
SOCIO-ECONOMIC IMPACT OF COVID-19 PANDEMIC ON INDIAN ECONOMY

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ABSTRACT

The study is an attempt to analyse the socio-economic impact of corona virus pandemic on various sectors of the Indian economy. Simple averages and percentages has been used to analyse and compare the results for the period December 2019 to June 2020. Initially, India had been in the controlled situation but with the passage of time the corona virus cases continued to surge, which called for nationwide complete lockdown from 25th March 2020 to 31st May 2020 in the four phases. The outbreak of this pandemic has caused severe economic disruptions. Asian Development Bank in its report has projected that Indian economy may suffer from the loss between \$387 million and \$29.9 billion in personal consumption due to outbreak of Covid-19. The growth rate of GDP has projected to fall at 1.98 percent for the month of April 2020 which is the lowest of three decades. The rate of unemployment has risen to nearly 25 percent for the same month. As per the estimates of Indian Labour Organisation (ILO), about 25 million jobs would get affected due to novel corona virus. It has further assessed that four out of five people i.e., roughly 81 percent of the global workforce is currently affected fully or partially due to this pandemic. According to a survey in New Delhi, nearly 65 percent of the firms are expected to face a substantial loss in their revenue by 40 percent in the quarter of April-June, 2020. Similar repercussions could be seen in the other sectors of the economy as well which called for the announcement of immediate relief packages from the government in all the sectors of the economy.

Keywords: Corona virus, economic loss, industrial loss, migration, unemployment

INTRODUCTION

The whole world is passing through a phase which is full of uncertainties and hardships these days due to outbreak of corona virus disease (COVID-19) originated from the Chinese city of Wuhan. As on 01 July 2020, around 215 countries were found to be affected with this pandemic with 10,689,654 confirmed cases and 516,385 casualties as per the report issued by World Health Organisation. The recovery rate across the globe has found about 92 percent. The most affected countries are the USA, Russia, Brazil, India, Spain, UK, France, Germany, Italy and many other developed and developing countries of the world. India no doubt had been in the controlled situation initially but currently ranking at 3rd number in the world corona meter with 604,808 confirmed cases and 17,848 total deaths. The first case of COVID-19 in India was reported on 30 January 2020 in Kerala. By the end of February 2020, India had only 3 confirmed cases, all from Kerala, and were cured. The total number of cases started to surge in the country in the month of March i.e. 319 additional cases by 21st March 2020. To avoid the community spread of this deadly virus, Indian economy started to follow some strict regimes. The first initiative in this regard was “Janta Curfew” announced on 22nd March 2020 by the honourable Prime Minister of the country to restraint the spread this grave disease. It was followed by the first nationwide lockdown announced on 24th

March 2020 for the period of 21 days i.e. from 25 March to 14th April, 2020. A strict curfew was announced to limit the movement of nearly 1.3 billion people as a preventive measure against the spread of this highly contagious disease. Even after imposing strict measures, India recorded a total of 10,440 confirmed cases and 358 people had lost their lives, which called for more stringent second phase lockdown starting from 15 April 2020 to 03 May 2020 i.e. for 19 days. By the end of second phase, India reported 39,251 positive cases, 1302 deaths and 10,572 had recovered from the deadly virus which led to the extension of the lockdown for another two weeks i.e. till 17th May 2020. During third phase of lockdown, the whole economy was divided into 3 zones i.e. Red, Orange and Green zone. Red being the hot spot zone is kept under strict lockdown measures. Some relaxations were given in Orange and Green zones based on the containment of the disease. By the end of third phase of lockdown, India had recorded a total of 90,927 confirmed cases, including 53,946 active cases, 34,109 recovered cases and 2,872 deaths as per the data issued by Ministry of health and family welfare, Government of India. Since, the situation found to be worsening day by day, Government of India was left with no choice but to extend the lockdown further till 31 May, 2020. But during this phase, government has asked the states to frame their own rules and policies to mitigate the spread of corona virus. The most affected areas were Maharashtra with 41,642 cases, Tamil Nadu with 13,967 cases, Gujarat with 12,910 cases, Delhi with 12,319 cases, Madhya Pradesh and Uttar Pradesh with 5,981 and 5,515 cases respectively as on 22nd May 2020. The recovery rate had been quite impressive in India. It was 11.42 percent when the second phase of lockdown began and increased to 26.59 percent during third phase. It has further increased to 40 percent during 4th phase of lockdown. At the moment, the recovery rate has found to be more than 60 percent, thereby spreading the wave of optimism amongst the people of the country.

