

**COVID-19 AND INDIA'S SERVICES SECTOR****Mr. Sanjay R. Dayare***K.M.C. College, Khopoli.***Abstract:**

*Coronavirus disease (COVID-19) is having an unprecedented impact on the world's economy. It has affected the global economy and service sector. The purpose of the current study is to assess the effect of COVID-19 on service sector. The study focuses on the sectors that are badly hit by the outbreak. International lockdowns had a direct and indirect effect on the service businesses in India through trade, tourism, etc. This indicated the magnitude of reliance of our economy in this sector. However, as lockdowns gradually were lifted the economy recovered sooner than expected. This study concludes that services sector of India are badly hit by Covid-19 pandemic.*

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**Introduction:-**

In the last century, the world witnessed many health shocks caused by diseases including HIV-AIDS, Ebola, Polio and Plague, but one of the biggest unprecedented and devastating shocks is the one caused by the Corona virus variant, COVID-19 in the 21<sup>st</sup> century. The Covid-19 virus originated in China in November-December 2019 and over the next few months rapidly spread to almost all countries of the world (Kumar & Kant, 2020). This spread, to become an pandemic, severely affected the global economy and mostly the communities and individuals (UNCTAD, 2020). The national lockdowns imposed to control this spread in March - 2020 affected both lives and livelihoods in India (World Bank, 2020).

The outbreak of Covid-19 affected global economic growth through trade, decline in demand for goods and services, lower tourism and business travel and slowdown in production in the manufacturing sector. The global economy enters 2022 in a weaker position than previously expected. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions (IMF, 2020). The COVID-19 pandemic, the subsequent lockdowns and social distancing measures have had a significant impact on the contact-intensive services sector (Economic Survey, 2021). The Services Sector constitutes a large part of the Indian economy both in terms of employment potential and its contribution to national income. This report focuses on the impact of COVID-19 on services sector of India.

**Review of literature**

The novel Coronavirus (COVID-19) pandemic has rapidly spread across the world, adversely affecting the lives and livelihoods of millions across the globe. Roy analyzed the economic impact of COVID-19 on five

economic sectors. The pandemic created severe economic impact in different sectors of the economy negatively affecting global trade, interest rates, financial market liquidity and creating demand and supply shocks (Roy, 2020). The all sectors of the economy has been disproportionately affected and even within a sector, there is a disproportionate loss. The societal impacts are dire too with job losses, mental illness, increased domestic violence, and so forth.(Aneja & Ahuja, 2021). COVID-19 put an immediate halt to many business activities across the globe, as several countries had shut down their ports, airports and domestic transportation while imposing nation-wide lockdowns, leading to a disturbance in business and civil life. Manufacturing industry has been hit in many ways due to the Corona effect. To begin with, lower production, due to lower offtake(Kapparashetty, 2020).The outbreak of the pandemic has hit the poultry and related sectors the hardest and the demand has fallen drastically due to the widespread fear circulating in the wake of COVID 19 that animal products were carriers of the Coronavirus and may be a source of the infection (NABARD, 2020). In short, Covid-19 had serious effects on all sectors of the economy. But this study will look at the effect of Covid-19 on the service sector of the Indian economy.

### **Objectives of the study**

The objectives of the present study are

To study the impact of Covid-19 on Services sector of India.

To study to impact of Covid-19 on Export and Import of services of India.

### **Methodology**

The present study is based on secondary data. And this secondary data is mainly collected from RBI, WTO, World Bank, UNCTAD and OECD websites. for analysis purpose a simple percentage of this information is calculated.

