy of the CGST by the Center on the supply of Goods and Services or both within the boundary of a state. Whereas the Integrated GST act, 2017 deals with the levy of IGST by the center on inter-state supply of Goods and Services or Both. Similarly, the State/union territory GST act, 2017 provides for the levy of the SGST/UTGST by the State/union territory on the supply of Goods and Services or both within the boundary of a state.

Corona virus is an infectious disease which is caused by severe acute respiratory syndrome coronavirus 2. The disease known as COVID-19. The disease was found in December 2019 first time in Wuhan city of China. Gradually its spread across the world and created a global pandemic situation. COVID-19 primarily spread through droplets of saliva from the nose when infected person cough or sneezes. Most common symptoms of the disease are fever, cold, sore throat, tiredness, ache or pains, breath shortness, loss of smell and runny nose. Presently COVID-19 been spread across the world and a global pandemic situation created. Older peoples and peoples underlying with medical problems like, cancer, diabetes, cardiac illness, chronic respiratory illness is most likely to develop COVID-19.

#### **OBJECTIVES:**

1. To find the effect on Indian economy due to covid-19 global pandemic situation
2. To find the effect on GST due to covid-19 global pandemic situation in India.

3. To find the that How will Indian economy suffer during lock down period.
4. To find the that How will Indian Citizens suffer during lock down period.

#### **RESEARCH METHODOLOGY:**

Study is descriptive nature having quantitative as well as qualitative merits. Study discussions about the possible reasons behind the COVID-19 a global pandemic, along with impact on Indian economy and Goods and Services Taxes in India. To find the facts only secondary data is being used as available. Entire study based on documentary analysis. Secondary data includes various books, research papers, journals, newspapers, reports of diversified agencies, web contents etc.

#### **FINDINGS:**

##### **INDIAN RAIL SYSTEM:**

Indian railway system is fourth largest railway network in the world having 70000 km length approx., which is operated and managed by Indian government to facilitate public. In 1837 first rail was run between Red Hills to Chintadripet, Madras. 20000 passenger trains run daily by Indian railway system. Average revenue from passenger trains is 157 cr per day as per data fetched from financial data for the month of February 2020. Furthermore, as per goods and service tax law as prevailing in India since 01<sup>st</sup> day of July 2017, GST applicable at the rate five percent on services provided by the Indian railway to their passenger. Hence on the basis of recent data 7.86 cr GST will be leviable per day on the value chargeable to the passengers. During the lock down period since 22<sup>nd</sup> day of March 2020 to 14<sup>th</sup> day of April 2020, Rs 31.86 cr GST loss will occurred to Indian government. Beside that GST loss several difficulties also arisen in due course of businesses and normal life cycle of Indian citizens. Alongside these issues numerous business man like tea, coffee, snacks, means etc supplier at the platforms as well as in trains will get affected due to this global pandemic situation. Hence supplies of FMCG products and foods items will get affected because of shut down of passengers' train network. Tourism business also affected due to non-availability of trains and others transport systems.

##### **E-COMMERCE INDUSTRY:**

India is second largest internet user base having 627 million internet users across the country. Gradually its increasing by 6 million user every month. Ecommerce market size was 3.9 billion us dollar in 2009 which has been reached at 10 times at the end of 2018. Amazon is biggest ecommerce operator in term of revenue than Flipkart. All e-com aggregators likewise, Amazon, Flipkart, Paytm, Myntra, Snapdeal etc, are facilitating to Indian economy as well as citizens in term of easy access and availability of goods and services at competitive prices, early delivery, good quality, verified sellers etc. since implementation of new indirect tax regime called GST, several new provision were

enacted over on ecommerce operators specifically and these all provisions are binding over on ecommerce operator and supplier of goods or services as well. Hence transparency between the transaction made through ecommerce operators was increased and ultimately government revenue increased in terms of GST collection through ecommerce operators. Approx Rs 300 cr per day sales affected During nationwide lockdown. Average rate go GST is 18 percent henceforth, GST collection will fall down by Rs 54 cr per day. Beside that revenue loss occurred to Indian government, there are so many difficulties faced by the user base during this global pandemic. Aforesaid all ecommerce operators suspended their services temporarily until nationwide lockdown.