OBJECTIVES OF THE STUDY

1. to analyse the socio-economic impact of Covid-19 on various sectors of the Indian Economy; and
2. to suggest the ways to revamp the economy.

REVIEW OF LITERATURE

Almond (2006) observed that the pandemic had arrived unexpectedly in the fall of 1918 and had largely receded by January 1919. The study used the data from the period of 1960 to 1980 collected from U.S. Census. It indicated that during the pandemic, cohorts in utero had displayed reduced educational attainment, increased rates of physical disability, lower income, lower socioeconomic status, and higher transfer payments compared with other birth cohorts. **Kuljanin and Wray (2012)** analysed the Mortality from the influenza pandemic of 1918–1919 in India. The study found that world-wide mortality varied widely from 15 million to 100 million. The study used panel data models and the data was collected from the Census of India. It was concluded that British India faced 13.44 million of mortality that was calculated by using the assumptions of Davis (1951) and thus concluded that India had been observed to be the focal point in terms of loss of life. **Ojo (2020)** analysed the Socio-Economic Impacts of 1918–19 Influenza Epidemic in Punjab. It was concluded that the curse

of the 1918–19 influenza in Punjab had overshadowed the malaria epidemics of 1908 and plague disaster of the first decade of the 20th century. Over 800,000 people had died from the outbreak between October and November 1918. He further added that they were a dearth of even the staple food items and the prices were escalating as a result of this pandemic. Severe disruptions in the agricultural and public services were also observed.

SOCIO-ECONOMIC IMPACT OF CORONA VIRUS

The outbreak of Covid-19 has caused severe economic disruptions across the globe. It has viciously affected the financial condition of almost each and every segment of the society. The socio-economic impact of corona virus on the various sectors of Indian economy has discussed below:

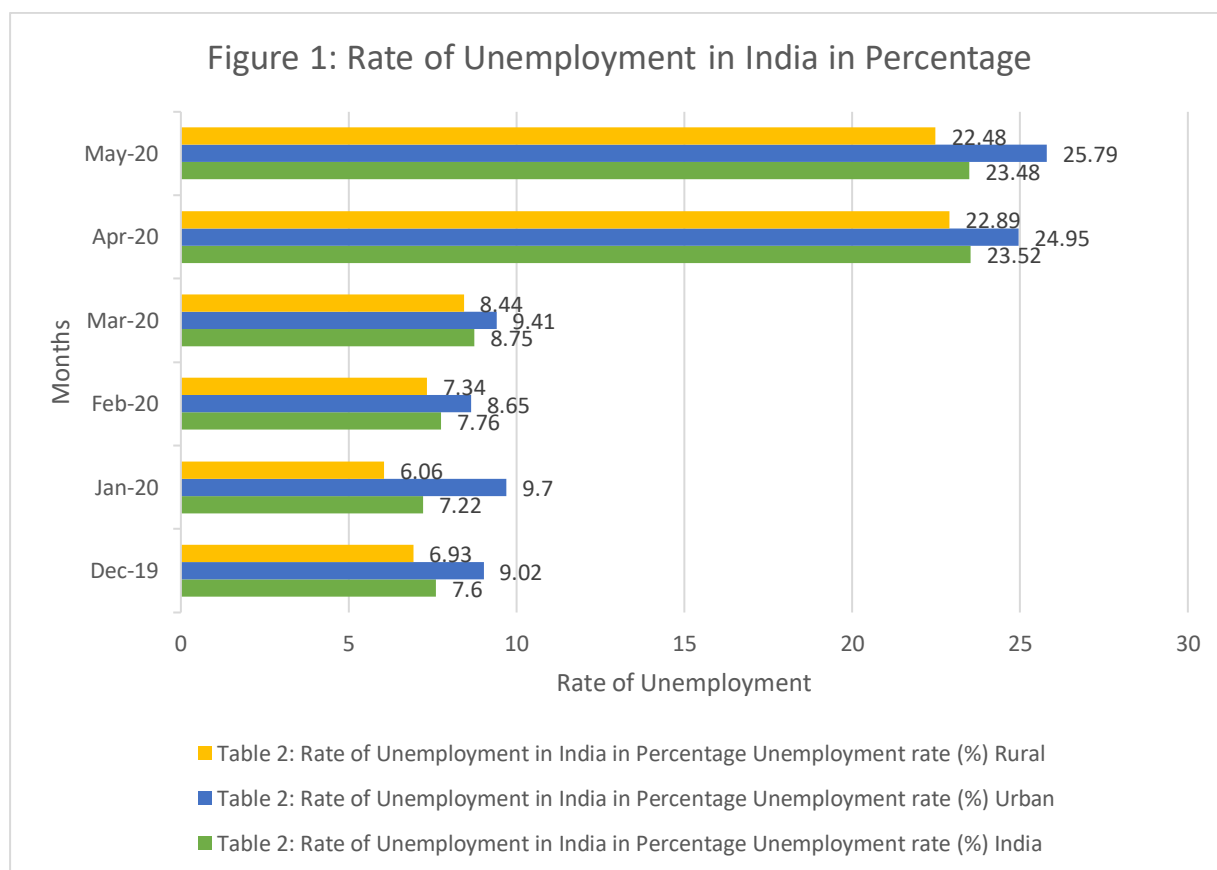
HUGE ECONOMIC LOSS: Asian Development Bank in its report has projected that Indian economy may suffer from the loss between \$387 million and \$29.9 billion in personal consumption due to outbreak of Covid-19. The impact can be clearly seen in the growth rate of GDP of India compared with other developed countries of the world in Table-1 presented below:

Table 1: Growth in GDP and Covid cases per Million					
Name of the Country	Annual GDP (\$ billion)*	Percentage growth in GDP (2019)	Covid cases per Million	Exp Percentage growth in GDP (Jan, 2020)	Exp Percentage growth in GDP (April, 2020)
Germany	3,947.62	0.40	1,578	1.10	-7.00
Canada	1,713.34	1.80	717	1.80	-6.20
Brazil	1,868.63	1.67	119	2.20	-5.30
Italy	2,083.86	0.09	2,687	0.50	-9.10
France	2,777.54	0.90	2,195	1.30	-7.20
United Kingdom	2,855.30	1.10	178	1.40	-6.50
India	2,718.73	4.70	8	5.80	1.90

Note: 1) Data for GDP growth rate is taken as on Dec 2019.
2) Exp Percentage growth in GDP (Jan and April, 2020) values are GDP growth projections for the year 2020 by IMF.
3) Source for Covid impact per million population is World meter data as on 14 April 2020.

It can be clearly seen that Covid-19 has impacted sternly almost all the countries around the world. Before the advent of corona virus the developed countries were experiencing positive growth rate but a negative growth has been anticipated for the month of April 2020. Indian economy was also growing at a moderate rate of 4.70 percent in the month of December 2019 and it was expected that the growth rate would rise by 23 percent i.e. 5.78 percent in the month of January 2020 but the outburst of Covid-19 has led to fall in the expected growth rate at 1.90 percent which is the all-time low since independence.

RISE IN UNEMPLOYMENT: In the history of mankind, nationwide lockdown has been termed as the biggest job-destroyer. As per the estimates of Indian Labour Organisation (ILO), nearly 25 million jobs would get affected due to novel corona virus. It has further assessed that four out of five people i.e., roughly 81 percent of the global workforce is currently affected fully or partially due to this pandemic. Figure 1, clearly states that up to March 2020, on an average the unemployment rate was 7.833 percent for India (green bars), out of which, 9.915 percent constituted urban unemployment (blue bars) and 7.1925 percent (orange bars) rural unemployment as per Centre for Monitoring Indian Economy (CMIE) reports. But an unexpected surge has been noted in the growth rate of unemployment i.e. urban unemployment rose to an average of 25.37 percent and rural unemployment to 22.685 percent during the month of April and May 2020.



Source: Centre for Monitoring Indian Economy

INDUSTRIAL LOSS: Complete lockdown has resulted in shutdown of the industrial operations. It was found in the survey of 300 CEOs in New Delhi that nearly 65 percent of the firms are expected to face substantial loss in their revenue by 40 percent in the second quarter i.e., April to June, 2020. Nearly, 74.8 percent of the firms had reported that the major reason behind their loss was the complete shutdown of business activities whereas, 58 percent complained about lack of demand (Economic Times, 3rd May 2020).

Table 2: Index of industrial production (Base 2011-12) (in percentage)				
Description	Dec-19	Jan-20	Feb-20	Mar-20
Primary goods	2.4	1.8	8.3	-3.1
Capital goods	-18.3	-4.3	-9.5	-35.6