### **Impact of COVID-19 on Services Sector**

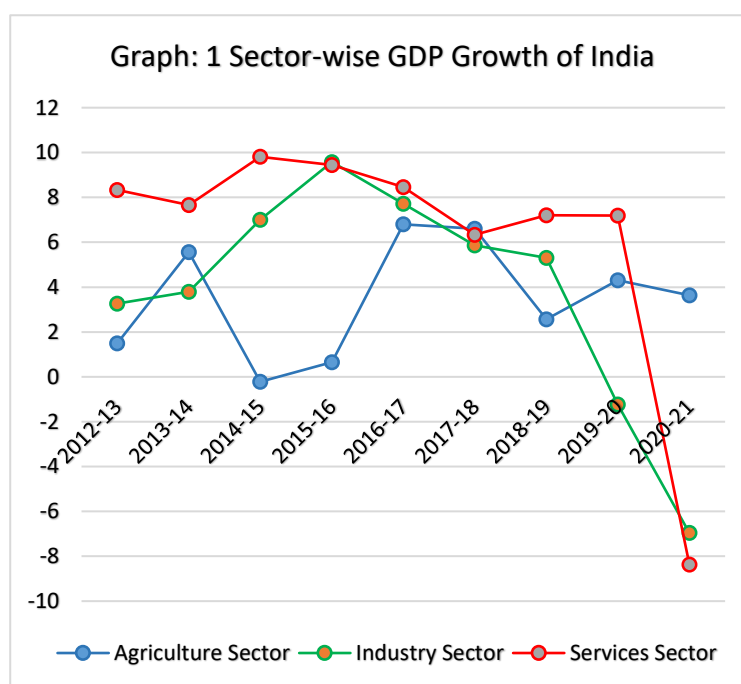
The services sector is the dominant sector contributing significantly to India's Gross Domestic Product (GDP), export and in providing large-scale employment. India's service sector covers a wide range of activities such as trade, hotel and restaurants, transport, storage and communication, financing, insurance, real estate, business services, community, social and personal services, and services associated with construction. The share of service sector in the GDP for the year 2018-2019 was 62.5 per cent (Economic Survey of India, 2018-19). The growth rate of services got the year stood at 8-10 per cent in last decade and share of services in Household Consumption expenditure reached to 57 per cent. The share of Producer Services (Banking, Insurance, ICT, Transport, R&D) as an input in all sectors was increasing and was among the top 12 countries with highest overall GDP in 2017 (India ranked 7 in both overall GDP and services GDP). India was the most dynamic exporter of services and ranked 8<sup>th</sup> and 10<sup>th</sup> in world exports and imports of services in 2018. India's exports have doubled since 2008 (WTO, 2019).

The year 2020 was a peculiar year marred by the COVID-19 pandemic and consequent nationwide and worldwide lockdown measures implemented since the beginning of the year. The contact intensive services

sector was severely impacted, particularly sub-sectors such as trade, hotels, transport and communication. While Covid-19 pandemic has had an adverse impact on most sectors of the economy, the services sector has been the worst affected evident in its' share in India's Gross Value Added (GVA) declining from 55 per cent in 2019-20 to 53 per cent in 2021-22 (Economic survey, 2021-22).

Table : 1 Sector-wise GDP Growth of India

Sector	Agriculture Sector	Industry Sector	Services Sector
2012-13	1.49	3.27	8.33
2013-14	5.57	3.79	7.66
2014-15	-0.22	7	9.81
2015-16	0.65	9.58	9.44
2016-17	6.8	7.72	8.46
2017-18	6.61	5.86	6.34
2018-19	2.56	5.31	7.2
2019-20	4.31	-1.23	7.19
2020-21	3.63	-6.96	-8.36
Average growth	3.488889	3.815556	6.23



Source:RBI

Table 1 shows that in 2011-12 prices, the GVA growth rates of agriculture, industry, and services sector was 3.63%, -6.96%, and -8.36%, respectively, in the year 2020-21. India registered the highest growth of 3.63% in the agriculture, forestry & fishing sub-sector and while the lowest of -8.36% was recorded for the services sector. The services sector had been the highest growing sector in six years but in 2020-21, for the first time the services sector recorded the lowest growth rate among the three sectors. The average growth rate between 2012-21 at constant 2011-12 prices are agriculture (3.49%), industry (3.82%), and services (6.23%).

