
IMPACT OF COVID-19 ON RURAL ECONOMY IN INDIA

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ABSTRACT

Even as India has reached a new level in Covid-19 with over one lakh positive cases, there is no clear idea yet on the incidence of the disease in the rural areas. Irrespective of any such incidence, rural areas have also come to bear a major brunt of the lockdown imposed since March 25. With hordes of migrants returning to rural areas, there could be the double-whammy of the spread of Covid-19 and the worsening of the socio-economic situation. The current study offers insights on the plight of migrant labourers and impact of COVID-19 on rural economy in India. The major finding of the study suggests 400 million workers in India in the informal economy are at the risk of falling deeper into poverty during the crisis. The low reporting of COVID-19 cases due to low testing will result in community spread. The reverse migration will create excess pressure on the agriculture and rural economy which will result in a significant number of people to fall into abject poverty. COVID-19 will have both short and long-run effect on the rural economy in India. The government economic package contains majorly long-term measures whereas short-term measures such as cash incentive and wage subsidy should be given to save migrant labourer and marginal farmers. Above all, mass corruption in the system is the biggest challenge in the effective implementation of plans.

Key Words: COVID-19, Migrant Labourers, Agriculture, Rural Economy

INTRODUCTION

Even as India has reached a new level in Covid-19 with over one lakh positive cases, there is no clear idea yet on the incidence of the disease in the rural areas. Irrespective of any such incidence, rural areas have also come to bear a major brunt of the lockdown imposed since March 25. With hordes of migrants returning to rural areas, there could be the double-whammy of the spread of Covid-19 and the worsening of the socio-economic situation. The large-scale reverse migration that has been witnessed under the duress of lockdown is an unprecedented tragedy which needs to be understood well. COVID-19 was first declared a public health emergency and later a pandemic by the World Health Organization (WHO). Currently, the spread of the novel virus is in more than 190

countries. There are a national emergency and lockdown in most of countries. Till date, more than 4 million people across the globe are affected by COVID-19 virus and around 300 thousand people lost their life.

The central and states government in India under the special economic package, Pradhan Mantri Garib Kalyan Yojna (PMGKY) scheme etc. tried to take care of the economy and the poorest among the poor but effective implementation of this scheme poses a big challenge (Jha 2020). Migrant's workers are the engine of growth from centuries which have been working day and night for the economic success of any region across the globe. On the other side, they are the most vulnerable and have no access to any kind of social security. The forced reverse migration from urban to rural areas will have a significant impact on the demography, society and economy of rural India. Most of the migrant workers were marginal farmers in the past which left agriculture and moved to urban areas for better economic opportunities. The forced reverse migration amid agrarian crisis poses a big threat on people to fall into abject poverty.

The current study offers insights on the impact of reverse migration on rural society and the economy. Status of the Indian economy and success Indian planning is also assed. The status of the health infrastructure of India and bias in COVID-19 cases due to low testing is examined. The long-run and short-run economic linkages of the COVID-19 on the economy are also discussed. The status of the agricultural sector and issues related to the agrarian crisis is also reported.

The low reporting of COVID-19 cases due to low testing will result in the community spread of the novel virus. The reverse migration will create excess pressure on the agriculture and rural economy which will result in a significant number of people will fall into abject poverty.

Objectives of the Study

1. To study about overview of the Indian economy and health infrastructure.
2. To analyze theoretical linkages of COVID-19 and the economy
3. To Study about status of Indian agriculture and issues related to agriculture and the rural economy.

1. Overview of the Economy

The growth prospectus of India for the year 2020-21 ranging from 0.8 to 4.0 per cent. This tentative and wide range of forecast is due to the extent of uncertainty. The International Monetary Fund (IMF) have predicted 2020-21 India's growth rate at 1.9 per cent, China's growth rate at 1.2 per cent and 3 per cent decline in global growth⁶. The actual growth outcomes of India depends on various factors such as the speed at which the economy is opened, how fast the novel virus is contained and government plans to

boost the economy.

