

## 46. COVID-19 AND ITS IMPACT ON INDIAN ECONOMY WITH RESPECT TO CRUDE OIL

**SUNITHA V**, MA (ECONOMICS) K-SET ,B ED (TET), ASSISTANT PROFESSOR OF ECONOMICS, KYATHI PU AND DEGREE COLLEGE, E-mail :- sunitha657@gmail.com, Mobile number : 8105107194

**ARUNKUMAR L.S**, MA (ECONOMICS), MA (POLITICAL SCIENCE), KSET, ASSISTANT PROFESSOR OF ECONOMICS, M S Ramaiah College of Law and Management, Bengaluru, E-Mail: arunkumar9035@gmail.com, Mobile number: 9035724154

### ABSTRACT

India is one of the largest economy in the world, with population around 1.4 Billion, and average GDP (Gross Domestic product) from 2015-2019 is around 7 percent, India is the third largest oil importer in the world, with 9.7 percent of the world oil imports, after China and USA, India imports around 80 percent of its oil needs and aims to bring down to 67 percent by 2022, by replacing it by local exploration, renewable energy and indigenous ethanol fuel, but in India there is lack of demand for crude oil and oil products due to Covid-19 epidemic, which made Indian government to imply restrictions, to lockdown of various firms, industries, public and private sector institutions, as health emergency, according to the report of IEA ( International Energy Agency) India's 40 days lockdown has led to decrease in 30 percent fall in countries demand for energy. Covid-19 is concern for Indian oil producers, as it is the biggest shock since the Second World War, The global economy is expected to enter recessionary Zone in 2020, as countries have shut down there normal business activities, to fight the pandemic led to imbalances in demand and supply of oil prices in the

Indian market, Indian oil companies are waiting for the tax reductions and packages by the government, in the short term imbalance in oil demand and supply situation. The purpose of the research paper is that, Indian government has a great task to fight against covid-19 as a health emergency and oil prices fluctuations in the year 2020.

### KEYWORDS

Covid-19, Crude Oil (Petroleum), Indian Economy

### INTRODUCTION

The world is witnessing the deadly corona virus disease (COVID19) emerged at the end of the December 2019 in Wuhan city at China. Now has become a global threat so that WHO declared corona virus epidemic a pandemic as of March 29. So in this situation many problems arise in a economy, Especially petroleum products For a long time oil is considered as engine for the world economy, oil products are essential in most of the sectors in any economy. India's potential for production of petroleum products are not near to meet the petroleum need of the country's demand. Due to lack of oil resources

India is dependent of these resources, after LPG (liberalisation, privatisation and globalisation) there was increase in demand for oil resources like petrol in various sectors, industrial sector, transportation sector and even in primary sector as fuel for agricultural technical machines, pump sets etc supply for the need of petroleum, oil resources was imported from Arab nations.

After February 2020 there was sudden decrease in demand for oil and petroleum products, due to government lockdown in India this scenario has two faces that is we can decrease the imports at same time there is a no growth in the production sectors, so by giving priority for health sector, government earns large chunk of its income from exciseduties, more than 85% is coming from oil imports. But government revenue from the other sources have plummeted due to corona So government hiked the petroleum and diesel prices by 10 and 13 rupees respectively hence its directly affect the prices of the goods depending on petroleum products so it is interesting to see whether government continues to increase duties on petroleum products or provide subsidy to encourage. It will be huge burden for the Indian economy if it continues in a longer run.

## REVIEW OF LITERATURE

World health organisation declared a pandemic on 11th march

**WHO** –“A pandemic is the world wide spread of a new disease .An influenza pandemic occurs when a new influenza virus emerges and spread around the world and most of the people do not have immunity”.

### **UC CDC Definition**

Pandemic refers to an epidemic that has spread over several countries or continents usually affecting a large number of people

### **Benchmark US**

Crude oil prices divided into negative

territory due to a collapse in demand caused by the corona virus pandemic and lack of shortage capacity for excess supply.