The graph (1) clearly shows that the growth rate of service sector and industry sector was negative in 2020-21. Decline of the share of the service sector in Q3 and Q4 of 2020-21 GDP.

### Share of different services categories in GVA

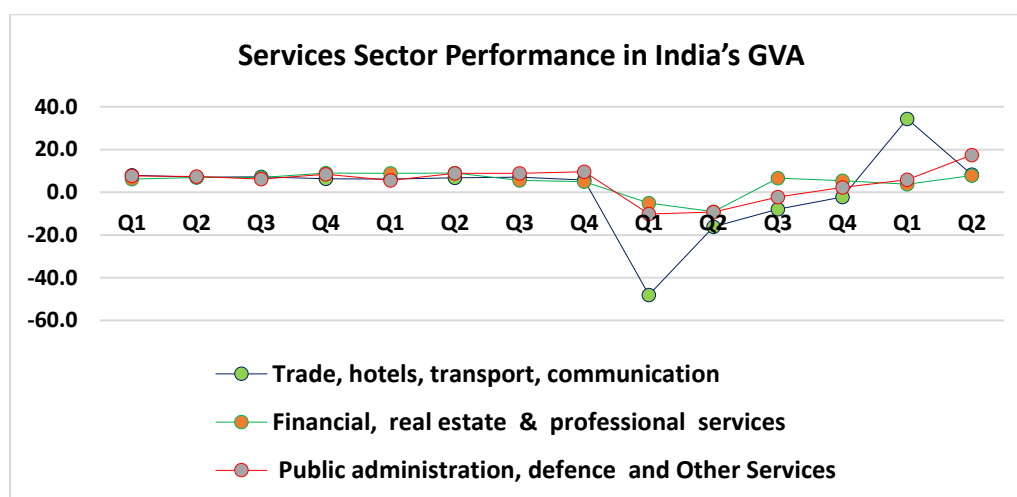
The table shows share of different services categories in GVA. The growth rate of all services was negative in Q1 of 2020-21. The lowest growth rate of all in these services is in Trade, hotels, transport, communication that is negative 48.1 per cent. And it increased to 34% in the first Q1 of 2021-22. Indicating that the effect of pandemic on these services reduced. But in Q2 of 2021-22, it again decreased to 8.2 percent, mostly due to the Omicron spread during the period. We can see a negative trend in all the sectors in FY 2020-21.

Table 2: Services Sector Performance in India's GVA

Year		Trade, hotels, transport, communication	Financial, real estate & professional services	Public administration, defense and Other Services	GVA at Basic Price
2018-19	Q1	8.0	6.2	7.7	7.2
2018-19	Q2	7.1	6.9	7.4	6.2
2018-19	Q3	7.2	6.9	6.1	5.4
2018-19	Q4	6.4	8.9	8.4	4.9
2019-20	Q1	6.2	8.8	5.6	5.0
2019-20	Q2	6.8	8.9	8.8	4.6
2019-20	Q3	7.0	5.5	8.9	3.4
2019-20	Q4	5.7	4.9	9.6	3.7
2020-21	Q1	<b>-48.1</b>	<b>-5.0</b>	<b>-10.2</b>	<b>-22.4</b>
2020-21	Q2	<b>-16.1</b>	<b>-9.1</b>	<b>-9.2</b>	<b>-7.3</b>
2020-21	Q3	-7.9	6.7	-2.2	1.0
2020-21	Q4	-2.3	5.4	2.3	3.7
2021-22	Q1	34.3	3.7	5.8	18.8
2021-22	Q2	8.2	7.8	17.4	8.5

Source: Ministry of Statistics and Programme Implementation.

Graph: 2 Services Sector Performance in India's GVA



Source: Ministry of Statistics and Programme Implementation.

