

IMPACT OF COVID-19 PANDEMIC ON SOCIO-ECONOMIC CONDITION OF INDIA

Hitesh U. Shingadia, Mahesh Korna and Vaibhav Prakash

Department of Zoology

*SVKM's Mithibai college of Arts, Chauhan Institute of Science and
Amrutben Jivanlal College of Commerce and Economics (Autonomous)*

Vile Parle - West Mumbai 400056 Maharashtra India

hiteshshingadia26@gmail.com; maheshkorna@gmail.com; vaibhavprakash07@gmail.com

Abstract:

The COVID-19 pandemic caused by Novel coronavirus (SARS-CoV-2) which was originated from China has resulted in global health emergency, economic and social crises. Several countries have enacted lockdown measures in the wake of the COVID-19 pandemic to protect their health systems and reduce the number of mortalities of their citizens. One of the most extreme national lockdown measures has been taken by the government of India, with over 1.3 billion people put under a strictly enforced lockdown. The immediate response to the announcement of the national lockdown was the attempted flight of millions of migrant workers from Indian cities back to their rural residences due to economic crisis. For these workers, who survive on daily wages and work in India's large informal sector, the shutdown of economic activity meant that they had no means of livelihood in their places of work. It is likely that the lockdown policies along with the global economic contraction associated with the COVID-19 pandemic will affect the poor and the vulnerable both in the rural and urban sectors. Restaurants, hotels, cafes and local food courts were also shut due to lockdown and even after post COVID-19 they are likely to show slower recovery rate because of excess hygienic precautionary measures adopted by consumers. This can potentially result in permanent closure and jobs cuts off the employees and people related to food industries. Micro, small and medium enterprise is the sector which was already reeling under huge distress firstly because of demonetization, then because of implementation of GST followed by the prolonged economic slowdown and finally, the biggest of all the COVID-19, which is going to aggravate the crisis in this specific sector further. As transport and travel activities have come to a halt for containment of the Coronavirus widespread, the oil consumption has witnessed an unprecedented fall. Pharma sector has been jolted to some extent, but there is hope that things will ease and growth will resume. Potential of

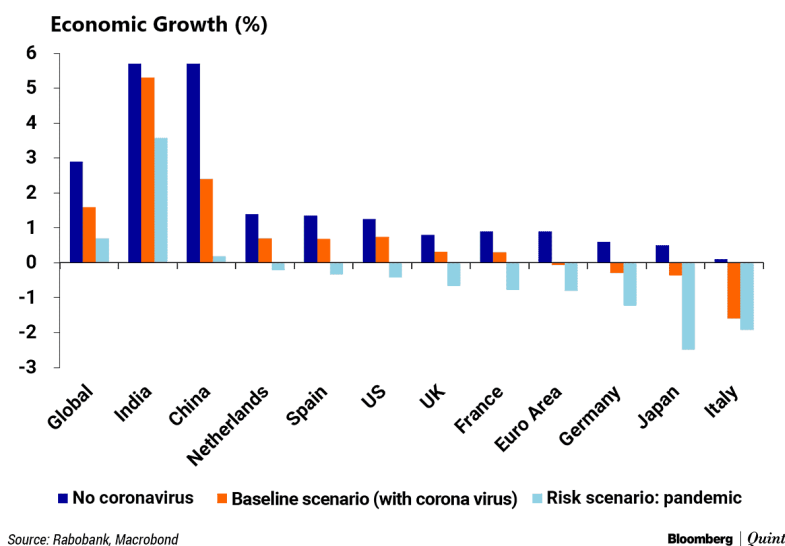
COVID-19 on the India's socio-economic condition is being summarized in this observation. Lockdown and social isolation also lead to increase in cases of domestic violence, which includes physical, emotional, and sexual abuse among vulnerable sections of the societies. Increased stress levels, anxiety, job-insecurity, financial worry is also outcome of lockdown. Relief package measure of about 20 Lakh crores from government, socioeconomic development plan to encourage entrepreneurship through new business opportunities, Atmanirbhar Bharat, moratorium to loan payments, substantial investment in the healthcare & pharma industry, shifting of foreign companies to India with favorable foreign investment policies, boost in e-commerce companies and online delivery business and globalization of the Indian economy will ensure a proper recovery from temporary economic catastrophe.

