

Impact of Covid-19 on Indian Economy- a Special Reference to Agriculture and Informal Sector

Dr. Iftikhar Hussain

Email: iftikharhussain760@gmail.com

Abstract

The Covid-19 pandemic has resulted in an unprecedented health crisis world-over. This is also an economic crisis of such scale that many wonder whether the world economy will ever revive back to its pre pandemic days. With the prolonged lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a protracted period of slowdown. Due to the pandemic, livelihoods of all the farmers and the people who are involved in this sector are at high risk. Just a short span of the pandemic will leave an ever lasting effect on the agricultural sector. the informal sector is also in risk because of this pandemic . In India more than 400 million workers in the informal economy are at risk of become poorer or may loss their livelihood during the crisis. In this paper impact of Covid-19 pandemic will be discussed in both the sectors and put forward a set of policy recommendations for these sectors.

Key words: Covid-19 Indian economy, Economic crisis, Pandemic, Agriculture, Informal sector

1. Introduction

The Covid-19 pandemic has resulted in an unprecedented health crisis world-over. This is also an economic crisis of such scale that many wonder whether the world economy will ever revive back to its pre pandemic days (Basu, 2020). Due to sudden spread of Covid-19, the Indian economy along with the world economy faces the problem of a serious recession. The Organization for Economic Cooperation and Development (OECD) forecasted that in a best case scenario, its fallout would slash global growth by half a percentage point (Lowrey, 2020). Similarly, bodies such as the International Monetary Fund (IMF), the World Bank and the Secretary General of United Nations also predicted global recession and significant economic crisis in many countries (Khanna, 2020). The figures in the Table -1 show the Covid -19 cases in India up to 6th June, 2021.

Table: 1 Covid -19 cases in India (Up to 6th June 2021)

	Confirmed cases	Active cases	No. of death	Death rate (in percent)
India	2,8809,339	14,77,799	3,46,759	1.20

Source: Compiled by the author

In the month of March 2020 country had only 500 cases and government of India has imposed a nationwide lockdown, ordering its citizens to stay home with nearly all the activities suspended (Basu, 2020). The lockdown, extended several times afterwards, took a heavy toll on India's economy and caused millions of people to lose their livelihoods.

The agricultural crops are left wilting away on the farm and because of this; the fertile nature of the land is no more available. This led to a lot of loss for these farmers who are fully dependent upon their farm produce as their source of livelihood (Marwah, 2020).

Tourism, Hospitality and Aviation are among the worst affected sectors that are facing the maximum shock of the present crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting consumption of both essential and discretionary items. Consumption is also getting impacted due to job losses and decline in income levels of people particularly the daily wage earners due to slowing activity in several sectors including retail, construction, entertainment, etc. This paper looks particularly at the impact of the pandemic and resultant lockdown on agricultural and informal sector of Indian economy.

2. Objectives of the study:

The objectives of the study are framed as follows-

- i. To study the impact of pandemic on agricultural sector.
- ii. To study the impact of pandemic on informal sector.
- iii. To find out policy recommendation for agriculture and informal sector.

3. Source and nature of data and methodology

This research is mostly descriptive in nature. The research paper is based on secondary information. Various articles, journal, publications (including the internet), newspaper reports, reports by NGOs in a particular have been analyzed. Descriptive research method is used in this paper to focus on current issues.

4. Agricultural sector

Agriculture is considered as the backbone of the Indian economy. More than 70 percent of our total population earns their livelihood from agriculture. It is the primary sector which generates employment so that the entire circle of economic circulation goes on. In India, the majority of the population is restricted to this sector. From the very beginning, agriculture is contributing a major portion of our national income. In 1950-51, agriculture and allied activities contributed about 59 percent of the total national income. The share of agriculture has declined to 54 percent in 1960-61, 48 percent in 1970-71, 40 percent in 1980-81 and then to 18.4 percent in 2015-16. In India over two-thirds of the working population are engaged directly on agriculture and also similarly depend for their livelihood (Dhar, 2016). In this pandemic, livelihoods of all the farmers and the people who are involved in this sector are at high risk (Bera, 2020). Just a short span of the pandemic will leave an everlasting effect on the agricultural sector. Due to the Pandemic there might be a food crisis unless measures are taken fast to protect the most vulnerable food supply chains alive.

