Holistic Approach towards Society during COVID-19 Pandemic

Pankaj Jain 1, Archana Chaudhary 2

[1]Assistant Professor, Faculty of Engineering & Technology,
[2] Associate Professor, Faculty of Science, SGT University, Gurugram

Abstract

COVID-19 brought social and economic life to a standstill. In this paper, the focus is on the covid impact on some sectors, such as aviation, tourism, retail, capital markets, MSMEs, oil and environment. National and international mobility was restricted, and the income generated by travel and tourism, which contributes 9.2% of the GDP, will take a major toll on the GDP growth rate. Aviation income decreased by USD 1.56 billion. Oil had plummeted to an 18-year low of $ 22 per barrel in March 2020 and Foreign Portfolio Investors (FPIs) withdrawn large amounts from India, approx USD 571.4 million. While lower oil prices affected the current account deficit, reverse capital flows. The Indian currency was continuously depreciating. MSMEs underwent a severe cash crunch. The crisis witnessed a horrifying mass exodus of such a floating population of migrants on foot, amidst countrywide lockdown. Their worries primarily were loss of a job, daily ration, and absence of a social security net. India must rethink on her development paradigm and make it more inclusive. COVID 19 had also provided some unique opportunities to India. There was an opportunity to participate in global supply chains, multinationals were losing trust in China.

The covid pandemic has originated a global reduction in economic activity and although this is the major reason for concern, the slopping down of human activity appears to have a positive impact on the environment. Commercial and effluents have reduced, and measurable data supports the clearing of pollutants in the atmosphere, soil and water.

Keywords: COVID 19, economic impact, GDP growth rate, sectoral impact,

Introduction

The COVID-19 has excessively impacted our country, especially the country level lockdowns which have brought economic and social life to stop. A world that forever buzzed with activities has fallen silent and all the resources had been converted to meeting the never-experienced-before crisis. There was a multi-sectoral impact of the covid as the economic activities of the country had slowed down. What astonished an alarm bell which was rung in 2019 by the World Health Organization (WHO) about the world's helplessness to fight a universal pandemic? WHO and the World Bank estimated in 2019, the impact of the pandemic at 2.2 per cent to 4.8 per cent of universal GDP. That prediction had come true, as we had seen the world getting engulfed by this crisis.

In a report entitled Covid-19 and the world of work: Impact and policy responses' by the International Labour Organization, it was explained that the crisis had already transformed into an economic and labour market shock, impacting not only supply (manufacturing of goods and services) but also demand (utilisation and investment). International Monetary Fund's (IMF) chief said that 'World is faced with extraordinary uncertainty about the depth and duration of this crisis, and it was the worst economic fallout since the Great Depression. The IMF estimated trillions of dollars, external financing needs for developing economies and emerging markets. India too is groaning under the pandemic and as per news reports in Economic Times published on 23 March 2020, the economists are pegging the cost of the COVID-19 lockdown at US$120 billion or 4 per cent of the GDP (*The Economist*, 2020).

This pandemic of COVID-19 affected inversely the industrial and the services sector— tours and travels, hospitality, hotels, healthcare, retail, education, real estate, and others. Economic stress arises and growing rapidly. While social distancing and lockdown resulted in productivity loss, on the one hand, they caused a sharp decline in consumer's demand for goods and services in the market on the other, thus leading to a collapsed in economic activity. However social distancing and lockdown were the only cost-effective tools available to prevent the spread of COVID-19. Governments were learning by doing, as it was in the case of success of containment strategy in Bhilwara district, Rajasthan, India, the economic risks of closing the economy remain nonetheless. Similarly, flattering the caseload curve was critical for the economy at large, but it came with an economic cost.

Impact on Aviation

Currently, the aviation sector in India contributes US$72 billion to India's GDP. Foreign tourist arrival had been down in the first quarter. The lockdown significantly impacted arrivals in the second quarter. If we estimate a conservative 25 per cent decline in the contribution of the aviation sector at the end of March 2021 it will amount to 18 billion. Railways contributed US$27.13 billion in 2019 to GDP.

Impact on Tourism

The tourism industry is the worst affected due to the COVID crisis, internationally. The World Tourism Organization (UNWTO) (2020) estimations depict a fall of 20–30 per cent in international tourist arrivals. These figures too were based on circumstances and were increased. Millions of people associated with the industry were likely to lose their jobs. In India, the travel and tourism industry was flourishing and was contributing sizably to the economy.