KEYWORDS: COVID-19, Socio-economic Impact, Lockdown, Stabilizing Measures

INTRODUCTION:

Since the COVID-19 outbreak was first diagnosed, it has spread to over 190 countries in the world. The pandemic is having a noticeable impact on global economic growth. The International Monetary Fund (IMF) estimates that the increase in borrowing by governments globally will rise from 3.7% of global Gross domestic product (GDP) in 2019 to 9.9% in 2020 (World Economic Forum, 21 March 2020). On global scenario economic crisis is expected to mound to recession even in most advanced countries. Australia and Japan have already declared economic threat and fear recession post covid-19 phase. However, timely envision measures in the finance and economic sector of India is expected to stabilize its economy post covid-19 prevalent risk with fiscal deficit compared to other nations across the globe (Fig. 1). China is yet another country to have stabilized its economy during covid-19 while most of the European countries and USA are expecting doldrums in economy due to pandemic situation. Economists argued that in such a scenario, virtually all G10 countries could enter a recession and global economic growth could fall to 0.7% in 2020 (Table 1). Carolline David (2020) suggested that abruptly closing down the whole economy, instead of flattening the curve, India only managed to flatten the economy and putting us back in the place where we were many years back. According to Hugo Erken et al. (2020) a rebound of 3.2% in 2021, but this hinges on the assumption that the economic fallout due to the coronavirus is limited to this year, which is far from clear.

Fig. 1 Global Economic Impact of Covid-19



Initially, the economic effects of the virus were expected to be short-term supply issues as factory output fell because workers were quarantined to reduce the spread of the virus through social interaction. The drop-in economic activity by delays in supplies of intermediate and finished goods through supply chains, closure of factory due to labour shortage and unprecedented fall in demand. Major companies in India such as Larsen & Toubro, Bharat Forge, UltraTech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have suspended or significantly reduced their operations. Fast-moving consumer goods (FMCG) companies in the country have significantly reduced operations and are focusing on essentials. Numerous containment measures had already been imposed, varying in intensity across the country, including travel restrictions (complete restriction of incoming international commercial passenger aircraft and some restrictions on domestic travel including cancellation of domestic passenger air traffic); closing educational establishments, gymnasiums, museums, shopping malls and theatres; bans on mass gatherings and encouraging firms to promote remote work. Nationwide lockdown was enforced to control the spread of coronavirus outbreak by the Government of India (Table 1). Country was categorized into Red, Orange and Green zones after evaluating the severity of cases of covid-19.

Table 1 Summary of lockdown declared by Indian government

PHASE	FROM	TO	PERIOD (in days)
I	25 March 2020	14 April 2020	21
II	15 April 2020	3 May 2020	19
III	4 May 2020	17 May 2020	14
IV	18 May 2020	31 May 2020	14
V	1 June 2020	8 June 2020 (probably to extend till 30 June 2020)	8 (30)

On April 29, the government permitted inter-state movement of stranded people, including migrant workers, managed by the nodal authorities designated by the states. Some graded relaxations in economic activities have been allowed in geographic areas designated as orange and red zones on May 4 and domestic air travel restarted on May 25. On May 12, the Prime Minister announced a relief package of 20 Lakh crore which is around 10 percent of GDP, including previously announced monetary and fiscal measures. The key elements of the package are: in-kind (food; cooking gas) and cash transfers to lower-income households; insurance coverage for workers in the healthcare sector; and wage support to low-wage workers (in some cases for those still working, and in other cases by easing the criteria for receiving benefits in the event of job loss). These measures are in addition to a previous commitment by Prime Minister Narendra Modi that an additional 150 billion rupees (about 0.1 percent of GDP) will be devoted to health infrastructure, including for testing facilities for COVID-19, personal protective equipment, isolation beds, ICU beds and ventilators. Several measures to ease the tax compliance burden across a range of sectors have also been announced, including postponing some tax-filing and other compliance deadlines. Numerous state governments have also announced measures to support the health and wellbeing of lower-income households, primarily in the form of direct transfers (free food rations and cash transfers) the magnitude of these measures varies from state to state. During May 13-17, the Finance Minister announced new measures targeting businesses (about 2.7 percent of GDP), expanding support for poor households, especially migrants and farmers (about 1.5 percent of GDP), targeted support for the agricultural sector