The government has recently announced Rs. 20 lakh crores package to revive the economy, but the actual effect of the plan lies in the effective implementation of the plan. Most of the assessment on growth projections by different institutions are based on advanced estimates, which may be revised in the future. To better understand the economic scenario of the country, the Gross Value Added (GVA) or total output is assessed for 12 major sectors of the economy for the year 2017-18. Table 1 shows the contribution of agriculture and allied activities (12.003) in the total GVA. The contribution of the manufacturing (35.196) is highest as a single sector in the economy but services combined contribute is more than 50 per cent of total GVA.

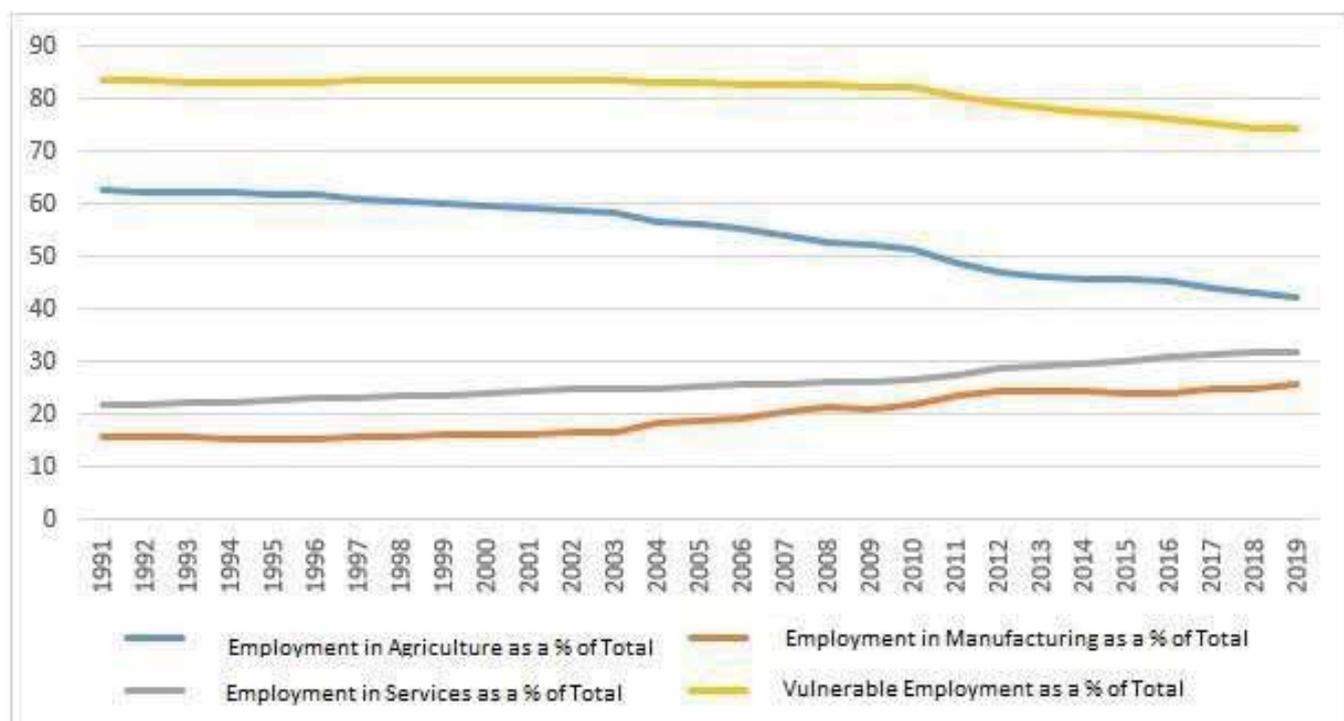
Table 1: Output by Major Economic Activities (2017-18)

Sector	Output (Rs Crores)	Per cent of Total
Agriculture, forestry and fishing	2371342	9.373
Mining and quarrying	665387.9	2.630
Manufacturing	8904660	35.196
Electricity, gas, water supply and other utility services	801456	3.168
Construction	2642395	10.444
Trade, repair, hotels and restaurants	2244829	8.873
Transport, storage, communication & services related to broadcasting	1807438	7.144
Financial services	1014881	4.011
Real estate, ownership of dwelling and professional services	2700357	10.673
Public administration and defence	907580.2	3.587
Other services	1239848	4.901
Total	25300174	100

Source: EPW Research Foundation

On the other side, figure 1 explains the contribution of different sectors in total employment. Irrespective of the lowest contribution of agriculture in total GVA, it provides the highest employment (42.38) followed by manufacturing (32.03) and services (25.57) sector. Further, 74.26 per cent of total employment is vulnerable which has no social security.

