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IMPACT ANALYSIS OF COVID-19 ON ECONOMIC GROWTH IN KARNATAKA

Economics

Dr. Siddaraju V.G*

Associate Professor, Centre for study of Social Exclusion and Inclusive Policy, University of Mysore, Manasagangothri, Mysore – 570 006, Karnataka. *Corresponding Author

ABSTRACT

Karnataka is one of the highest economic growth states in India. Karnataka is one of the top 5 states in India and has demonstrated strong growth over the years. It is the third largest state economy in the country. In 2020, COVID-19 spread rapidly around the world, adversely affecting the lives and livelihoods of millions of people across the globe. Various measures were initiated by the authorities to prevent the spread of the epidemic. Restrictions were strict and all non-essential activities and businesses, including retail establishments, educational institutions, religious places of worship, were banned across the country. The restrictions imposed due to the lockdown have a negative impact on the economy. Against this backdrop, the present study attempts to analyse the impact of COVID-19 on various sectors of Karnataka's economy. Overall data analysis shows that the impact of the epidemic has been felt on the economy of the entire state.

KEYWORDS

COVID-19, Economic growth, GDP, Per-capita

INTRODUCTION

The COVID-19 has spread rapidly around the world, adversely affecting the lives and livelihoods of millions of people across the globe. India reported its first infection on 30th January 2020, prompting authorities to soon initiate various measures to contain the spread of the pandemic. As the disease is highly contagious, a much-needed nationwide lockdown has been implemented from 25th March 2020 to contain the spread of the COVID-19. The first case of the COVID-19 pandemic was confirmed on 8th March 2020 in the Indian state of Karnataka. Two days later, the state became the first in India to apply the provisions of the Epidemic Diseases Act, 1897, which was set to last for a year, to prevent the spread of the disease. As on 25th October 2022, Karnataka has 40,01,655 confirmed cases and 40,097 deaths with 39,52,381 recoveries and 9,135 active cases.

In the first few weeks, restrictions were strict and all non-essential activities and businesses, including retail establishments, educational institutions, religious places of worship, were banned across the country. Subsequently, these restrictions are gradually being relaxed in most parts of the country. As the restrictions imposed due to the lockdown are being lifted. In this background, the present study is made an attempt to analyse the impact of COVID-19 on various sectors of the economy in Karnataka.

Analysis and Discussion

Karnataka is one of the highest economic growth states in India. Karnataka is one of the top 5 states in India and has demonstrated strong growth over the years. It is the third largest state economy in the country with Rs. 20.5 lakh crore nominal GSDP in 2021-22, per capita Gross State Domestic Product (GSDP) of Rs. 3.05 lakhs (estimated for 2021-22) is the highest among the top 5 states. An outstanding feature of the state's economy is that it has the highest share of services in Gross State Value Added (GSVA) at 66.1 per cent in 2021-22 (E) in other technology - driven areas (Table 1). Karnataka is a major employment generating state, generating 10 per cent of the formal jobs in the country and contributing 8.7 per cent to the national gross domestic product) and has less than 5 per cent of the population.

Table - 1: Composition of India and of the country's Top 5 state economies in 2021-22

State	GSDP (RS. lakh crore)	% of India's GDP	GSDP growth rate	Per-capita GSDP (RS.)	GSVA Composition*		
					Agriculture	Industry	Service
Maharashtra	31.98	13.5%	17.9%	225073	13.1%	26.8%	60.1%
Tamil Nadu	27.78	9.2%	14.6%	282986	12.7%	33.0%	54.3%
Karnataka	20.50	8.7%	18.5%	305458	14.1%	19.8%	66.1%
Gujarat	19.44	8.2%	12.0%	279764	20.0%	43.0%	37.0%
Uttar Pradesh	17.49	7.4%	-9.8%	81398	26.1%	25.0%	48.9%
India	236.64	100.0%	19.5%	172913	18.6%	28.7%	52.7%

Source: MOSPI, Economic Survey of Karnataka 2021-22, Economic survey of Maharashtra 2021-22

**GSVA Composition for Karnataka and India is based on FY 22 data whereas for the other four states, latest available data is FY 21*

Economic growth and COVID-19 impact analysis

The advanced estimates of Karnataka's GSDP in nominal terms for 2021-22 are Rs. 20.5 lakh crore, Rs. 17.31 lakh crore in 2020-21. It contributes 8.8 per cent to the national GDP of Rs. 232.15 lakh crore in 2021-22. The 2020-21 pandemic has seen the national economy grow by 7.2 per cent in nominal terms, compared to a -3 per cent recession. In 2021-22, Karnataka is estimated to grow at a robust growth rate of 18.4 per cent compared to 17.5 per cent for India.