The FICCI-Yes Bank report titled 'India Inbound Tourism: Unlocking the Opportunities' described India as a tourism powerhouse and the largest market in South Asia. Tourism in India accounted for 9.2 per cent of GDP and had generated US$247.3 billion in 2018, with the creation of 26.7 million jobs. Currently, it is the 8th largest country in terms of contribution to GDP (JaganMohan, 2020). According to the report, by 2029, the sector is expected to employ nearly 53 million people. Foreign Tourist Arrivals (FTAs) crossed 10 million in 2017. However, the coronavirus pandemic had restricted international mobility and the revenues generated by this sector took a major toll on the GDP growth rate. It may bring a downfall of 0.45 per cent in the growth rate of GDP.

Impact on Retail

In 2019, the Indian retail industry was worth US$790 billion. It accounts for over 10 per cent of the country's GDP and around 8 per cent of employment. In the past few years, online retail has seen very rapid growth and the market projections had indicated a 30 per cent growth in online retail in 2020 (National Investment Promotion and Facilitation Agency, 2020). A month-long shutdown for retail affected the Quarter 2 revenues. In the retail sector, the suppressed demand tended to revive very fast and this enabled the sector to recover the losses once the lockdown is lifted. Online retail was operational in some parts of the country during the lockdown period and this helped in offsetting some of the losses for the industry.

Impact on GDP Growth Rate

The COVID-19 pandemic was constantly increasing and was showing signs of containment as it's adversely impacted the economic growth of the country which was very serious. The UN warned that the coronavirus pandemic had an adverse impacted on the global economy, and most significantly, the GDP growth of India for the present economy is projected to decline to 4.8 per cent (United Nation 2020). Similarly, the UN 'Economic and Social Survey of Asia and the Pacific (ESCAP) 2020 reported that COVID-19 would have extensive socio-economic consequences in the region with inundating activities across borders in the areas of tourism, trade and financial linkages (United Nations, 2020).

Table 1. Growth of GDP at Constant Prices

Economic Survey 2019–2020 had provided advance estimates for development in real GDP during 2019–2020 at 5.0 per cent, as shown in Table 1, as compared to the growth rate of 6.8 per cent in 2018–2019. The nominal GDP was estimated at ₹204,400 billion in 2019–2020 with a growth of 7.5 per cent over the provisional estimates of GDP (₹190,100 billion) for 2018–2019. (Economic Survey, 2020, p. 100) On 28 February 2020, the National Statistical Office announced revised estimates of GDP growth, from 8 per cent to 7.1 per cent in the first quarter, from 7 per cent to 6.2 per cent in the second quarter and from 6.6 per cent to 5.6 per cent in the third quarter. Goldman Sachs estimated the growth rate of GDP at 1.6 per cent, declining by 400 basis points because of the 21-day lockdown (Goldman Sachs, 2020). In case of a quick retraction of the COVID-19 pandemic across the globe by mid-May, KPMG India estimated India's GDP growth in the range of 5.3 per cent to 5.7 per cent. In the second scenario where India fails in controls the virus spread but there was a significant global recession, the growth was between 4 per cent and 4.5 per cent. KPMG India in its report estimated India's GDP growth rate falling below 3 per cent (KPMG, 2020). Motilal Oswal research suggests that a single day of complete lockdown could shave off 14–19 basis points from annual growth (Oswal, 2020). Barclays reported the cumulative shutdown cost to be around US$120 billion, or 4 per cent of GDP (Barclays, 2020). Mr Yashwant Sinha, former Finance Minister of India, estimated the cost of a 21-day countrywide lockdown at 1 percentage point of GDP. The global recession and uncertainties of the future might make a 2 percentage point decline in growth rate (for 2020–2021) possible.

Impact on Migratory Labour

The International Labour Organization in its report describes the coronavirus pandemic as 'the worst global crisis since World War II'. About 400 million people (76.2% of the total workforce) working in the informal economy in India were at risk of falling deeper into poverty due to the catastrophic consequences of the virus. As half of the world was in lockdown, it was going to be a loss of 195 million full-time jobs or 6.7 per cent of working hours globally. Many were in low-paid, low-skilled jobs where sudden loss of income was catastrophic (International Labour Organisation, 2020).

