PANCHAKOTesSAYS
ISSN : 0976-4968
Vol-12, No.-1, May 2021

Socio-Economic Impacts of ‘Lockdown’ on India: Possible Revival Strategies

Purabi Kundu [1*]

[1*] Assistant Professor, Dept of Political Science, Katwa College, Katwa, Dist: Purba Bardhaman, Pin: 713130, State: West Bengal, India, email: purabi.kundu@gmail.com

Abstract

The Covid-19 Pandemic has changed the lives of 7.8 billion people around the world, prompting government and citizens to start rethinking how life should be in the new normal. It is far more than a health crisis, affecting societies and economies at the core. The affects will vary country to country making hard earned Sustainable Developments Goals (SDGs) crashing down; this will require radical new policies and solutions to respond to the crisis, as it unfolds. It has made poverty and inequalities take up global centre stage as economies have come crashing down as countries go into strict lockdown, jobs omitted instantly supply chains broken, factories shut off, businesses closed, transportation barred. The domino effects are far more consequential than just the economic scenario. This paper focus on the effect of lockdown on life of Indian people and how can the society revive from this kind of Pandemic situation.

KEYWORDS: health crisis, lockdown, pandemic, socio-economic effect, society

INTRODUCTION

The Pandemic has stuck the world as if like a “Bolt from the Blue” and everyone caught unaware, not knowing what to do, as there is no known remedy. Subsequently the only option to contain the spread is to maintain social distancing, isolation, absolute hand hygiene rather we can say being a perfectionist, avoiding public gatherings and mass transport, no shaking hands and wearing a mask is mandatory. Yet the virus has taken a huge toll, not only the lives claimed so far, but by far the economies it has shattered and lives destroyed are having far reaching consequences that we never thought off, and the detrimental social ripples created we are yet to see the full effects.

The effects of lockdown have been detrimental to economies and societies, and it has varied from region to region and country to country.

METHODS

This article is based on information from different websites, various news channels and non- affiliated media report. I have meticulously studied the same to write this article based on the situational and current ground facts.

SOCIO-CULTURAL CHANGES

The social fabric of India thrives on interdependence, both emotional and economic, within families, relatives and friends. Close physical interactions like living in crowded housing and other places, pushing and jostling are extremely common and are deterrent to 'social distancing' as dictated during this pandemic. Despite the lockdown, crowding has been observed in religious places, during travel (e.g. 'herds' of migrants on buses), or even while at shops and markets. While 'vertical distancing' is the cause of inequalities in India, the 'horizontal distancing' put in place, in the wake of COVID19 has further exacerbated these inequalities.[1] The more troubling aspect is the lack of proper provision of safety nets (e.g. food security) for those hit the hardest by lockdown. Due to the enormous scale of the problem the government schemes remain vastly inadequate. As a result of the lockdown, there is increased possibility of malnutrition among the lower income groups and daily wage earners. The Food Corporation of India recently allotted 12.96 lakh metric tonnes of food grains, under the Pradhan Mantri Garib Kalyan Anna Yojna (PMGKAY), as an initiative by the Government of India in its fight against the COVID19. Efficacy of this scheme and adequacy of food distribution remains to be seen, the government has promised 5kg of rice or wheat and 1kg of pulses per person till the month of November covered under the PDS scheme. Additionally an amount of Rs 500/-per month for April and May 2020 has been given to a section of population having zero balance accounts under PMJDY (Pradhan Mantri Jan Dhan Yojna) scheme. With food grains reserve of over 80 million tons and foreign exchange reserves of US$475 billion, the government is well equipped to deal with the situation.[2] However, it is important that these resources are utilized in a prudent and effective manner to alleviate the situation. Apart from these a few million children will be out of school after the pandemic, as their household incomes get wiped off and mid day meal schemes won't be adequate to bring them back. Social distancing will create a vacuum in relationships between humans, specially the rich and the poor which was already there in our society. Human trafficking, child labour are going to be a major challenge to cope in coming times, as the economy has left millions jobless. Hostility has increased amongst neighbor's and there's a dramatic paradigm shift in mindset, where in immediate friends and family and neighbor's turn hostile when a case of covid positive patient is reported and they are treated as menials rather untouchables who are not allowed to shop or visit medicine shops even. To an extent it has been noted that frontline duty officers like medical personals police and health workers are looked with suspicion, denied entry to rented accommodations and even thrown out in some cases. The situation has adversely affected mindsets in such a way that people are wary of disclosing their travel history, or get a covid test done even disclosing a simple cough and fever due to fear of society. The pandemic has opened a can of worms about our medical fraternity and system where in the hospitals and doctors are almost fleecing patients with huge bills, advance payments and almost non committal treatment, not following protocols disposing of bodies almost killing their sacred oath.[3]