Table 2: Sector wise growth from 2016-17 to 2021-22 in Karnataka

Product Sector	2016-17	2017-18	2018-19	2019-20 (SRE)	2020-21 (FRE)	2021-22 (AE)	CAGR 2016-17 to 2021-22
Agriculture	1.19	1.50	1.53	1.81	2.24	2.57	16.6%
Industry	2.69	2.90	3.19	3.14	3.04	3.61	6.1%
Services	6.96	7.59	8.64	9.76	10.40	12.06	11.6%
GSVA	10.83	11.99	13.36	14.71	15.68	18.24	11.0%
Net Taxes	1.24	1.34	1.40	1.44	1.63	2.25	–
GSDP	12.08	13.33	14.76	16.15	17.31	20.49	11.2%
Year over Year (YoY) growth rate	15.5%	10.4%	10.7%	9.4%	7.2%	18.4%	-
Per-capita GSDP (RS.)	1.86	2.05	2.25	2.44	2.60	3.05	10.4%
YoY growth rate	14.3%	10.4%	9.5%	8.4%	6.5%	17.4%	-

Gross State Domestic Product (Rs. lakh crore)

Source: Directorate of Economics and Statistics, Govt. of Karnataka

Table 2 shows the GSDP composition of Karnataka over the last half decade. In 2021-22, GSDP was Rs. 2.57 lakh crores from agriculture sector, Rs. 3.61 lakh crores from industry sector and Rs. 12.06 lakh crores from services sector, in total Rs. 18.24 Lakh crore GSVA. GSDP in 2020-21 was Rs. 17.31 lakh crore, a growth of 18.4 per cent over 2021-22, indicating a robust recovery after the pandemic. GSDP in 2019-20 was Rs. 16.15 lakh crore, a growth of 7.2 per cent over 2020-21, a slow-moving year due to the COVID-19 pandemic. The effects of the pandemic and post-lockdowns show with 9.4 per cent YoY growth in 2019-20. Whereas 15.5 per cent in 2016-17, 10.4 per cent in 2017-18 and 10.7 per cent in 2018- 19. The 5-year CAGR of Karnataka's GSDP from 2016-17 to 2021-22 is 11.2 per cent.

In the case of GSDP, the per capita was Rs. 3.05 lakh, a growth of 17.4

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per cent from Rs. 2.6 lakh in 2020- 21. However, in 2020-21, per capita GSDP increased by 6.5 per cent due to the pandemic. Per capita income grew by 13.1 per cent in 2015-16, 14.3 per cent in 2016-17, 10.4 per cent in 2017-18 and 9.5 per cent in 2018-19, slowing rapidly with the pandemic. The 5-year CAGR pre-capita income from 2016-17 to 2021-22 is 10.4 per cent.

The agriculture sector grew at a CAGR of 16.6% over five years. The sector has the largest share of the workforce that depends on it, along with high government support and subsidies that have supported its growth even during the pandemic. Growth in the industrial sector, which severely lags both agriculture and services, is 6.1%, indicating that the structures supporting this sector are inadequate and require investment, incentives and structural movement to shift skills and surplus agricultural labour into industry.

In the case of services sector, which forms the backbone of Karnataka's economy, is growing at a CAGR of 11.6 per cent. Multiple service sectors have been directly affected by the pandemic and lockdowns (restaurants, hospitality, primarily air travel, business etc) among other modes of travel. However, the sector rallied towards Q3 and Q4 of 2020-21 and through FY 2021-22. The CAGR of total GSVA is 11 per cent, which will increase as the industry sector accelerates.

Summary and Conclusion

Overall data analysis shows that the impact of the pandemic has been felt across the economy of the entire state. Budget estimates for 2020-21 GSDP were Rs.18 lakh crore (a difference of about Rs. 70,000 crore). Citizens have suffered losses with increased healthcare costs, depletion of savings and other uncertain losses. However, the state has accumulated till the end of 2020-21 and continues to do so till 2021-22. Economic goals have suffered a setback and the state needs a focused agenda, balanced budget and rebalancing of workforce to regain and achieve the goal. Its SDG goals and vision of USD 1 trillion in the next decade.

Karnataka has certainly done well in the past but now, after the impact of the COVID-19 pandemic and consequent economic recession, there is a need to re-orient its strategies by studying the specific needs of its citizens, its demographics and its sectoral composition. Karnataka can be a leader in demonstrating to other states how a high-growth strategy can be formulated based on data analysis.

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