#### **AUTOMOBILE INDUSTRY:**

Automobile industry in India is fourth largest in the world. First car ran on Indian road in 1837. Number of cars were very small that time and imported only. In 1940's auto industry emerged in India and after 2 year in 1942 Hindustan Motor was launched. Now after independence of India several manufacturing units of automobile established across the country. All kinds of auto vehicles like commercial vehicles, personal cars, passengers' vehicles, transport vehicles, agriculture equipment's like tractors, auto bikes etc is being manufactured in India. Still few luxury brands like BMW, Mercedes etc is being imported to fulfilled the buyer requirements. The automobile industry having greatest role in Indian economy in term of employments generation, revenue generation, ease of doing, transport and so on. But due COVID-19 global pandemic India will have an adverse effect in auto industry. Estimated overall revenue impact will be 11500 cr to 15200 cr approx. per month. As per Central goods and service tax act, 18 percent GST applicable on all car except luxury cars. On luxury cars 28 percent GST applicable along with chess at rate of 12 percent. Hence 40 percent GST applicable on supplies of the luxury cars in the India. Facts are clearly indicating that, covid-19 impact will not be harmful to auto industry only but also to government revenue in terms of GST collection.

#### **INFORMATION TECHNOLOGY AND SOFTWARE INDUSTRY:**

IT industry was born in 1967 at Mumbai with the TATA Group in partnership with Burroughs. IT industry comprise two major segment one is Information Technology and anther one is business process outsourcing. IT sector has vital role in Indian economy and its contribution to Indian GDP is 7.7%. Export revenue is higher than domestic from the sector aggregate revenue. India is largest exporter of IT and Software services. 79% of industry's total revenue is generating from export of IT services. Ease of doing in business and digital India campaign is possible only with assistant of information technology. According to India brand equity foundation Rs 114500 cr per month revenue had generated from IT segment in financial year 2018-19. Out of which 76 percent was from export activity and rest was from domestic market in said financial year. As per integrated goods and services tax applicable on export of goods or services is zero rated but domestic supply of the same is chargeable at 18 percent by virtue of respective law. If export of IT

services distress due to covid-19 global pandemic situation, then there will not be occurred loss in term of GST but foreign currency reserves will be affected adversely. Similarly, if domestic supply of information technology services feel distress due to covid-19 global pandemic situation than GST collection will reduced by Rs 4950 cr per month.

#### **PHARMA INDUSTRY:**

Still India is developing country but it is matter of proud that India is principal manufacturer of generic drugs across the world. Indian pharma industry supplies 50 percent vaccines globally. Indian pharma industry has a significant position across the world. Developed countries like united states of America, United Kingdom and many more others countries are procuring major portion of medicines from Indian pharma companies. Hence Indian pharma industry has significant role in Indian economy. As per available recent data, export revenue from pharma industry is Rs 12000 cr per month and domestic revenue is 30000 cr per month. In covid-19 global pandemic situation, nationwide lockdown declared and due to this lockdown or say janta curfew, supply chain of pharma products included raw material and semi-finished been troubled. GST rate is 12 percent on most of drugs by virtue of respective goods and service tax legislature. Drugs are essential supplies as per current situation but due to lake of proper resources pharma sector has been distressed. Hence Indian economy as well as GST collection will reduced by huge amount due to global pandemic situation.

#### **INFRASTRUCTURE INDUSTRY:**

Infrastructure industry is key sector in the Indian economy. Infra sector is highly responsible for overall development of India. Infra industry comprise real estate, water supply and sanitation, transport, telecommunication service, electricals supplies, educational institutions, healthcare organizations etc. Except the essential supplies all infra activities have been shut down due to covid-19 global pandemic. Supply of necessary resources like manpower, raw material, consumables etc has been stopped for the period. Though all necessary infra activities will be resume as soon as possible after the lockup but a gap has been created between the things. Hence Indian economy will have to affected by this key sector adversely. Ultimately this sector will also affect the government revenue in terms of goods and services tax, fees, charges etc. major revenue collection, which are related to infra activity will be differed. Hence government deficit will increase.

#### **TRANSPORT INDUSTRY:**

Transport in India comprise transport by road, train, air and water. Transport industry does play a significant role in smooth operation of economy. Road network in India is second largest and busiest in the world. Rail network also fourth largest and busiest in the world. In this busiest schedule and life style, movement of passenger and goods also not only typical but also impossible without aid of transport facilities. Journey of thousands of

miles in just few hours is possible with the help of transport assistance. It is no exaggeration to say that as much transport facility be fast economic development will much fast. Transport industry in India contribute 6 percent approx. to its GDP and this is majorly dominated by the road transport. Now 5 percent goods and services tax are levied on supply of services in form of transport service by the road as per central goods and services tax as applicable across the country since 1<sup>st</sup> day of July 2019. Due to covid-19 a global pandemic all transport activities except those are essential as per requirement of circumstances, have been stopped. Hence economy will suffer in term of GDP deficit and government revenue will fall down in term of GST collection. Furthermore, petrochemical industry will also be affected adversely because foremost share of petroleum products like, high speed diesel oil, motor sprit and lubricants are consuming by the transport vehicles.