Seasonal migration of labour for work was a pervasive reality in rural India. Migration of millions of people happened from village areas to factories, urban markets and farms. Major migration in India was from Bihar and UP to Punjab, Haryana, Maharashtra and Gujarat. Newer migration from Odisha, West Bengal and North East to Karnataka and Andhra Pradesh, from Rajasthan to Gujarat, from MP to Gujarat and Maharashtra and from Tamil Nadu to Kerala were also being created. Migrant workers were employed in the manufacturing sector (40 million), domestic work (20 million), textile (11 million), brick kiln work (10 million), transportation, mining and agriculture (IIPS, 2001). During the lockdown, 92.5 per cent of labourers had lost work. A survey was done by Jan Sahas, of 3196 migrant workers across northern and central India, between 27 March and 29 March, reveals that 80 per cent of migrant workers feared that they will run out of food before lockdown ends on 14 April and will not get their job back thereafter (Figure 1).

Figure 1. Impact of COVID-19 on Migrant Population

The survey revealed that 55 per cent of migrant workers got a daily wage between ₹200 and ₹400, and 39 per cent of the workers got it between ₹400 and ₹600, which was below the minimum wage rate. Only 4 per cent of the workers got ₹600 and above, which was close to the minimum wage rate. They worked in exploitative conditions, were often under debt and had little savings of their own. About 49.2 per cent of workers in the survey said that they did not have ration and 39.4 per cent said that they had ration which would last about 2 weeks.

The survey further explains that about 86.7 per cent had a bank account or Jan Dhan documents, 99.2 per cent of workers had an Aadhaar card, 23.7 per cent had Below Poverty Line (BPL) card and 61.7 per cent had ration cards. Although a relief package of ₹1,700 billion had announced by the government, many of them found it difficult to avail the benefits. Workers expected the government to provide monthly ration and monthly financial support (Jan Saahas Survey, 2020). The crisis witnessed a horrifying mass exodus of such a floating population of migrants on foot amidst the countrywide lockdown. Their worries primarily emanating from loss of job and the absence of a social safety net. Despite assurance from the government, they continued to walk back to their homes. It was a saga of inequality, poverty and social exclusion of vulnerable populations struggling to overcome this crisis.

The Supreme Court called for a status report from the Centre on the measures taken to prevent the mass exodus of migratory labourers to their villages. Workers sudden displacement due to the coronavirus had far-reaching effects on the Indian economy. Most of the workers were not return to the workplace in the industrial cities like Mumbai, Gurugram and Surat. They seek employment in nearby areas or their marginal farms. The consequences of behaviour changed forced by lockdown put pressure on MSMEs and the farm sector, as labour did not be available soon after lockdown.

Impact on Capital Market

Coronavirus had sent distress waves across global financial markets. Indian capital markets were envisaging a funds flow to Western capital markets, owing to rate cuts and fell in the stock markets the world over. As per the NSDL data, Foreign Portfolio Investors (FPIs) had withdrawn heavy amounts from India—₹140.50 billion from debt markets and ₹247.76 billion from equity markets in a short span of 13 days, that was, from 1 to 13 of March 2020. Big volatility in the capital markets in the previous 9 months, to the rapid flow of capital from one market to another in the world.

Impact on Global Oil Market

A historic drop in demand for oil had dropped the crude oil prices to an 18 year low of US$22 per barrel, in March 2020 from US$65 per barrel in January 2020. Some estimates had pegged a saving of US$7–8 billion for India for every US$5 a barrel fell in crude oil prices. A fell in crude oil prices cut India's current account deficit, which was 1.55 of GDP in 2019–2020 (Economic Survey, 2020). But the capital outflows from India exceed the potential saving in the current account deficit. INR to USD average exchange rate had been ₹70.4 per US dollar, but it is already quoting near the psychological barrier of ₹75 per US dollar. If capital outflows from India continue, the rupee (INR) depreciated.

Impact on Micro, Small and Medium enterprises

MSME, which had created more than 90 per cent of the jobs in India, employing over 114 million people and contributing 30 per cent of the GDP (Radhika Pandey, 2020), were at the risk of having severe cash crunch because of lockdown extended to 8 weeks. Many of these MSMEs have loan obligations and monthly EMIs to pay. Many of them might just disappear if their cash cycle is disturbed because of the lockdown, with fixed costs dangling over them in such a situation. They need a moratorium for loan repayments. RBI has released funds to non-banking financial corporations, some of whom provide finance to MSMEs. In addition to that, the movement of perishable goods is hampered and thus, these businesses stare at huge losses. India cannot have real and sustainable growth without having a thriving MSME sector. The COVID-19 crisis will also test the resilience of start-ups in India. Start-ups have to rely on cross-border fundraising. Several founders are seeing their businesses grinding to a halt. Receivables are spiralling and they have to undertake painful cost-reduction measures in their ventures. The government will have to make funds available to this sector, as venture capital firms may take a little longer to come and support because of the restricted global capital flows.