The agriculture sector in India is one of the vital sectors because large number of workers and the entire country's population is dependent on this sector. In the pre-Covid-19 period, agricultural GDP experienced an average growth rate of 3.2 percent per year in the six-year period 2014-15 to 2019-20 with intermittent fluctuations. The second advanced estimates of National Statistical Office (NSO) show that GDP growth in agriculture has increased from 2.4 percent in FY19 to 3.7 percent in FY20. The terms of trade have moved against agriculture during 2016-17 to 2018-19 due to good crop and horticultural production which caused a decline in food prices. This trend continued in 2019-20. Growth in rural wages was subdued in the pre-Covid-19 period, particularly for agricultural labour in both nominal and real terms. With the outbreak of Covid-19 the situation in rural India is likely to aggravate significantly (Dev & Sengupta, 2020).

Lockdown and associated disruptions affected agricultural activities and the necessary supply chains through several channels: input distribution, harvesting, procurement, transport hurdles, marketing and processing. Restrictions of movement and labour scarcity may impede farming and food processing (FAO, 2020). Closures of restaurants, transport bottlenecks reduced the demand for agricultural products affecting producers and suppliers. The migration of farm labour and lack of access to farm machinery due to transport restrictions and lack of access to markets created more problems for the farmers to earn their livelihood. This is a particularly tough situation for farmers growing perishable commodities such as horticulture crops, many of crops have to dump due to the lack of market and post-harvest cold storage facilities. On the demand side, the situation is equally exposed, with different challenges. There has been significant demand contraction due to changes in consumer behavior, the shutdown of large-scale consumers such as processing and hospitality industries and due to export reduction.

However over the last few months, activity seems to have been recovering to some extent as agriculture markets adapted to the lockdown. While the government is making efforts to address the immediate bottlenecks and allow smoother movement, significant supply chain disruptions have already occurred. Covid-19's impact on the agricultural sector will have far-reaching effects beyond food-security, across industries, and on Indian economy as a whole. Governments, businesses, and non-profits need to respond to the challenges with a foresight to protect farmer livelihoods. The Government's immediate crisis response is focused on ensuring food supply, but significant efforts need to be made to minimize supply chain disruptions and to enable smooth movement and downstream processing to avoid long-term economic consequences that will be hard to reverse.

5. Informal sector

An informal economy (informal sector or grey economy) is the part of any economy that is neither taxed nor monitored by any form of government. The original use of the term 'informal sector' is attributed to the economic development model put forward by W. Arthur Lewis, used to describe employment or livelihood generation primarily within the developing world. It was used to describe a type of employment that was viewed as falling outside of the modern industrial sector (Portes and Sassen-Koob, 1987). The informal sector forms part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households. The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations - where they exist - are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

There is no standard definition for informal economy as different organizations and different studies have used varying definitions. Informal economy is commonly understood as a section of the economy which is not formal. A formal economy is generally referred to as that part of the economy which operates under the regulatory framework, is taxed by the government, and is monitored for inclusion in the gross national product. As per International Labour Organization (ILO), the informal sector consists of units that are unincorporated (i.e. not constituted as separate legal entities of their owners), produce goods or services for sale or barter, and satisfy a number of criteria, for example, they are unregistered, small, have unregistered employees and/or they do not maintain a complete set of accounts. Here, enterprises/ units include not only those that employ hired labour but also self-employed persons such as street vendors, taxi-drivers, home based workers, etc (Khanna, & Srivastava., 2017).