According to PPAC (Petroleum planning and analysis cell) crude oil production in 2019-2020 was 32.1 million tonnes, 6.1 %lower than the 2018-19(34.2)

## NEED OF THE STUDY

1) The outbreak of the covid-19 is posing challenge for Indian economy to balance demand and supply chain of petroleum products.

2) To understand the problems faced by the oil producing companies during covid-19 pandemic

3) To understand the fiscal policies, tax concessions and relief packages to control imbalances in oil prices in India.

4) A comprehensive strategy addressing the impact of current oil price crisis, may put the Indian economy back on sustained growth.

## STATEMENT OF THE PROBLEM

Overall covid-19 has brought uncertainty over supply chain of oil producers and

Economic loss for Indian economy .The uncertainty about future looms heavily in the mind

Of both oil suppliers and government. But the concerted action by the nations flexible

Economic policies will surely turn the tide.

## OBJECTIVES OF THE STUDY

1) To know the affects corona on national income and income generation on to the government

2) To understand the energy needs of the Indian economy through crudeoil.

3) To enable sustainable growth of production, distribution of oil resources and flexible tax

Policies by the Indian economy

## RESEARCH METHODOLOGY

This research output is the outcome of

an overview conducted on the impact of covid-19 on Oil prices in Indian economy, in the Indian context experimental approach .It uses secondary Data for analysis discussion with expert from part of the research work.

**NATURE OF STUDY**

The study is mainly descriptive in nature; secondary data are used for the purposes of the study.

iiSecondary data

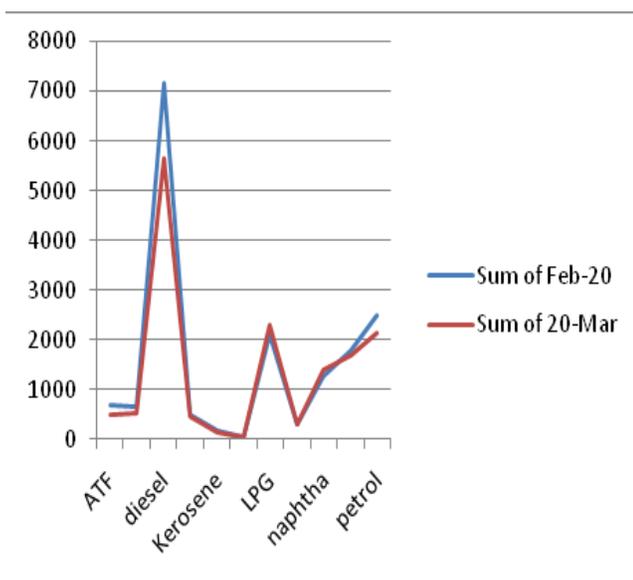
Secondary data was collected from websites various articles and journals.

**DATA ANALYSIS**

Indian monthly demand for the crude oil - Table 1

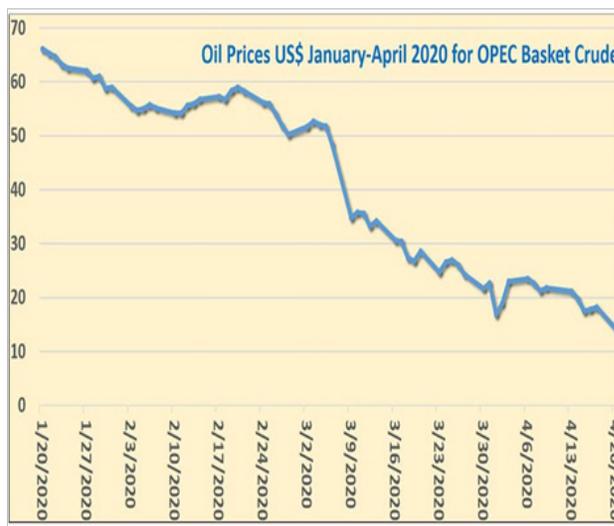
Fuels	Sum of Feb-20	Sum of 20-Mar
ATF	690	484
Bitumen	670	525
diesel	7160	5651
FO &LsHs	503	482
Kerosene	185	152
LDO	54	49
LPG	2115	2306
Lubricants	326	296
naphtha	1279	1386
petcoke	1786	1680
petrol	2511	2156
Grand Total	17279	15167