ECONOMIC DISCUSSION

India's Gross Domestic Product (GDP) estimates for 2019-2020 has been estimated at 6.2% by R.B.I. however International Monetary Fund has lowered it by 1.3% to 4.8% , and has stated that India's growth has fallen sharply. Evidently it has been further lowered by Crisil and other organizations. It's clear that our economy already was on a slow path, and will be slower in wake of the pandemic. The Small and Medium Enterprises market ratings project that the nationwide lockdown is expected to incur losses of over $4.5 billion (35,000 crores) every day during the lockdown. The healthcare sector for example is running at a loss of 90% due to decrease in patients incoming, surgeries and other facilities that's lying idle. Health care sector is one of the biggest employers, and they have been overburdened due to the pandemic, because of a huge inflow of covid patients, a shortage of medical staff and equipments and essentials leading to an overwhelming situation that's literally breaking up the system.[4]

The economic downturn has greatly affected people from the lower socio economic stratum (SES). The distressing media visuals of migrant labourers, going to their native places, from the cities on foot during the lockdown have been critically debated. Remittance of money to the home country, which many migrant Indian workers popularly do, is another way of poverty reduction, economic development and increase in GDP. About $139 billion (1042500 crores) was remitted to low and middle income (LMICs) countries of South Asia from countries of work (e.g. Gulf countries) in the year 2019. The disruption caused by COVID19 has had a significant impact on these remittance flows, remittances are projected to fall by about 23% in India in 2020 (to $64 billion ,80,000 crores) in striking contrast to a growth of 5.5% and receipts of $83 billion (6,20,000 crores) seen in 2019. The World Economic Forum states that in the current pandemic situation, people will be forced to take up low wage jobs, live in poor working conditions, restrict spending and thus, risk exposure to infections like the Coronavirus.

The scenario of the migrant workers in India is equally grim. These workers constituting the informal sector total a staggering 139 million and are about 93% of the workforce. About 50% of migrant workers stated that they had rations for less than a day, further, the study by Stranded Workers Action Network showed that 89% of the stranded workers had not been paid wages by their employers during the first 21 days of lockdown and that 74% had less than half their daily wages to live on. The economic impact of this pandemic is likely to be more severe for India in three broad manner listed below;

1. Increase in poverty due to loss of job thus pushing more people below poverty line.
2. Worsening of socio-economic inequalities, thus affecting health, hygiene, nutrition and education.
3. Compromise in health-related precautions (use of masks, social distancing, seeking medical advice in case of cough and fever etc.). All these would have major long term effect on health indicators.[5]

ECONOMIC MODELING PREDICTIONS & ANALYSIS

Based on simulation and computer modeling our economy could contract by about 10 percent in the first quarter of fiscal year 2021, with GDP growth of 1 to 2 percent in fiscal year 2021. Even if the social restrictions continue and economic activities restart by June 2020, our economic modeling suggests that even in this scenario of relatively quick restart, the livelihoods of eighty million workers, including many who are in the informal workforce, could be affected. In other words, eighty million people could have their ability to subsist and afford basic necessities, such as food, housing, and clothing, put at severe risk. And with corporate and micro, small, and medium size enterprise (MSME) failure, nonperforming loans (NPLs) in the financial system could rise by three to four percentage points of loans. The amount of government spending required to protect and revive households, companies, and lenders could therefore be in the region of 6 lakh crore Indian rupees (around $79 billion), or 3 percent of GDP. Another scenario is the economy could contract sharply by around 20 percent in the first quarter of fiscal year 2021, with –2 to –3 percent growth for fiscal year 2021. Here, the lockdown would continue in roughly its current form until mid May 2020, followed by a very gradual restarting of supply chains. This could put 32 million livelihoods at risk and swell NPLs by seven percentage points. The cost of stabilizing and protecting households, companies, and lenders could exceed 10 lakh crore Indian rupees (exceeding $130 billion), or more than 5 percent of GDP.[6] And another modeling suggests that our economy would head to an even deeper economic contraction of around 8 to 10 percent for fiscal year 2021. This could occur if the virus flares up a few times over the rest of the year, necessitating more lockdowns, causing even greater reluctance among migrants to resume work, and ensuring a much slower rate of recovery.