The informal sector includes workers in manufacturing sector, construction work, wholesale and retail trade, transport, household workers, drivers, mason, security guards, and agriculture workers. The informal sector workers are always denied social benefits like pension, insurance against life and sickness, maternity and other benefits. They are most vulnerable section of the society.

India has a very high share of informal employment in total employment. In India, almost 90 per cent of people working in the informal economy and about more than 400 million workers in the informal economy are at risk of become poorer or may lose their livelihood during this crisis. Table 2 shows the share of informal workers in total employment.

Table 2: Informal Employment: Number and Shares

Year	Total Employment (in millions)	Informal Employment (in millions)	Percentage Share of Informal workers in total employment
2004-05	459.4	430.9	93.8
2011-12	474.2	436.6	92.5
2017-18	465.1	421.9	90.7

Source: Mehrotra and Parida(2019)

There are significant inequalities between informal and formal sector workers. The informal/unorganized workers do not have access to any social security benefits and also face uncertainty of work. Most of the self-employed and casual employees are informal workers. Daily wage labourers and other informal workers will be the worst hit during the lockdown period and will continue to be adversely affected even when the lockdown is relaxed. The lockdown has led to large scale losses of jobs and incomes for these workers because of the little or almost no economic activity particularly in urban areas. There are about 40 to 50 million seasonal migrant workers in India. These workers help in the construction of urban buildings, bridge, roads, manufacturing and participate in several service activities (Kumar, *et.al.*, 2020).

It is found that most of these migrants are now out of work as businesses establishments and other activities have suspended. In the absence of money, jobs, and any food, or shelter in large cities, they are intended to reach their villages. These workers feel villages are better and safe for them because they can earn livelihood for their survival and stay with their families. Even after the lockdown is relaxed, it will take few months or may be years for the economy to reach the earlier situation and this will further aggravate the future uncertainty for informal workers in general and migrant workers in particular.

6. Conclusion and policy recommendations:

India is not only affected by the pandemic but it is also affected by numerous other factors. Cyclone Amphan, earthquakes and the locust attacks have also disrupted the agricultural sector (Marwah, 2020). It is the right time to provide the agriculture sector with a package of policy support to make sure that this sector will be able to achieve its full potential-

- i. Government should provide financial help to the farmers through the primary agricultural co-operative societies (short and long term loan), Commercial banks, Rural Banks, Micro finance and Kisan credit cards.
- ii. For a number of years we have been talking about “Make in India” for the World but the conversations have been limited to the Industrial and service sectors. This Covid-19 emergency has given us the opportunity to include agriculture, and look at the world as a market for our agricultural produce. Agriculture productions in countries like Italy, France and Germany which are major agriculture producers have been severely affected. India has been more fortunate in this sense that our rural areas seem to have escaped the worst of it. There is a possibility that, India’s agriculture production will recover faster than that of Europe, and then India can export agricultural products to these countries and can make a growth in foreign exchange.
- iii. For the recovery of agriculture, the government should also give emphasis to the programmes such as Rural Employment Generation Programme (REGP), Pradhan Mantri Gram Sadak Yojana (PMGSY), National Food for Work Programme, Sampurna Grameen Rozgar Yojana(SGRY) etc.

Policy recommendation for informal sector-

- i. It is necessary to recognize and validate informal workers and their livelihoods—accompanied by changes in laws, regulations and policies to protect and promote informal workers and their livelihoods.
- ii. Government needs to ensure a comprehensive social security scheme covering both the unorganized and organized sector of the economy.
- iii. Labour falls under the concurrent list of the constitution of India. Therefore, both parliament and state legislatures can make laws regulating labour. The Second National Commission on Labour (2002) found existing legislation to be complex, with archaic provision and inconsistent definitions. The commission emphasized the need to simplify and consolidate labour laws. There is a need to review all existing laws and regulations with a view to justify its efficiency.

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