The above graph shows that trade, hotels, transport and communication service had declined the most in Q1 of 2020-21. The most important reason for this slowdown was that the Indian government had imposed strict lockdown and special restrictions across the country to control the growing spread of the virus. This service was later improved after relaxation of restrictions and lockdown.

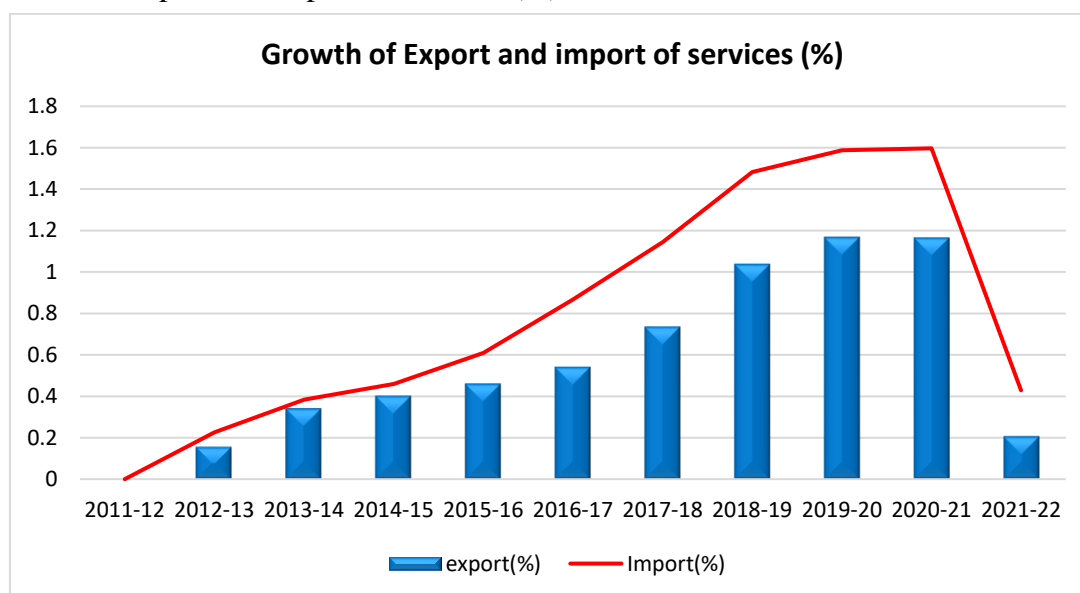
### Trade in Services

Services are a major part of the global economy, generating more than two-thirds of global GDP (OECD, 2020). The COVID-19 outbreak continues to put the global economic scenario out of order. The mechanism

of lockdown and social distancing has paved a grave situation for global trade in general and services in particular, as they are inseparable and requires proximity between the supplier and the consumer. A severe drop in overall service exports was noticed by over 10% during the Q2 of 2020. Travel, transport and financial services had been hit the hardest. (Sivalingam, Veeramani and Anam.)

India is a major contributor to global service exports. After 2013-14, India's imports and exports increased. And in 2015-16, the services import and export gap widened. In short, exports seem to be higher than imports. As a result of Covid-19 in 2021-2022, exports and imports have declined significantly. This is shown by the below graph.

Graph : 3 Growth of Export and import of services (%)



Source : Economic survey 2021-22

### Conclusion

The Covid-19 pandemic had a devastating effect on the service sector in India. Since globalization and the advent of technology, this sector has become intensely integrated nationally and internationally, that impact at a particular place would send a ripple effect throughout the sector, but with varying intensity. In this case, international lockdowns had a direct and indirect effect on the service businesses in India through trade, tourism, etc. This indicated the magnitude of reliance of our economy in this sector. However, as lockdowns gradually were lifted the economy recovered sooner than expected. We reached the pre-pandemic growth records in a couple of quarters as the demand increased as people picked up with their normal lifestyle. Also, after the first lockdown nations learned to adjust and modified the way normal businesses functioned to control for the virus that still lingers and also maintain normal lives.

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