According to Dun & Bradstreet, COVID-19 no doubt disrupted human lives and global supply chain but the pandemic is a severe demand shock which has offset the green shoots of recovery of the Indian economy that was visible towards the end of 2019 and early 2020. The revised GDP estimates for India downwards by 0.2 percentage points for the fiscal year 2020 to 4.8 per cent and by 0.5 per cent for the fiscal year 2021 to 6 per cent. Further, it is stated that the extent of the actual impact will depend upon the severity and duration of the outbreak. Further, according to the World Bank's assessment, India is expected to grow 1.5 per cent to 2.8 per cent. And IMF projected a GDP growth of 1.9 per cent for India in 2020 because the global economy is affected by the COVID pandemic, the worst recession since the Great Depression in the 1930s. Also, we can't ignore that the lockdown and pandemic hit several sectors including MSME, hospitality, civil aviation, agriculture and allied sector.

The unprecedented lock down has had a significant adverse effect on the economy. Millions of jobs and livelihoods are now at stake and a massive strain on labour supply in the urban areas. Transportation of raw materials and finished goods across states was also severely constrained. Countries have closed national borders bringing international trade and commerce to an abrupt halt. All these are severely disrupting supply mechanisms and distribution chains in almost all sectors. At the same time, there has been a complete collapse of consumption demand as millions of people stay home and postpone their non-essential expenditures. This crisis comes at a time when India's GDP growth was slowing down, and unemployment was on the rise owing to poor economic performance over the last several years. The precarious situation that the economy was in before getting hit by this shock will potentially worsen the effect of the shock. This is especially because the financial sector which is the brain of the economy has not been functioning properly and the macroeconomic policy space to respond to such a crisis is severely limited. These are external supply and demand constraints due to global recession and disruption of global supply chains, domestic supply disruptions, and decline in domestic demand. The economic shock is impacting both formal and informal sectors.[7]

On 28 April the former Chief Economic Advisor (CEA) to the Government of India has said that India should prepare for a negative growth rate in FY21 on 22 May the RBI Governor Shaktikanta Das also said India's GDP growth will remain negative in FY21. Following the announcement of India's economic package numerous agencies downgraded their GDP predictions for FY21. Ratings agency ICRA (Investment Information and Credit Rating Agency of India Limited) downgraded estimates to -5% Goldman Sachs also predicted the same estimate of -5%. These revised GDP estimates signaled a deep recession.[8] On 26 May, CRISIL (Credit Rating Information Services of India Limited) made the following statement: India's fourth recession since independence, the first since liberalization and perhaps the worst to date, is here.[9]

MACRO IMPACT

The countrywide lockdown has brought nearly all economic activities to an abrupt halt. The disruption of demand and supply forces are likely to continue even after the lockdown is lifted. It will take time for the economy to return to a normal state and even then social distancing measures will continue for as long as the health shock plays out. Three major components of aggregate demand- consumption, investment, and exports are likely to stay subdued for a prolonged period of time.

The supply chains are unlikely to normalise for some time to come. Already several industries are struggling owing to complete disruption of supply chains from China. The longer the crisis lasts, the more difficult it will be for firms to stay afloat. This will negatively affect production in almost all domestic industries. This in turn will have further spillover effects on investment, employment, income and consumption, pulling down the aggregate growth rate of the economy. [10]

Therefore, it is difficult to fully comprehend the extent of the damage that the Indian economy is currently incurring. Some of the statistics available now already highlight the severity and duration of the slowdown the economy may experience going forward. After some amount of recovery in economic activity in June, 2020 it appears that the slowdown has resumed once again in most of the sectors. The improvement seen in most high-frequency indicators in June after the dramatic collapse in the April-May period has begun to wane since mid June. This is presumably due to the renewed lockdowns all over the country and damage to consumer sentiment and overall economic productivity. [11]

SECTOR WISE IMPACT

Summing up we will see the impact of this pandemic on various sectors of our economy which are briefly listed below;