Figure 1. Employment in different sectors as a percentage of total employment



Source: World Bank

Health Infrastructure

In India, private healthcare is expensive and unavailable for the majority of peoples who leave public healthcare as the only option in the time of need. For critical COVID-19 patients, we require healthcare facilities such as intensive care units (ICU) and ventilators. Currently, all the COVID-19 positive cases are transferred to government hospitals. Hence, it is important to assess where India and its states/union territories stand in terms of health infrastructure to fight the novel virus. Table 2 reports healthcare indicators of India and majorly affected countries of the world from the COVID-19. In India, the healthcare indicators such as hospital beds (0.7), physicians (0.7256) and nurses (1.3757) per 1000 population are below than the majorly affected countries from the novel virus. The death toll in the USA is reached 100 thousand and more than 1 million people are affected by the virus. Most of the European countries are badly affected and the current Indian healthcare infrastructure raises serious concern about the ability of the Indian health system to tackle the serious situation.

Table 4: Health infrastructure of India and majorly affected countries from COVID-19

Country	Hospital Beds per 1000 (2011)	Physicians per 1000 (2014)	Nurses per 1000 (2014)
United States	2.9	2.5817	8.832
United Kingdom	2.9	2.7769	8.6354
Italy	3.5	3.9588	5.6446
Spain	3.1	3.7975	5.5113

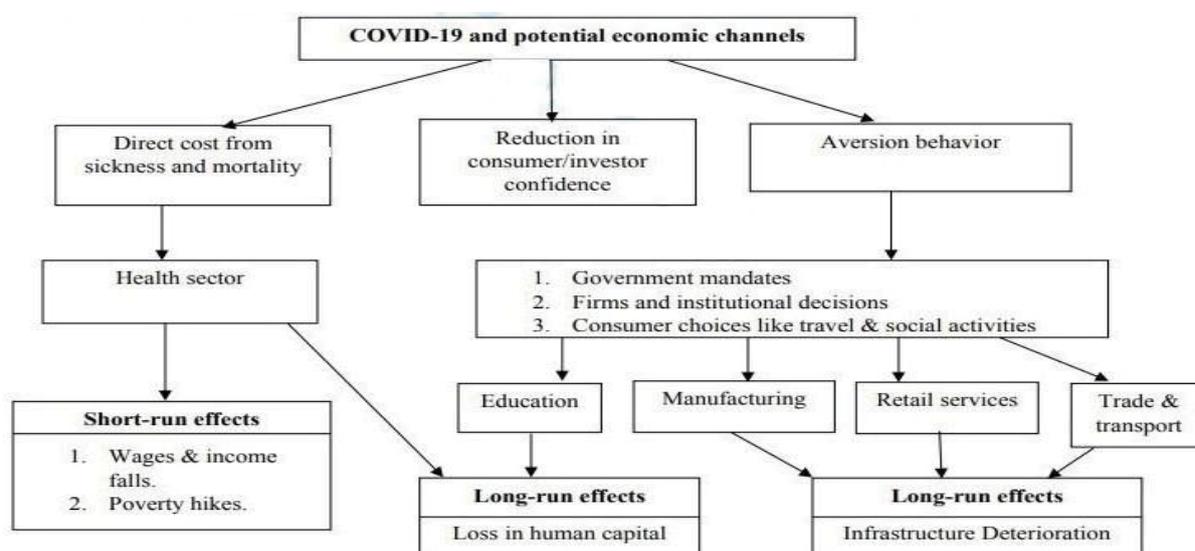
France	6.6	3.2117	10.6163
Brazil	2.3	1.8693#	7.5122#
Belgium	6.4	2.9729	11.0149
Germany	8.2	4.0827	13.4373
Iran, Islamic Rep.	1.7	1.4862	1.5453
Netherlands	4.7*	3.42	10.5284
China	3.8	1.6989	2.1491
India	0.7	0.7256	1.3757