(about 0.7 percent of GDP), and some expansion of existing programs providing work opportunities to low-wage labourers (about 0.2 percent of GDP). Key elements of the business-support package are various financial sector measures for micro, small and medium-sized enterprises, and non-bank financial companies; liquidity injection for electricity distribution companies; and a reduction in up-front tax deductions for workers. Additional support to migrants and farmers will mainly be in the form of providing concessional credit to farmers, as well as a credit facility for street vendors and an expansion of food provision for non-ration card holders (mainly migrants). The focal measure for the agricultural sector is support for infrastructure development.

MATERIALS AND METHODS:

Relevant and authentic information was collected, analyzed and compiled using secondary data sources across the array of the International Economic Data Reports, Government sites and Newspapers, Journal resources and blogs of distinguished authorities and establishments for Socio-economic conditions in the present investigation. Impact of covid-19 pandemic on socio-economic condition of India was analyzed through five parameters in the current study, viz.

- Food and Agriculture sector
- Micro, Small and Medium enterprises (MSME's)
- Oil and Gas
- Pharmaceuticals sector
- Social Impact.

Authentic sources are cited and acknowledged in the literature cited in the present report.

RESULTS AND DISCUSSION:

Food and Agriculture sector:

Agriculture is the primary source of livelihood for about 43 % of India's population. Gross Value Added by agriculture is around 16.5% 2019-20 (Invest India, 26 March 2020). The Indian food and grocery market are the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food processing industry accounts for 32 per cent of the country's total food market, one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. Consumer's supplies of cereals, pulses, fruits, and vegetables are

largely secured as they are the part of essential goods list of government. Following the lockdown, certain essential supply chains broke down which resulted in food wastage (perishable food items) affecting small farmers. The food sector, including food distribution and retailing, has been put under strain because of people panic-buying and stockpiling on food. This has led to increased concerns about shortages of food products. Restaurants, hotels, cafeterias and Local consumer marts were also shut due to lockdown and even after post COVID-19 they are likely to show slower recovery rate because of excess hygienic precautionary measures adopted by consumers. This can potentially result in permanent closure and jobs cuts of the employees and peoples related to food industries. Meanwhile, poultry farmers have been badly hit due to misinformation, particularly on social media, that chicken are the carriers of COVID-19.

Measures to stabilize the agricultural sector and supply chains working smoothly:

- The government has correctly issued lockdown guidelines that exempt farm operations and supply chains. But implementation problems leading to labor shortages and falling prices should be rectified.
- Keeping supply chains functioning well is crucial to food security. It should be noted that 2 to 3 million deaths in the Bengal famine of 1943 were due to food supply disruptions- not a lack of food availability.
- Farm populations must be protected from the coronavirus to the extent possible by testing and practicing social distancing.
- Farmers must have continued access to markets. This can be a mix of private markets and government procurement.
- Small poultry and dairy farmers need more targeted help, as their pandemic-related input supply and market-access problems are urgent.
- Farmers and agricultural workers should be included in the government's assistance package and any social protection programs addressing the crisis.
- As lockdown measures have increased, demand has risen for home delivery of groceries and e-Commerce. This trend should be encouraged and promoted to overcome deficit.

The central government's relief package, called Pradhan Mantri Garib Kalyan Yojana (Prime Minister's plan for well-being of the poor), is aimed at providing safety nets for those hit the hardest by the COVID-19 lockdown.

- **Food and nutrition security:** Nutrition programs like Integrated Child Development Services (ICDS), mid-day meals, and Anganwadis (rural childcare centers) should continue to work as essential services and provide rations and meals to recipients at home. Eggs can be added to improve nutrition for children and women.
- **Cash transfers:** Unemployed informal workers need cash income support. The government has provided ₹ 500 per month to the bank accounts of 200 million women via the Jan Dhan financial inclusion program.
- **Migrant workers:** There are about 40-50 million seasonal migrant workers in India. In recent days, global media have broadcast images of hundreds of thousands of migrant workers from several states trudging for miles and miles on highways; some walked more than 1000 kilometers to return to their home villages.