Impact on the Environment

The covid pandemic had originated a global reduction in economic activity and although this was the major reason for concern, the slopping down of human activity appeared with a positive impact on the environment. Commercial and effluents had reduced, and measurable data supported the clearing of pollutants in the atmosphere, soil and water. That result was also in contrast to carbon emissions, which ramped up by 5% later the global financial crash over a decade ago, as a resulted of stimulus spending on fossil fuel used to kick start the global economy.

Normally peak carbon emissions records in May due to the decomposition of leaves, had recorded what was the lowest levels of pollutants in the air since the 2008 financial crisis.
Nitrogen dioxide levels had also recorded significant reductions in China and Northern Italy.

Further, in China, there had been a 25 per cent drop in energy used and emissions, which was likely to decrease by 1% of the overall annual carbon emissions of the country. Results were similar in India too; March 22 was announced as the ‘Janata Curfew’, following which, a significant dip in air pollution levels was measured across the country. Main cities like Delhi, Mumbai, Kolkata and Lucknow saw their average Air Quality Index (AQI) staying within two digits.

One more example of cleaner air was seen on April 3rd, in Jalandhar, a city in Punjab state, woke up to a view of the Dhauladhar mountain range, a rare feat in normal times, considering the distance lying nearly 213 kilometres and have not been visible from the city in recent memory.

All the rivers like Ganga, Yamuna and other rivers had seen drastic improvement since the enforcement of a nationwide lockdown. Means water bodies had also been clearing. As per water monitoring data of the Central Pollution Control Board (CPCB), the average water quality of 27 points of the Ganga seen, was suitable for bathing and propagation of wildlife and fisheries.

Conclusion

The spiralling and pervasive COVID-19 pandemic has distorted the world’s thriving economy in unpredictable and ambiguous terms. But it significantly indicated that the current downturn seems primarily different from recessions of the past which had jolted the country’s economic order. Whereas the nations, conglomerates, corporations and multinationals continue to understand the magnitude of the pandemic, it is undoubtedly the need of the hour to prepare for a future that is sustainable, structurally more viable for living and working.
While the unprecedented situation has caused great damage to the economy, especially during periods of lockdown, the nation will have to work its way through it, by the introduction of fiscal measures. As the national government envisions, protection of both lives and livelihood is required. The economic activity must begin gradually after the screening of the labour force. Strict preventive measures should be implemented by the industry to safeguard the health of the workers. While policy and reforms should be doled out by the government adequately to salvage the economy, the industry, civil societies and communities have an equal role in maintaining the equilibrium. The norms of social distancing, avoiding or cancelling gatherings, and the use of masks and sanitisers should be the way of life till we can eradicate the virus. During this time, the economy is juxtaposed with the social behaviour of humankind, so the responsibility of bringing back economic action is not of government alone.
The risk of a global recession due to COVID-19 in 2020 and 2021 would be extremely high, as it has been observed globally that the shutdown of all economic activities—production, consumption and trade—to control the spread of COVID-19 is imminent. The nature of shutdown is unique in the case of COVID-19 due to a supply shock, a demand shock and a market shock. The recovery in the economy depends on the timings and magnitude of government support as well as the level of corporate debt and how the companies and markets cope with lower demand. Government assistance to those most in need (largely constituted of the unorganised sector, migrants and marginalised communities) is a critical measure to save many lives.
However, every crisis brings about a unique opportunity to rethink the path undertaken for the development of a human being, community and society. The COVID-19 pandemic has a clear message for the Indian economy to adopt sustainable developmental models, which are based on self-reliance, inclusive frameworks and are environment friendly.