Agriculture: The nationwide lockdown has left farmers across the country bereft of agricultural labor just before the crucial harvesting season. Farmers also worry about government procurement and their ability to sell their crops, given that many agricultural markets are still closed. Unless the government acts soon, farmers in India will face a bleak future leading to bankruptcies and farmer suicides. [12]

Chemical Industry: Some chemical plants have been shut down in China. So there will be restrictions on shipments & logistics. China is a major supplier of Indigo that is required for denim. Business in India is likely to get affected due to unavailability of various chemicals.[13]

Pharmaceuticals Industry: Despite being one of the top formulations of drug exporters in the world, the pharma industry of India relies heavily on import as of bulk drugs. Due to the coronavirus outbreak, it will also be impacted, as china supplies bulk of API (Active Pharmaceutical Ingredients).

Textiles Industry: Due to coronavirus outbreak, several garments and textile factories in China have halted operations that in turn affecting the exports of fabric, yarn and other raw materials from India.

Solar Power Sector: Indian developers may face some shortfall of raw materials needed in solar panels and cells and limited stocks from China.

Electronics Industry: The major supplier is China in electronics being a final product or raw material used in the electronic industry. India's electronic industry may face supply disruptions, production, reduction impact on product prices due to heavy dependence on electronics component supply directly or indirectly and local manufacturing.

IT Industry: The New Year holidays in China has been extended due to coronavirus outbreak that adversely impacted the revenue and growth of Indian IT companies.[14]

Tourism and Aviation: Due to the coronavirus outbreak, the inflow of tourists from other East Asian regions and other countries to India will lose that will impact the tourism sector and revenue. India is big on cultural and historical tourism, attracting domestic and foreign nationals throughout the year. It does not come as a surprise that a large number of confirmed COVID-19 cases in India include foreign tourists. But with visas being suspended and tourist attractions being shut indefinitely, the whole tourism value chain, which includes hotels, restaurants, attractions, agents, and operators is expected to face losses worth thousands of crores. The Centre for Asia Pacific Aviation (CAPA) has assessed that the Indian aviation industry will post staggering losses worth nearly $4bn this year. [15]

POTENTIAL RECOVERY

The Investment bank, Goldman Sachs, expects a strong sequential recovery in India in the second half of the fiscal year. The Economist Intelligence Unit has forecasted the GDP growth rate for 2020-21 for India at 2.1 percent when compared with China at 1 percent, and the US at -2.8 percent.

- Immediate and urgent steps are needed to harvest crops and secure the farmers. The government is allocating transport and other logistical support to move the crops from the fields directly to the warehouses with the help of the private sector.
- It is likely that India may run into a mild current account surplus in FY 2021 with declining oil prices.[16] This will be a positive contributor to the macroeconomic stability of the country.
- Government needs to ensure that all the measures and stimulus packages which are doled out during the outbreak are utilized effectively. This will contribute

towards minimizing the damage to the economy by reducing the impact on the fiscal deficit.

- The banking and financial services sector has been in a bad shape owing to high levels of non-performing asset (NPA) accumulated over the preceding years. In the past the government has had to bail out the banks and non-banking financial companies (NBFC) in order to keep them afloat. It is likely that post-COVID-19 the banks and NBFCs will face the brunt of a surge in NPAs owing to business failures and defaults by individual borrowers due to job losses.[17] The government will have to adopt a strategy to deal with this situation to ensure that the banking system does not collapse.
- Government should work with banks, NBFCs (Non-Banking Financial Company), insurance companies, and large corporate for lending purposes and increasing the liquidity in the market.
- E-Commerce – There has been surge in orders for e-commerce companies as people may prefer contactless, home deliveries. Government may encourage and facilitate e-commerce operations to minimize the risk of COVID-19.
- IT and ITeS (Information Technology / Enabled Services) – If Indian IT and ITeS companies are able to provide uninterrupted services to clients in the US and Europe during this time, then in the post-COVID-19 situation they will be secure and continue to flourish. However, if there is a breakdown in delivery of service at this time, then the overseas clients are likely to set up their own infrastructure to meet their demand for these services. COVID-19 outbreak has dealt a blow to the global economy but as the situation stands, it seems like the course of economic recovery for India will be faster than several other advanced economies. It is likely that India will come out as a viable and dependable destination for foreign investors.[18]