Micro, Small and Medium Enterprises (MSME's):

The sector which provides employment to over 114 million people and contributes to almost 30 per cent to India's GDP and about half of exports (data by Directorate General of Commercial Intelligence and Statistics (DGCIS)), MSMEs play a significant role in the economy. Micro, small and medium enterprise is the sector which was already reeling under huge distress firstly because of demonetization, then because of poorly implemented GST followed by the prolonged economic slowdown and finally, the biggest of all the COVID-19 which is going to aggravate the crisis in this specific sector further. According to a study commissioned by All India Manufacturers Organization (AIMO), India is currently home to over 75 million MSMEs and close to 25 per cent of these firms would face closure if the lockdown imposed due to the COVID-19 (NewsClick, 2020). Due to the halted production and slump in demand, MSMEs are unable to pay their creditors. While the revenue generation remains on hold, there are several expenses that the companies cannot get their hands off such as salaries of employees, tax deposit, rent of warehouses and office spaces, among many others. MSMEs are grappling with problems like low liquidity or cash flow and lack of workforce as the daily wagers have gone to their

villages. As the economic activities come to halt due to prolonged lockdown, MSMEs need a fiscal stimulus.

In response to COVID-19 impact on the industry, the RBI reduced the repo rate, has announced a moratorium on term loans, eased working capital financing, and put off interest payment on working capital facilities without an asset classification downgrade. Additionally, many public sector banks have introduced emergency credit lines whereby MSMEs borrowers can avail a maximum loan amount of up to INR 200 crore or 10 per cent of the existing fund-based working capital limits. Small Industries Development Bank of India (SIDBI) has announced a 5 per cent rate concession on all loans to MSMEs. The government has also extended GST payments date till June 2020.

Launch of a technology platform, Champions by Prime Minister Narendra Modi:

'Champions' stands for creation and harmonious application of modern processes for increasing the output and national strength to help the smaller MSMEs by solving their grievances, encouraging, and supporting them to march into the big league as national and global companies. Prime Minister Narendra Modi said it is a one-stop place for the MSME sector. The Mission is also expected to complement 'Make in India Initiative' which intends to encourage manufacturing in India.

Objectives of 'Champions' are:

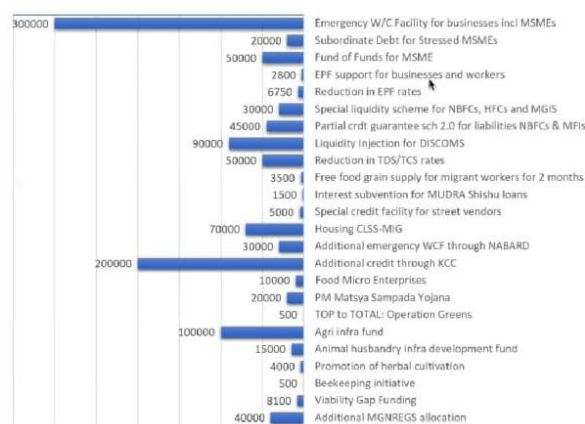
- To resolve the problems of MSMEs pertaining to finance, raw materials, labor, regulatory permissions, etc.
- To help MSMEs capture new opportunities including manufacturing of medical equipment and accessories like PPEs, masks and supply them in national as well as international markets.
- To identify and encourage MSMEs having potential- the ones who are able to withstand the current situation and can become national and international champions.

Atmanirbhar Bharat Abhiyan announced by Prime Minister Narendra Modi:

‘Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)’ with an economic stimulus package - worth ₹ 20 lakh crores aimed towards achieving the mission (Fig. 2).

- The announced economic package is about 10% of India’s Gross Domestic Product (GDP) in 2019-20.
- The amount includes packages already announced at the beginning of the lockdown incorporating measures from the Reserve Bank of India and the payouts under the Pradhan Mantri Garib Kalyan Yojana.
- The package is expected to focus on land, labor, liquidity, and laws.

