

Economic and Social Impact of Covid-19

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Introduction

Covid-19 is an unprecedented pandemic not witnessed in the recent past. For the first time in our lives, the pandemic has affected almost every country in the world and impacted the economic activities of every sector in the world. It came as a big shock as the Black Swan event which could be called as unknown unknown. No one in the world could have anticipated or predicted the onset of the pandemic of this magnitude and severity and the global impact it would have on everyone's lives. It has not only impacted the economic activities of different nations but also has shaken the medical, social, geo-political balance and the entire human psyche. It has created so much uncertainty that no viable solutions to deal with this unprecedented event is in sight. The countries with the best of their medical and disaster management systems could not cope with the enormity of this calamity.

Governments across the world are finding it difficult to manage this crisis. Since there is no proven solution available to manage this crisis, it has created lot of uncertainty in all spheres of life. More than the crisis, the uncertainty on how to solve this crisis and the prediction of when it would subside makes life difficult and creates fear, pessimism, anxiety and distress all around. Short-term and temporary solutions like national and state level lockdowns have brought the economic activity to bare minimum levels and have kept most of the population

indoors except the essential services. Those who are in essential services are extensively exposed to a high risk of getting infected. The most vulnerable Covid-19 warriors are medical and paramedical workers, police personnel, Safai Karamcharis, bankers, providers of essential commodities, delivery personnel etc., who are putting their best efforts to fight the pandemic, and in the process a significant number of them have been infected and have lost their lives. More than 1000 police personnel have been infected and many of them have lost their lives. A large number of paramedics have also been infected and some of them have lost their lives.

Dimension of The Pandemic

The pandemic had its origin sometime in November/December 2019 from Wuhan city of China but in a period of 3-4 months it has spread to 210 countries of the world hardly leaving out any known country. China itself has been able to manage and control its spread but countries like United States, Spain, France, Italy, UK, Russia and other parts of Western Europe now have the highest cases in the world. As of 11th June 2020, there have been over 73.6 lakh cases of Covid-19 with 4.16 lakh deaths worldwide, and over 20 lakh cases found in the USA alone. The number of deaths worldwide have been reported to be 4.16 lakhs out of which over 1.15 lakhs have been reported from USA alone, New York being the epicentre. New York State now has more Covid-19 cases than any single country worldwide.

As many as 45 countries around the world have enforced the country wide lockdowns to try to slow the spread of the disease. Such measures and restrictions have varied from country to country and usually involve closing schools, cancelling public events, closing borders, and encouraging people to work from home.

The death rate as a percentage of identified cases in various countries as on 14th May 2020 is shown in the following graph:

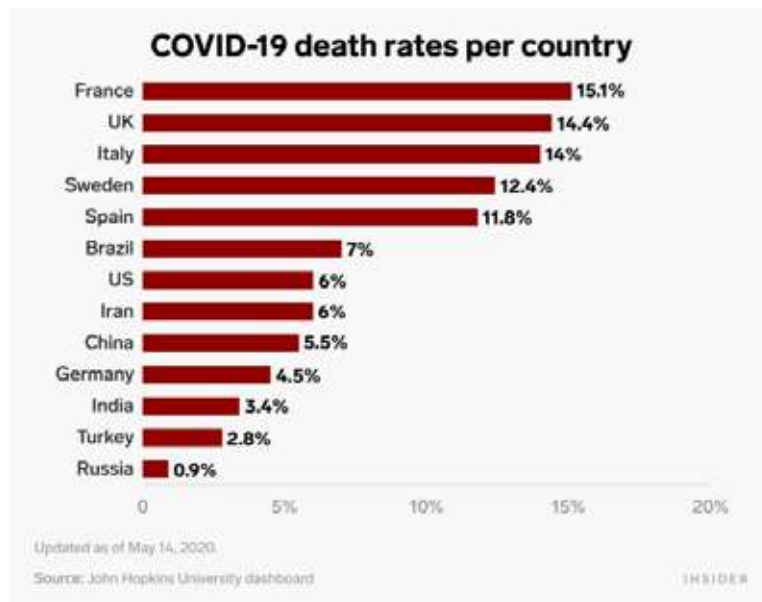


Fig. 1. "Covid-19 death rates per country", graph, Business Insider, February 26, 2020

It may be observed that the death rate in some of the advanced European countries like France, UK, Italy, Sweden and Spain are very high in spite of their advanced medical systems and infrastructure. Many of them ran out of medical equipment and staff to handle the problem of such a large dimension. On the other hand, a country like Russia handled the situation quite well and its death rate has been less than 1% in spite of very large number of cases. The death rate in India has also been lower compared to most of the countries though it varies from state to state.