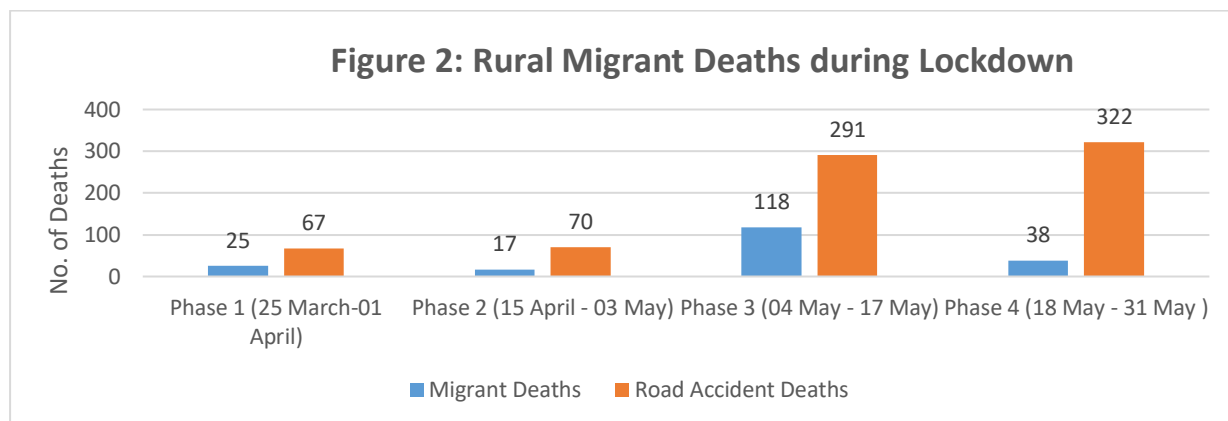
Intermediate goods	13.1	15.9	19.4	-18.5
Infrastructure/ construction goods	0.2	-2.3	-0.1	-23.8
Consumer durables	-5.6	-3.8	-5.8	-33.1
Consumer non-durables	-3.2	-0.3	1.5	-16.2
Source: MOSPI				

The extent of industrial loss can also be seen from the figures depicted in table 2. The production of primary goods has fallen to negative i.e. at -3.1 percent in the month of March 2020 which was positive in the preceding months. Not only this, all time negative growth was also seen in the production of capital goods, intermediate goods, construction goods, consumer durables and non-durables at -35.6 percent, -18.5 percent, -23.8 percent, -33.1 percent and -16.2 percent respectively due to these unprecedented days.

AGRICULTURAL LOSS: It is quite difficult to anticipate the definite impact of corona virus on agricultural production and its market forces. The influx of pandemic has been coincided with the harvest of Rabi crop along with unsolicited rainfall and hailstorm, which has further added enormously to the distress of the farmers. Disruption in transportation and wholesale markets has led to huge losses especially in the fields of horticulture and floriculture. It was seen that the farmers had to chop-off the flowers due to lack of demand and nearly 70 percent of the agricultural output found to be stranded owing to barred inter-border movements (Economic times, April 27, 2020).

World Agricultural Prices has found to be rising in the third week March 2020 especially for wheat and rice due stockpiling of these two food grains by the household sector to mitigate the risk of scarcity of food grains during world-wide lockdown (Capital Economics). Contrary to it, the prices of corn has steeply crashed in the USA due to low oil prices. According to United States Department of Agriculture (UNDA), the world supply of wheat and rice has found to be satisfactory. The estimates further showed that the total world production of wheat and rice is recorded at 1.26 billion tons this year, which is more than the total consumption. Thus, an inventory of 469.4 million tons is expected to pile for these two crops.

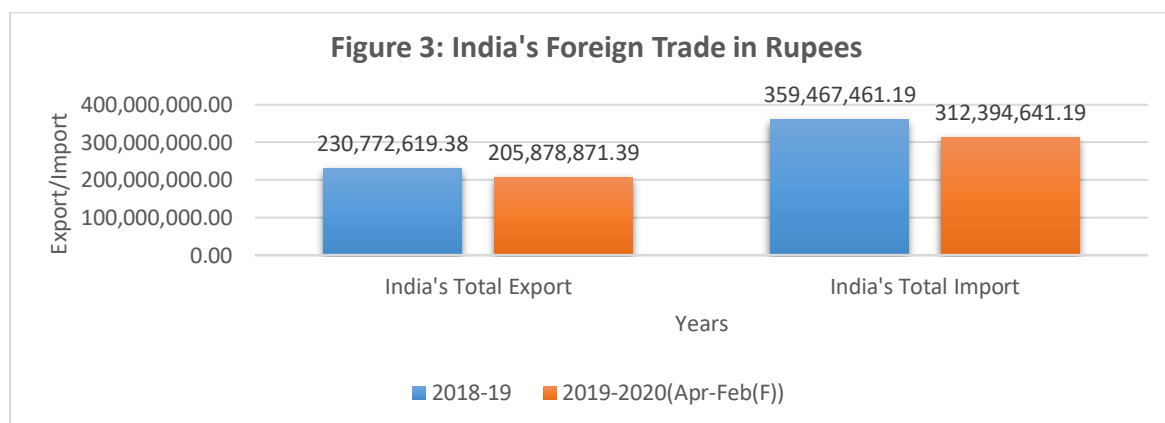
MIGRATION: According to World Economic Forum, nearly 139 million daily wage workers have been severely affected in India. These workers were the migrants from Bihar, Uttar Pradesh, Madhya Pradesh and Rajasthan. They used to work in the metropolitan cities mainly in Delhi and Mumbai in manufacturing and construction industries. Countrywide lockdown had wretched their life as they had no food and income. In such an uncertain situation, they were forced to move back to their native places without any transportation facility. As a result many of them had lost their life due to exhaustion, hunger, accidents and suicides.