Fig. 2 Distribution of Atmanirbhar Bharat Package



Source: www.investindia.com

Objectives of ‘Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)’ are:

- The Self Reliant India Mission aims towards cutting down import dependence by focusing on substitution while improving safety compliance and quality goods to gain global market share.
- The Self Reliance neither signifies any exclusionary or isolationist strategies but involves creation of a helping hand to the whole world.
- The Mission focuses on the importance of promoting ‘local’ products.

The Mission is expected to be carried out in two phases:

Phase 1: It will consider sectors like medical textiles, electronics, plastics and toys where local manufacturing and exports can be promoted.

Phase 2: It will consider products like gems and jewelry, pharma and steel, etc.

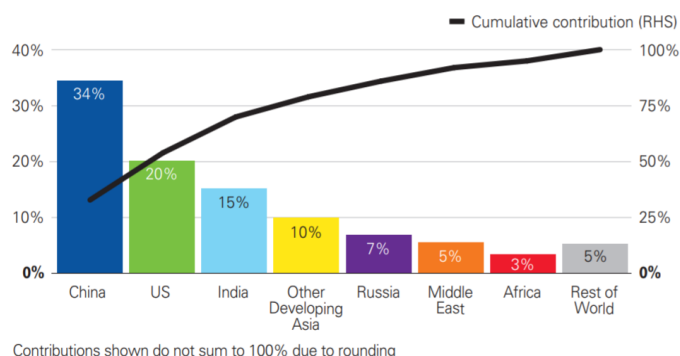
The Mission would be based on five pillars namely,

- **Economy:** which brings in quantum jump and not incremental change
- **Infrastructure:** which should become the identity of India
- **System:** based on 21st century technology driven arrangements
- **Vibrant Demography:** which is our source of energy for a self-reliant India and
- **Demand:** whereby the strength of our demand and supply chain should be utilized to full capacity

Oil and Gas:

India is the third largest consumer of power after US and China accounting for about 5.8% of World's primary energy consumption 2018-19 and along with crude oil reserve of about 619 MMT-2019 (BP Statistical Review of World Energy, 2018)

Fig. 3 Contribution of Primary Energy Growth in 2018 Global Scenario



Source: Statistical Review of World Energy

COVID-19 Impact on Oil and Gas sector:

- As transport and travel activities have come to a halt for containment of the Coronavirus widespread, the oil consumption has witnessed an unprecedented fall.
- The global oil demand has come down to 29 million barrels a day as against the previous year. Further, the experts predict that the demand will be for 23.1 million barrels per day below year-ago levels.
- However, it would recover gradually by December 2020. The low prices may appeal to consumers in the short run but will financially burden oil companies.

- Despite the drastic coronavirus impact, the retail price is not coming down as the government is using it as a buffer to fund its expenses. However, when the lockdown ends, it will face pressure to reduce fuel prices for consumers.

Pharmaceutical sector:

The lockdown triggered by coronavirus disease (Covid-19) has caused disruptions in all sectors. Pharma sector has been jolted too but there is hope that things will ease, and growth will resume. The impact on the cash flows has led many of the companies in the pharma sector to impose a freeze on the hiring process. Currently, no layoffs have been considered by companies and further decisions on increments are yet to be finalized and have been put on hold. However, unlike the other industries, the pharmaceutical industry is expected to see a positive impact, on an overall basis, on its growth in this year. The market expectations are on similar lines as indicated by the stock prices which for many pharma companies had risen by 20-30% in April 2020 compared to the Q3FY20 period. The situation will vary with the portfolio and size of the companies(Pharmaceutical Technology, 2020)

Major Challenges faced by Pharmaceutical companies in current scenario:

- Non-Availability or disrupted supply of raw materials and packing materials.
- Absence of seamless internet data connectivity with staff is creating issues in day to day work.
- Marketing staff facing issues in generating sales as they are unable to conduct in-person sales calls as they used to in the Pre-Covid scenario.
- The companies that have operations across the globe are facing issues about their operations and staff in those locations. Every country has devised its own policies and guidelines.
- As with all industries, implementing effective and robust cybersecurity measures is a challenge in the work from home scenario.
- Disruptions in supply chains management due to lockdown.
- Low efficiency of warehouse due to lack of labors.