#### **TEXTILE INDUSTRY:**

In general sense, Textile means necessity of human life. Textile industry has generated huge employment nationwide. Approx. 4.5 crore peoples employed by the textile and garment industry across the country. Its contribution to Indian GDP is 2 percent. Demand of textile and garments products have fall down due to a panic situation called COVID-19 a global pandemic. Beside the demand of textile and garment articles, manufacturing and supply chain for the same also affected adversely due to COVID-19 a global pandemic situation. Since 1<sup>st</sup> day of July 2017, an indirect tax called goods and services tax levied on textile and garments articles at the rate of 5 percent, 12 percent or as prescribed time to time to by the competent authority. Hence due to lockdown over the period across the country, supplies as well as manufacturing of textile and garments articles fall down that will lead to GDP deficit to Indian economy and revenue loss to Indian government in terms of goods and services tax.

#### **RESTAURANT BUSINESS:**

It is necessity to have food to alive but its quite luxuries to have food in restaurant. India is food loving country out of the world. India also divided in various regions with its own special cuisines. With the demand of time Indian restaurant business is growing rapidly. There are several brands likewise, Sankalp, Pizza hut, Dominoz, KFC, McDonald, Café coffee day etc. are exist in India those are providing quality foods services to the foodies. There are lots of unbranded cuisines also depends on regions like, dosa, idli, uttapam, chholabhatura, chholakulcha, chhola tikka, pain puri, Badapav, pavbhaji, khamandokla, samosa, kachori, jalebi, emarti, and many more countless delicious cuisines are there. Approx. 73 lakh peoples employed in Indian restaurant industry across the country. Indian food industry is third largest service sector in India. At present 5 per GST is applicable over on all restaurant service provided in course of furtherance of business except few exceptions as prescribed by the law. As per NRAI Foods Service Report 2019, Rs 18000 Crore tax paid by the Indian food industry. Hence it can be said that, Rs 50 crore tax is being paid by the restaurant service provider. Over the lockdown period Indian economy

will be affected adversely in terms of unemployment, GDP deficit and government revenue will fall down by the said amount per day approx. in terms of tax collection.

#### **OTHERS:**

Over the period of lockdown across the country every activity either these may be personal or commercial will be affected adversely. Except the above-mentioned discussed industries rest others like, petrochemicals industry, iron and steel, sugar, cement, education sector, banking and insurance will be affected adversely. Collectively these all factors will contribute to deficit of Indian GDP. Tax revenue also be affected negatively during the COVID-19 a global pandemic situation.

#### **SUGGESTIONS:**

To overcome with this global pandemic situation, we have to cooperate with government and administrative authorities. There are few preventive measures provided by the Indian council of medical research which have to be followed by each and every citizen to beat this novel corona virus. Merchants those are allowed to operate their commercial activities under government regularization, have to cooperate genuinely. Basic few preventive measures are like, follow strictly lockdown or Janta curfew, ensure proper cleaning and sanitization specifically hand sanitization, avoid touching face, avoid personal meetings, maintain social distancing, avoid non-essential travelling, self-isolation, preferred work from instead to join office etc. Older peoples and peoples have medical problem like cancer, diabetes, cardiac illness, chronic respiratory illness have to extra take care to prevent this disease.

#### **LIMITATIONS:**

Study is based on fact and circumstances as available till the date of conclude this paper. All information and data are available as per current situation as materialized. Impact of the novel corona virus called as COVID-19 a global pandemic may vary time to time. Study carried out on the basis of first phase of lockdown. Hence result may vary on the basis of lockdown period, number of infected cases, recovery rate, death rate, government policies as decided time to time etc.

#### **CONCLUSION:**

Various reports and analysis done by the esteem organization it is very clear that there will be huge impact over on Indian economy due to lockdown across the country during the global pandemic situation. Effect can be materialized as negative impact on social life, commercial activities, service industries, manufacturing industry and various other ancillary industries will also be affected adversely. Due to COVID-19 a global pandemic situation, Indian economics has pause for the present time and it will continue until lockdown nationwide. Each and every industry will be affected adversely during the lockdown period. Revenue from the commercial activities will be down that will

ultimately contribute in to deficit of Indian GDP. Similarly, income of Indian government in form of tax will be down fall. Foreign currency reserves also be affected adversely. Unemployment will be created and extra operational cost will be risen in terms of payment to workers for idle production capacity during lockdown. Social life will also be distress. Supply of essential goods and services will be available but will feel distress comparatively. Keeping global pandemic situation in mind, Government of India already been declared that financial year 2020-21 will commence from 1<sup>st</sup> day of July 2020. It is very clear that next financial year will be for 9 months only instead of 12 months. Hence Indian economy will suffer at least equivalent to one fourth of the total economics of the country or it may be greater than one fourth based on the circumstances.

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