References

- Economic Survey . (2020). *Key indicators*. Government of India.
- Barclays . (2020). How will India

lockdown play out for economy & markets: 4 scenarios. *Economic Times*. https://economictimes.indiatimes.com/markets/stocks/news/how-will-india-lockdown-play-out-for-economy-markets-4-scenarios/articleshow/74804087.cms

- https://www.bbc.com/news/science-environment-51944780
- Bloom, E., Wit, V. d., Jose, M. J.-S. (2005). *Potential economic impact of an Avian Flu Pandemic on Asia*. Asian Development Bank. https://www.think-asia.org/handle/11540/2165.
- IIPS . (2001). *Major net migration flows*. Indian Institute of Population Sciences.
- Godman Sachs . (2020). *Goldman Sachs estimates India's GDP growth rate at 1.6%, predicts RBI will reduce interest rates by another 50 basis points*. https://www.news18.com/news/business/goldman-sachs-estimates-indias-gdp-growth-rate-at-1-6-predicts-rbi-will-reduce-interest-rates-2569465.html
- https://www.bloombergquint.com/coronavirus-outbreak/lockdown-health-of-river-ganga-improves
- Economic Survey . (2020). *Chapter 5*. Government of India.
- International Labour Organisation . (2020). *COVID-19 and the world of work, impact and policy responses*. ILO.
- JaganMohan, M. (2020). *Travel and tourism industry in India, statistics and facts*. https://www.statista.com/topics/2076/travel-and-tourism-industry-in-india/
- *The Economist*. (2020, February 15). The new coronavirus could have a lasting impact on global supply chains. https://www.economist.com/international/2020/02/15/the-new-coronavirus-could-have-a-lasting-impact-on-global-supply-chains?cid1=cust/ednew/n/bl/n/2020/02/29n/owned/n/n/nwl/n/n/AP/415278/n
- Jan Saahas Survey . (2020). Lockdown is only the beginning of misery for India's migrant labourers. *Quartz.com*. https://qz.com/india/1833814/coronavirus-lockdown-hits-india-migrant-workers-pay-food-supply/
- Martin Karlsson, T. N. (2014, July). The impact of the 1918 Spanish flu epidemic on economic performance in Sweden: An investigation into the consequences of an extraordinary mortality shock. *Journal of Health Economics*. https://www.sciencedirect.com/science/article/pii/S0167629614000344
- KPMG . (2020). Coronavirus: India's GDP growth may fall below 3% if lockdown extends, says KPMG report. *Business Today*. https://www.businesstoday.in/current/economy-politics/coronavirus-india-gdp-growth-may-fall-below-3-if-lockdown-extends-says-kpmg-report/story/400135.html
- National Investment Promotion and Facilitation Agency . (2020). *Invest India*. https://www.investindia.gov.in/sector/retail-e-commerce
- Oswal, M. (2020, March 26). With 75% economy under lockdown, analysts see sharp fall in GDP. *Business Standard*. https://www.business-standard.com/article/economy-policy/with-75-economy-under-lockdown-analysts-see-sharp-fall-in-gdp-120032600231_1.html
- Sonal Verma, A. N. (2020). *COVID-19's impact on the world economy*. Nomura.
- Lee, J.-W., McKibbin., J. W. (2004). Estimating the global economic costs of SARS. In Knobler, S., Mahmoud, A., Lemon, S., Mack, A., Sivitz, L., Oberholtzer, K. (Eds.), *Learning from SARS: Preparing for the next disease outbreak*. Institute of Medicine (US) Forum on Microbial Threats. https://www.ncbi.nlm.nih.gov/boo

ks/NBK92473/

- https://www.moneycontrol.com/news/economy/policy/coronavirus-impact-air-quality-improves-in-india-but-will-it-prevent-climate-change-5067011.html

- Radhika Pandey, A. P. (2020). *Covid-19 and MSMEs: The 'identification' problem*. Ideas for India for More Evidence Based Policy. https://www.ideasforindia.in/topics/macroeconomics/covid-19-and-the-msme-sector-the-identification-problem.html
- The Hindu . (2019). Unemployment rate at 45-year high, confirms Labour Ministry data.
- United Nations . (2020). *Economic and social survey of Asia and the Pacific*. Economic and Social Commission for Asia and the Pacific Decade of Action (ESCAP).
- https://journals.sagepub.com/doi/full/10.1177/0972063420935541
- The Economist . (2020, February). Apple's Chinese troubles. https://www.economist.com/business/2020/02/20/apples-chinese-troubles
- https://www.tribuneindia.com/news/punjab/coronavirus%C2%A0jalandhar-residents-have-a-rare-view-of-snow-capped-mountains-65028