Source: Indian Express

Brutality of the police and lack of adequate medical facilities added fuel to the fire and the results are clearly indicated in figure 2, which states that a total of 198 workers died due to these unfavourable conditions where as a total of 750 workers died due to road accident during lockdown period.

LACK OF DEMAND AND SUPPLY: Covid-19 has adversely affected both demand and supply chain. It has been projected that out of 450 million workers in the informal sector nearly, 100 million workers comprising of street vendors, construction workers, domestic workers, artisans and workers employed in manufacturing industries have been facing demand crunches. As per the quarterly data published by CEIC, private final consumption expenditure has reduced from 456.543 US billion dollar in December 2019 to 437.696 US billion dollar in March 2020 in India. One of the most affected industries in India is the tourism industry. A study by CARE ratings analysed that Indian economy may book a loss of 1.25 trillion in the year 2020 due to closure of hotel and aviation industry after the spread of novel corona virus.



Source: Ministry of Commerce and Industry

Due to locked country borders and restrictions on inter-state movement of cargo trucks, the industrialists and other big business units could not procure the appropriate amount of raw materials which resulted in delayed or paused supply of commodities. It is clearly stated in the figure 3 that India's total Imports and exports have been negatively impacted due to onset

and spread of corona virus. A fall in 13.09 percent and 10.78 percent in India's total imports and exports respectively resulted in disrupted supply. Thus, it is projected that Indian economy may witness inflationary tendencies during the fiscal year 2020-21.

LOSS TO EDUCATION SECTOR: All the educational institutions have shut temporarily in the month of March 2020, which directly impacted nearly 285 million young learners. All the board examinations, university examinations, entrance tests and competitive examinations were cancelled by the government. The whole structure of teaching-learning process underwent a complete transformation. Many educational institutions have switched to e-learning mode whereas the remaining could not adopt such measures due to technical hitches. The enrolment rate in the foreign universities has also declined to a greater extent as the fear of catching the infection has kept all of us indoors.

NOVEL CHANGES IN SOCIO-ECONOMIC PATTERN OF SOCIETY: The outbreak of corona virus pandemic has brought a complete transformation in the habits and lifestyle of almost each and every citizen of the world. Worldwide curfew has compelled them to adopt conventional way of living by staying indoors and spend quality time with their families. E-commerce and e-learning have become new norms. The economies around the world are heading towards the adoption of inward-looking trade strategy to become more self-reliant and self-sustained economy. "Aatma Nirbhar Bharat Abhiyaan" is a move in this direction by the Government of India, declared on May 12, 2020. A special relief package worth Rs.20 lakh crore, equivalent to 10 percent of India's GDP was announced to support this program. The main aim is to empower the poor and marginal segments of the society who were adversely affected during the outbreak of this pandemic. Special measures will be adopted to enhance the global competitiveness by supplying technically improved cost-effective products. Policies will be made to encourage domestic production activities by imposing protection through tariffs and quotas on imports.

SUGGESTIONS AND POLICY IMPLICATIONS

The corona virus pandemic has caused huge socio-economic losses in the country. To revive the economy from the trap of low level GDP, it is suggested that the government should adopt Keynesian effective demand model which was adopted to curb the great depression of 1930s. The government should come forward and make new investments in the strategic sectors of the economy. It is really important for the government to check and curtail the problem of poverty and unemployment. Measures should be adopted to encourage foreign investment by improving infrastructural facilities. Special relief packages should be announced to revive the education sector and health sector. Lastly, for taking the economy out of the clutches of this pandemic it is important that the centre and state governments should work together with better coordination to safe-guard the economy from macro-economic risks and shocks.

CONCLUSION

Indian economy must undertake robust action plans to tackle the biggest trade-off between “life and livelihood” during these testing times. It is important to have an optimistic outlook to fight against this virus as it is a well-known fact that the healthy body can only be retained by healthy mind.

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