Chart 01



Te statistics data and table explains total fuel consumed in India, during pandemic situation, the government lockdown which shows negative effect on Indian Economy by decrease in demand for crude oil, petroleum products, in the months of February and March in 2020, where negative curve explains more percentage decrease in demand for the energy resources in Indian Economy due to Covid-19 situation.

**Oil prices fluctuation during pandemic**



The graph explains the impact of covid-19 on change in oil prices in OPEC (Organisation of Petroleum Exporting Countries) Basket crude, due to elasticity of demand or increase or decrease of demand of crude oil. Oil prices are decided by petroleum market, Where production, distribution plays a major role in deciding factors. The graph explains the sudden change decrease in oil prices, due to lack of demand for oil products in India and the World.

The table 2 shows the global oil consumption share before covid-19 situation and during Covid-19 situation, these countries depend on oil resources like petroleum products for growth of all. The sectors of the Economy, any sudden change in production, demand and supply, will affect the Growth of the country, like national income, GDP. USA, China and India are leading users of oil Resources in the world are most affected in growth rate and health crisis

Table 2

	Country	Current GDP (Billion USD)	Population (million)	Consumption (mbpd) in 2018	total oil consumed	Number Infections	Deaths	Share (%) of Infections	Share (%) of Deaths
1	United States	20544	340	20.46	20.49	85996	1300	15.84	5.34
2	China	13608	1400	13.52	13.55	81894	3296	15.09	13.53
3	India	2719	1353	5.16	5.16	775	20	0.14	0.08
4	Japan	4971	127	3.85	3.86	1387	47	0.26	0.19
5	Saudi Arabia	787	34	3.72	3.73	1012	3	0.19	0.01
6	Russia	1658	144	3.23	3.23	1036	3	0.19	0.01
7	Brazil	1869	209	3.08	3.09	2985	77	0.55	0.32
8	South Korea	1619	51	2.79	2.80	9332	139	1.72	0.57
9	Canada	1713	37	2.45	2.45	4046	40	0.75	0.16
10	Germany	3948	83	2.32	2.32	47278	281	8.71	1.15
11	Iran	600	82	1.88	1.88	32332	2378	5.96	9.76
12	Mexico	1221	126	1.81	1.81	585	8	0.11	0.03
13	Indonesia	1042	260	1.79	1.79	1046	87	0.19	0.36
14	UK	2855	66	1.62	1.62	11816	580	2.18	2.38
15	France	2778	67	1.61	1.61	29581	1698	5.45	6.97
16	Thailand	505	69	1.48	1.48	1136	5	0.21	0.02
17	Singapore	364	6	1.45	1.45	683	2	0.13	0.01
18	Spain	1419	47	1.34	1.34	57786	4365	10.65	17.92
19	Italy	2084	61	1.25	1.25	80589	8215	14.85	33.72
20	Australia	455	9	1.09	1.10	3143	13	0.58	0.05
21	Taiwan	589	23	1.07	1.08	267	2	0.05	0.01
22	Turkey	771	82	1.00	1.00	3629	75	0.67	0.31
	Total	68119	4676	77.97	78.09	458334	22634	84.44	92.91
	Rest of the World	17800	3124	21.87	21.91	84444	1727	15.56	7.09
	Grand Total	85919	7800	99.84	100.00	542778	24361	100.00	100.00

Source: Prepared by the author from various published sources like World Bank and Joh Hopkin University.