The graph below depicts another important data related to death per lakh population. It may be observed that most of the countries like France, UK, Italy, Sweden and Spain which had higher percentage of death of detected cases are also having higher proportion of deaths per lakh of population. The number of deaths per lakh of population has been almost negligible for China and India having very large populations. China is the country where the pandemic started and it managed to control quite early whereas the cases in India started quite late and in small numbers giving sufficient time for preparation and potential for learning from the experiences of other countries. India could resort to complete lockdown in 3 phases with gradual opening of businesses activities, which are

readying to open up further in the 4th phase from 18th May 2020. It is believed that the lifestyles and the immunity systems of people in the different countries are the important factors impacting the death rates.

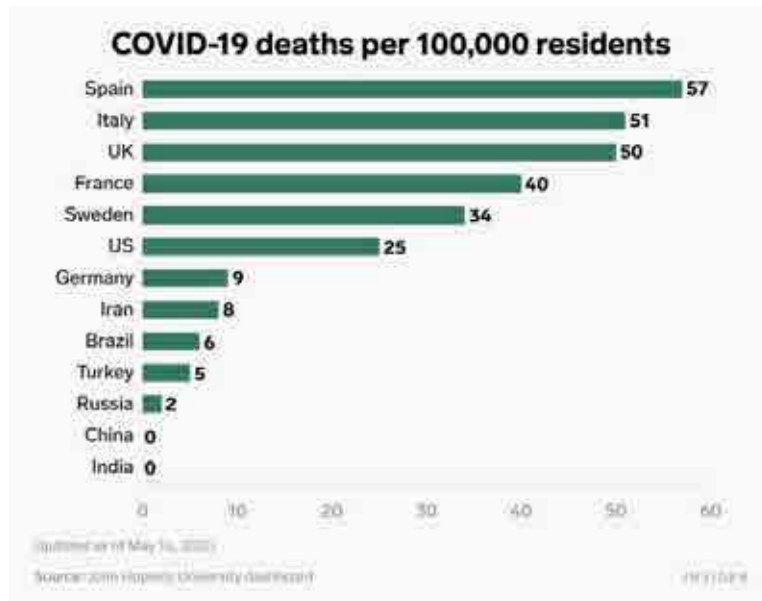


Fig. 2. "Covid-19 death rates per 100,000 residents", graph, Business Insider, February 26, 2020

As on 11th June 2020 the number of detected corona cases in India are 2,97,535 with total deaths of 8,498 (2.86%) and 1,47,195 (49.47%) recovered cases. The death rate in India is significantly lower than the world average, and the recovery rate is higher.

Impact on World Economy

After the onset of the pandemic and what followed in its wake, the IMF revised its forecast for the global economy to negative 3 per cent, a reduction of more than 6 per cent within a few months. This will be the most optimistic scenario. Realising the likely impact on the economies, governments across the world were fast in their response, and they announced big rescue/revival measures and they created large budgets for managing this crisis. There is a large economic stimulus through fiscal and monetary policies, measures, and prescriptions.

The crisis has affected the daily wage workers, those who are working in SMEs and this has affected the lower strata of the society in a big way all over the

world. Many of the daily workers and those who are working in SMEs have lost their jobs and they do not have savings or any alternate income. Those who are in the middle-income and high-income group were not affected like those from the weaker sections. Some of the countries have social security schemes and guarantee some minimum income on account of unemployment but these social security measures are not available in a large number of countries.

In many industries, activities have come to a halt across the world, with a high rate of job loss. The job losses in US have been estimated to the tune of 20 million (2 crore). The Indians working abroad have also suffered heavily and lost their jobs due to low economic activity, particularly the productions in factories. Many of the Indians working in Middle East want to come back to India. The government of India has arranged a few flights to bring them back home.

The crisis has brought down the income of the governments, and of the rich, middle class and the poor everywhere. In this scenario, none of the segments of society have the strength and confidence to keep the economic activity at desirable levels. Considering the poor finances of the government, the alternatives to manage this crisis are limited. Realising this fact, many governments have adopted the concept of Modern Monetary theory, that is printing money in large numbers to stimulate the Economic Growth.