CONCLUSION

With fears of a new recession and financial collapse, times like these call for resilient and strong leadership in healthcare, business, government and wider society. Immediate relief measures need to be implemented and adjusted for those that may fall through the cracks. Medium and longer term planning is needed to re-balance and re-energize the economy following this crisis. A broad socioeconomic development plan including sector by sector plans and an ecosystem that encourages entrepreneurship is also needed so that those with robust and sustainable business models can flourish. It is prudent that governments and financial institutions constantly re-assess and re-evaluate and ensure that their promise is truly delivered. Economic stressors on the whole population will need mitigation and quick changes in policy would help. Further the government should implement on ground the policy changes for benefit of the large mass at the soonest, and see that the benefits reach every level of the society, specially the Lower Income Groups and other vulnerable class.

REFERENCES:

i. COVID-19: guidence on social distancing and for vulnerable people. Available at: https://www.gov.uk/government/publication/covid-19-guidence-on-social-distancing-and-for-vulnerable-people/guidence-on-social-distancing-for-everyone-in-the-uk-and-protecting-older-people-and-vulnerable-adults (accessed on 28th May 2020)

ii. Jan Dhan Yojana- A Revolutionary Financial Inclusion Program. available at : https://pmjdy.gov.in/ (accessed on 20th July 2020)

iii. Getting ahead of Coronavirus: Saving lives and livelihoods in India. available at https://www.mckinsey.com/featured-insights/india/getting-ahead-of-coronavirus-saving-lives-and-livelihoods-in-india (accessed on 23rd May 2020)

iv. Coronavirus: Socio-economic impact of covid-19. Available at: https://www.undp.org/content/undp/en/home/coronavirus/socio-economic-impact-of-covid-19.html (accessed on 19th March 2020)

v. The economic impact of COVID-19 (novel coronavirus) available at: https://www.2.deloitte.com/global/en/insights/economy/covid-19/economic-impact-covid-19.html (accessed on 19th April 2020)

vi. Investing index spx. avaialable at: https://www.marketwatch.com/investing/index/spx/ Market watch (accessed on 27th April 2020)

vii. Coronavirus.available at: https://www.fitchrating.com/ (accessed on 20th July2020)

viii. MessagefromtheGroupCEO,Nomura2020.Available at: https://www.nomura.com/ (accessed on 20th July2020)

ix. CRISIL Research. Available at: https://www.crisil.com/ (accessed on 20th July2020)

x. World Bank Social Protection and Job Responses to COVID-19 Tracker .available at: https://imf.org/ (accessed on 20th July 2020)

xi. E-Paper , Business Standard, available at: https://www.business-standard.com/ (accessed on 20th July 2020)

xii. Prices of agriculture commodities drop 20% post COVID-19 outbreak available at: https://realtime.rediff.com/news/india/Prices-of-agricultural-commodities-drop-20-post-COVID19-outbreak/95507899584b749?src=interim_alsoreadimage (accessed on 20th June 2020)

xiii. COVID-19 is Coming for the Chemical Industry in 2020 BASF Predicts. Available at: https://www.industryweek.com/supply-chain/planning-forecasting/article/21125045/covid19-is-coming-for-the-chemical-industry-in-2020-basf-frets/ (accessed on 20th July 2020)

xiv. China’s Factories Struggle to Resume Operations After Virus Shutdown. Available at: https://www.wsj.com/articles/chinas-factories-struggle-to-resume-operations-after-virus-shutdown-11581157800 (accessed on 20th July 2020)

xv. ‘The Fed has opened all the taps’: Stocks and oil tumble despite the Fed ramping up asset purchases and rolling out credit facilities. available at: https://markets.businessinsider.com/news/stock/no-escape-stocks-oil-bitcoin-plunge-senate-argues-coronavirus-bill-2020-3-1029021850 (accessed on 23rd 2020)

xvi. OPEC's pact with Russia falls apart, sending oil into tailspin. available at : https://www.reuters.com/article/us-opec-meeting-idUSKBN20T0Y2 (accessed on 23rd June 2020)

xvii. Best Investment for an Economic Recovery from Coronavirus: An Illustration Based on the Fiji Climate Vulnerability Assessment to pPinpoint Stimulus Options. Available at: https://www.worldbank.org/ (accessed on 20th Nov.2020)

xviii. Economy Instructions-Printing activities. available at: https://doe.gov.in/orders-circulars (accessed on 20th July 2020)