## RESULT AND DISCUSIONS

In the above figure signifies that covid-19 has severe impact on change in demand in crude oil, petroleum products in India, due to government lock down many sectors and firms implemented work from home option, stay home stay safe was the slogan given by many states in India, this was the main reason for decrease in demand for oil products in the months of February and March 2020, the other reason was increase in unemployment made citizens to spend less for fuel and energy sector, lockdown made transport sectors contribution almost nil, all these factors made decrease in demand for oil sector in Indian Economy.

## FINDINGS

- 1) Covid-19 has emerged a bigger challenge for Indian economy to resume flexible prices of oil.
- 2) Decrease in demand for oil in India during covid-19 lockdown, has forced Indian government to take necessary

action, fiscal policy etc.,

- 3) Covid-19 impact has resulted in imbalances in production and supply for cured oil, petrol in the year 2020 in India.
- 4) Crude oil is very essential in India, as India is one of the leading importers of oil and petroleum products.

## RECOMMENDATIONS/SUGGESITIONS

- 1) Government role plays key factor in balancing essential oil resources, EXIM (Export and Import) policies.
- 2) Promotion of effective tax, rules and regulations on energy resources, which is suitable for all the sections of the society.
- 3) India's crude oil sector strives to manage the uncertainties in short term in covid-19lockdown, India needs to keep in perspective the longer term opportunities for growth in oil sector.
- 4) Indian economy can expect the Indian oil demand growth to continue during post covid-19 situation. Companies need to position them to mitigate challenges and become more efficient.

## CONCLUSION

Indian economy is facing lot of constraints and challenges in 2020, due to covid-19 pandemic, Indian government 40 days lockdown has led to around 30% decrease in demand for crude oil, according to the report of IEA (International Energy Agency). Indian economy has negative impact on covid-19 pandemic, oil prices are of great concern, due to imbalance in production and supply of crude oil, petroleum products. These imbalances may lead to negative growth in the oil and energy sectors contribution towards the economy. Covid-19 has already had its impact on price of crude oil and its trade. Combined effect of covid-19 and price was resulted in price of Brent crude oil reaching 17 years low. India has managed to control the crude oil prices till second stage of lockdown by variability in taxes, but in long run it is a tough task for Indian economy to overcome health crisis due to covid-19 and flexible growth of crude oil production and supply. The purpose of the research paper is that how Indian economy can achieve stabilised energy growth during covid-19 pandemic situation by available resources in the Economy.

## LIMITATION

- 1) Covid-19 has led to global economic crisis and created imbalance in demand and supply of crude oil in Indian economy.
- 2) Covid-19 has economic impact on Indian government, because Indian Economy has to fill the trade gap between export and import of crude oil.
- 3) In long run these uncertainties may increase in unemployment in Indian economy and negative growth of oil production.
- 4) India's priority to improve health crisis has negative impact on oil resources demand in the economy.
- 5) Imbalance in trade in Indian economy may cause disequilibrium in balance of

payment with external world.

## SCOPE OF THE STUDY

Indian economy is one of the fastest developing economy in the world and has great demand for energy sources like crude oil. Industrial sector, Transportation, recently in agricultural sector also fuel like petrol, oil resources are used in technical tools and motors. India's oil resources are not sufficient to meet the demand of the country. So India's imports are more than 65% of oil resources externally. But covid-19 situation has made Indian economy to rethink and to produce crude oil, energy resources domestically or to be prepared for post covid-19 situation, because most of the economists are uncertain about the end of the pandemic situation. The scope of the study the importance of crude oil is to explain the need of reducing the crude oil imports in India and flexible balance of oil prices.

## REFERENCES

1. *EnergyWorld.com*
2. <https://www.statista.com/chart/18245/india-quarterly-gdp-growth/>
3. <https://unemploymentinindia.cmie.com/>
4. *Covid-19 challenge for Indian Economy Trade and Foreign Policy Effect*
5. <https://www.gktoday.in/>
6. *IEA (International Energy Agency)*
7. *CMIE (Centre for monitoring Indian economy), Bombay*