Impact on Domestic Economy

What started as a health crisis has transformed into an economic crisis. At this juncture, the economic development of India was at the lowest in last 10 years and businesses were struggling to survive, the job creations were far lower than expected resulting in an unprecedented unemployment situation in the country. The growth outlook as projected by official agencies as well as the international organisations was quite grim and GDP growth for 2020-21 was predicted between 1.8 to 0 percent by IMF and credit agencies like MOODY. The fear of the onset of recession has put lot of pressure on the government. IMF has subsequently brought down the growth outlook further after their initial projections. As the

number of days of lock down increase, the experts are further downgrading the growth forecasts.

This has given a big shock to the government and the businesses, and they are clueless to handle the economic crises of this magnitude with already depleted financial resources caused by lower revenue collections, lack of demand, and lower industrial output as reflected through official data. The supply side stimuli by way of significantly lowering the corporate tax in 2019-20 and rationalizing the personal income tax to have more liquidity in the hands of consumers and the tax in the 2020-21 budget could not stimulate the consumer demand.

The economic impact of this crisis has adversely affected most of the workers in unorganized sector including the daily wage earners. The number count of working force employed in the unorganized sector is not known to the central as well as the state government agencies. There is no such authentic data available with any of the agencies. The data available with the labour ministry is scanty, outdated and unreliable and faces lot of criticism for its quality and coverage. As per the data, based on surveys conducted, it is estimated that around 85% of workforce is engaged in unorganized sector for their livelihood. Apart from informal sector in India, SME sector also has a large requirement of skilled, semi-skilled and unskilled manpower.

The government finances due to the crisis have been impacted badly because of poor tax collections, both direct and indirect. Measures like impounding the incremental dearness allowance to government employees and the pensioners for 2 years could meet the requirements very marginally on expenditure side. Most of the state governments are facing financial distress and are struggling to pay the salary of their employees and looking towards central government for extra funds due to additional expenditures on account of pandemic and related expenses. They also urge to release their GST portion which is yet to be received. With generation of additional money in the form of loans from the central bank in order to help the people and businesses and to meet their huge expenditure requirements including the tremendous expenses on health care for dealing with Covid-19 patients including the cost of creating infrastructure of huge volume, purchase of medical equipment and testing cost, etc. the requirements of

additional money by the governments will be unimaginable. With some estimate provided by the health ministry, the average cost of handling a hospitalised, infected corona patient works out to Rs.1.24 lakhs including expenditure during the period of quarantine. These circumstances will compel both central as well as the state governments to open up the economic activities gradually by following protocols and precautions under the lockdown 4.0, to reduce the revenue loss to some extent. It is believed that this pandemic is likely to continue for a few more months and so the people and the businesses should learn to survive and coexist with the pandemic.

The latest data on tax collection released by the Central Board of Direct Taxes shows that Maharashtra, Delhi and Karnataka alone contribute 61% to India's total revenue from direct taxes. If we include Tamil Nadu and Gujarat to the list, the share of the top five states rises to 72 percent of total revenue collections of direct taxes. Maharashtra is the leading state in India, contributing the maximum to GDP, taxes, manufacturing and financial services. Most of the leading companies and business groups have their corporate head offices in Maharashtra. The Regulators RBI and SEBI are based in Maharashtra and also major banking and insurance activities are carried out from Mumbai. There are a lot of migrant labour involved in handling essential services and activities like supply of milk, vegetables, transporting goods, etc in Maharashtra. Their migration out of the state due to the has affected Maharashtra's economy in a big way. The state revenue collection is coming down significantly. Similarly, due to lockdown in Delhi and Karnataka, the government finances at national level have been badly impacted, the economic activities of these 3 states contributing a lion's share to the government's exchequer. These three states were compelled to open liquor shops and increase the price of liquor, petrol and diesel to recoup some of the tax revenues. In Maharashtra due to the difficulty in enforcing social distancing the decision to open the liquor shops was withdrawn in a day.