Supply disruptions have eased out now, but still, there are difficulties regarding availability and movement of labor. While most of the pharma companies had resumed operations in the previous month, they have been running at reduced capacities due to these challenges.

Social Impact:

- Lockdown and social isolation can lead to domestic violence, which includes physical, emotional, financial, mental torture, sexual abuse, and threats.
- Digital learning can be a new trend for schools, colleges, and universities to cope up with extended lockdown period.
- Under lockdown with theater shut, which resulted in majority of people turn to Online movie streaming channels like Netflix, and Amazon prime for Movies and TV shows which resulted in huge profits for such companies.
- Negative impacts also include cancellation or delaying of sports matches and movie releases which generates a good of revenues and employment.
- Increased stress levels and anxiety because of lockdown among kids and older individuals.
- Working individual may face increased anxiety and stress levels, due to job insecurity, financial worry as a result of lockdown.

APPARENT OUTCOME:

- Sharp rise in unemployment due to recessions and probable measures to be inducted by strategic policy.
- Stress on supply chains need to be overcome with appropriate measures.
- Decrease in government income due to temporary economic breakdown and measures to be adopted.
- Collapse of the tourism industry temporarily and revival at the earliest to boost tourism sector.
- Reduced consumer activity because low purchasing power supplemented with boost in make in India and Atmanirbhar Bharat concept.
- Fall in fuel consumption and automobile sales and measures to overcome.

CONCLUSIONS:

Relief package measure of about 20 Lakh crores from government will ensure a proper recovery from temporary economic breakdown. Socioeconomic development plan that encourages entrepreneurship will be implemented. Initiatives like Atmanirbhar Bharat will help us in achieving long term goal of becoming self-reliant. People need to prepare themselves to face the change in the economy, investment, new business opportunities, education, various professions, adoption of technology, the requirement of new professional skills, etc. The investment sector has been severely hampered, and investors are trying to play safe and hold cash. Purchasing power and confidence of the consumer will hit an all-time low. Tax collections will also drop, and a global economic recession seems to be in the offing which will severely affect the Indian economy and recovery from this crisis could take over a year. Substantial investment in the healthcare & pharma industry by both the government and various private bodies is expected because of this global catastrophe. Overall, it will have a positive impact in terms of FDI as foreign companies are shifting into our country. India may also take it as an opportunity for attracting foreign investment by applying the reforms and forming more favorable foreign investment policies. Hence, we should treat this as another turning point in India's economic history just like the 1990's reforms and globalization of the Indian economy. Similarly, e-commerce companies and online delivery business are likely to do very well as well since people would be forced to order online rather than stepping out.

ACKNOWLEDGEMENT:

Authors are thankful to Management and Principal of SVKM's Mithibai College for their encouragement and support.

REFERENCES:

- BP statistical Review of World Energy, June 2018. 67th edition, 1st James's Square London SW1Y 4PD UK.
- Carolline David (2020) COVID 19 Crisis in India: Faced in the Economy and By the Majority Poor, JuniKhyat, Vol-10 Issue-6 No. 2: 128-132.
- <https://economictimes.indiatimes.com>

- <https://imf.org>
- <https://www.ft.com>
- <https://www.ibef.org>
- <https://www.Investindia.com>
- <https://www.mckinsey.com>
- <https://www.moneycontrol.com>
- <https://www.pharmaceutical-technology.com>
- <https://www.pib.gov.in>
- <https://www.rbi.org.in>
- <https://www.worldeconomicforum.com>
- Hugo Erken et al. (2020)Global Economic Outlook - Update. Our base case is now the pandemic scenario, RaboResearch, Utrecht Rabobank IMF, MACrobond.
- Newsclick Report on Covid-19, 2 June 2020.
- Pharmaceutical Technology, 23 April 2020. Special Focus Archives. Global Data's COVID-19 Executive Briefing report will help you understand the COVID-19 outbreak, its economic impact, and implications for specific sectors.
- World Economic Forum, 21 March 2020. The Monocle Minute and Weekend Editions.