Note: * indicates figures for 2009 and # or 2013 Source: World Bank

2. Theoretical Linkages of COVID-19 and Economy

The broad economic channels of the theoretical linkages between COVID-19 and the economy is presented in figure 2. The present theoretical link is adopted from Evans & Over (2020); Boone (2020) and Singh & Neog (2020). The health sector would play a vital role in the economy. The sickness and mortality caused through COVID-19 will overburden healthcare system which will have both short-run and long-run effects on the economy. In the short-run sickness and mortality would impact wages and income which would increase in mass poverty. In the long-run healthcare will also impact human capital formation.

Figure 2. COVID-19 and economic channels



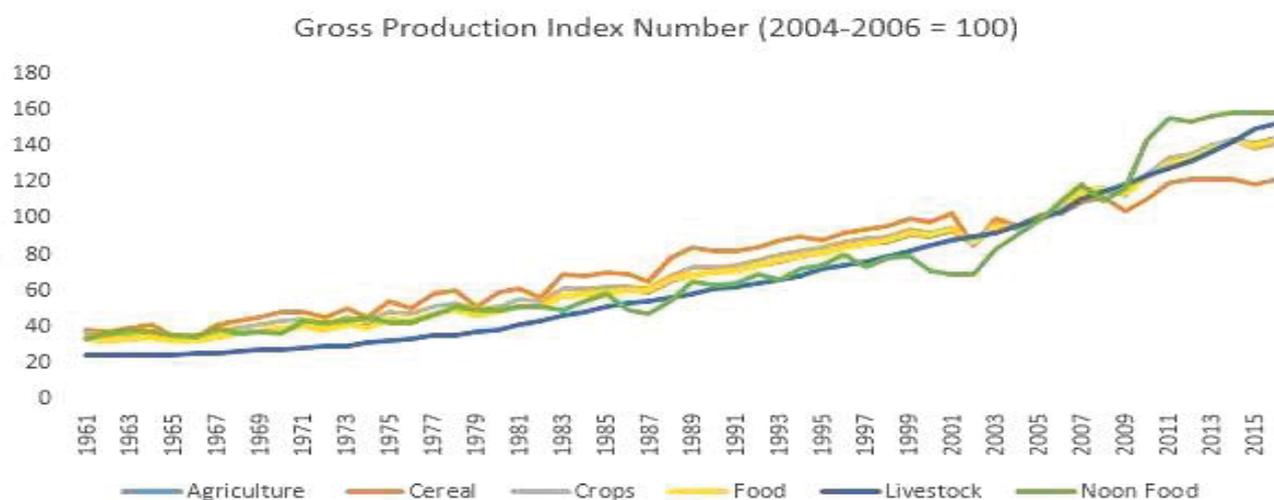
The confidence of the consumer/investor is mostly influenced by Macroeconomic uncertainty. The long-run effect of COVID-19 is mainly run from the health, education and infrastructure sector. Sickness and mortality will result in a loss of income and human life. In the same fashion, the government mandates and institution decision will impact both the education and infrastructure development which have long-run consequences.

3. Indian Agriculture

India is the country of villages, where the major population lives in rural areas. Agriculture and agriculture-related services are the major sources of livelihood of the peoples. In the past few decades, farm distress led to huge migration from rural to urban centres. The structural economic growth theories explain every economy in the transition phase moves from traditional (agriculture) to the modern sector (manufacturing/services). India is the fifth-largest economy in the world in terms of purchasing power parity (PPP) whereas the mass population in the country lives in abject poverty. Economist believes, post- liberalization higher growth from IT sector helped India to grow fast but is also responsible for the rural and urban divide. Irrespective of high growth from the IT sector in the past two decades, agriculture remained a major source of livelihood for the majority of the population. Since Independence, there is a substantial decline in the contribution of agriculture and allied activities in the total GVA. There is a large number of studies confirms the agrarian crisis in the Indian economy (Mishra 2007). The GFCF in agriculture declining year after year (FAO 2020).

Figure 3 reports the trends in the production of major crops in India. Only livestock and non- food crops show a positive trend, whereas there is slow or negative growth in the production of the majority of food crops after 2009.

Figure 3. Gross Production Index of major crops in India



Source: Food and Agriculture Organisation

4. Issues and Challenges

COVID-19 brings crisis on several economic and non-economic fronts over the globe. There would be demand and supply shocks because of trade restriction and labour mobility. In India, there would serve consequence on 81 per cent people employed in the informal sector (ILO, 2018). Almost 90 per cent of the workers in the informal sector has survived with no minimum wage or any kind of social security (Sharma, 2020). Even after the unorganised worker's social security act (2008), only 5-6% got enrol for social security. According to Periodic Labour Force Survey (PLFS) of 2017-18,

71.1% had no job contract, 54.2% are not eligible for paid leave and 49.6% has no social security (Mohanty, 2019). The return or reverse migration amid the agrarian crisis in the agricultural sector from urban to rural areas pose big challenges on the rural economy. The specific issues are:

Return or Reverse Migration: According to International Migration Organisation (2011), “return migration is the act or process of going back to the point of departure, is the returning of people to their origin or place of habitual residence after spending some time at another place”. It can be a voluntary return or forced migration. Irrespective of the reason for migration, the return poses a significant impact on the demography, society and economy of rural areas. The reverse migration significantly impacts population size and characteristics over the period. It is very hard for people to integrate from the society amid fear of contamination from the virus. Finally, return migration to rural areas has a significant impact on the economy of the rural areas as well since in some cases it dramatically contributes towards boosting the economic activities in the area. In the current situation, the internal migrant labourers in India is around 450 million. Field realities show migrant labours are higher in case of UP and Bihar followed by MP, Punjab, Rajasthan, Uttarakhand, Jammu and Kashmir and West Bengal. Currently, returnees are coming with empty hands which have left their destination to save their life from poverty and hunger. According to ILO estimates around 400 million workers in India in the informal economy are at the risk of falling deeper into poverty during the crisis.

Agrarian Crisis and Reverse Migration: There is a crisis in the agriculture sector over the past two decades. In India, the majority of farmers are small landholders facing the problem of falling productivity, water scarcity etc. Majority of the returnees are were marginal farmers in the past. The reverse migration will increase pressure on agriculture which is already overburdened.

Fall in Producer and an increase in the consumer price: The reverse migration will further result in to fall in the producer price of crops which will reduce farm wages and income. On the other hand, due to low productivity and hoarding of food articles, there will be a rise in the prices of food items which will majorly affect poor people.

Rise Rural Unemployment and Poverty: Reverse migration, fall in producer price and increasing pressure on the agricultural sector will lead to an increase in rural unemployment and poverty.

CONCLUSION

Prime Minister Narendra Modi announced a mega 20 lakh crore rupees package for the Indian economy on 12th May 2020 which is 10 per cent of total GDP. The current package is inclusive of the past package (PMGKY, RBI liquidity measures, interest cuts) which was around 4 per cent of GDP. The major focus of the package is land, labour, liquidity and laws which will cater needs of cottage

industries, MSMEs, labourers and middle class.

In the long-run to reduce inequalities of income, regional imbalance and share of migrant workers, localization of industries and employment is the need of the hour. Apart from providing credits, there is also a need to work on institutional factors such as law and order, corruption etc. for effective implementation of the policies. In the manufacturing industry, migration or migrant labourers are the engine of growth. In COVID-19 or post COVID world there would be always demanded of manufacturing goods.

Therefore, the government has to work on the mechanism of how these migrant labours are brought back to their respective jobs. On the other side testing of COVID-19 should be increased to contain and community spread. In short-run, measures such as cash incentives should be given to the migrant labourers, and marginal farmers to save them from poverty and starvation. Similarly, wage subsidy should be given an informal sector. Above all, mass corruption in the system is the biggest challenge in the effective implementation of plans.

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