The central as well as state governments have to revise the budget for the financial year 2020-2021 and increase the budget for health management. It has to identify new and innovative ways to mobilise financial resources to manage the economy as well as bring back the economic growth rate. The central governments as well as the state governments are working very closely to manage this crisis. The

working groups from the centre are coordinating with the working groups in the states to work at strategic level to manage the crisis. The focus is on ensuring the protection of the people hand in hand with the revival of business activities in a phased manner under the present conditions of uncertainties. Governments are also working very closely with the private sector and NGOs to ensure the production and supply of the required medical equipment and medicines. The government is planning to buy more than 2.2 crores of personal protective equipment (PPEs) and already more than 110 companies in India have started manufacturing these equipment. India also exported the required drugs to other countries in the world and the pharma companies have scaled up their productions of required medicines. The pharma companies are also in the process of inventing medicines and have increased their R&D budget to expedite the process. They have also initiated activities to find the vaccine for preventing the virus. It will require lot of efforts, high budget and series of clinical trials.

Recent Initiatives by the Central Government and Reserve Bank of India

On 12th May 2020, the Prime Minister announced an economic package of Rs. 20 lakh crores for different depressed sectors and different groups of weaker sections who have suffered a lot due to their job and financial losses. The PM also emphasised to go for local productions and products. The sentiments against China should provide India with a big opportunity. Many of the countries will look at India as an alternate destination for business relations and product needs. The Finance Minister announced financial measures in this regard in her series of announcements. The Finance Minister announced Rs 3 lakh crore Emergency Working Capital Facility for businesses including MSMEs, Rs 20,000 crore Subordinate Debt for Stressed MSMEs, Rs 50,000 crore equity infusion through MSME Funds, New Definition of MSME and other Measures for MSME; she announced also that no global tenders for government tenders of up to Rs 200 crore is now required. She spoke of extending the Employees Provident Fund Support for business and organised workers for another 3 months with salaries for the months of June, July and August 2020, of reducing EPF Contribution for Employers and Employees

for 3 months from 12% to 10% for all establishments covered by EPFO, raising Rs. 30,000 crore Special Liquidity Scheme for NBFC/HFC/MFIs, Rs. 45,000 crore Partial credit guarantee Scheme 2.0 for Liabilities of NBFCs/MFIs, Rs 90,000 crore Liquidity Injection for DISCOMs, providing Relief to contractors by extension of up to six months for completion of contractual obligations, including EPC and concession agreements. Relief has also been extended to Real Estate Projects the registration and completion date for all registered projects having been extended up to six months. Tax relief has been given to businesses as pending income tax refunds to charitable trusts and non-corporate businesses and professions to be issued immediately. Rates of 'Tax Deduction at Source' and 'Tax Collected at Source' have been reduced by 25% for the remaining period of FY 20-21 and due dates for various tax related compliances have been extended.

A number of economic packages and loan schemes have been announced for farmers and small businesses for their welfare and revival. Besides, economic packages have largely been devoted to policy and structural reforms in key sectors including power, coal, defence and aircraft with the aim of enhancing domestic production capacities aiming at self-reliance.

With the intent of mitigating the negative effect of Covid-19, revive growth, and above all preserve financial stability, the Reserve Bank of India announced a slew of measures to ease flow of credit into the economy. In the process, the RBI relaxed the asset classification norms, and allowed more funds for states – the limits of which has been increased under Ways and Means Advances for states to avail short term funds up to 60 per cent of the existing limit.

As the businesses have been hit hard by the pandemic and the lockdown, RBI also announced a moratorium on loan payments for three months. This applies to home loans, car loans, personal loans, and credit card dues. It also applies to all term loans and working capital loans across all types of lenders, banks, microfinance institutions, and non-banking finance companies.

Social Impact and Changes in Lifestyles

The country wide lockdown resulted in factories not operating for more than 2 months across the country, rendering the employees in the informal and SME Sectors unemployed, thus creating social problems. There are instances of employees, including managerial personnel, losing their jobs in corporates because of halting of economic activities and the present economic situation. Though the respective governments appealed to the employers to pay wages to temporarily laid off workers and not to fire them, the appeal was mostly ignored based on their inability to make payments as a result of the overall financial condition and the lack of cash flows. As a result, the lower strata of workers mostly from unorganized sectors and daily wagers have lost their hopes and have started moving to their native places under very inhuman and difficult conditions, ignoring the appeals and warnings of the government agencies. The state governments were not in a position to handle a situation of such magnitude. To ensure their survival, governments have announced monthly free rations, cash transfers etc., but the measures are found insufficient compared to the problems faced. There have been some bureaucratic hustles and procedural issues which could not prevent the migrant workers from moving to their hometowns. If this economic crisis continues, this will lead to societal crisis. Already those who are at home and working from home are finding it difficult to adjust to this new working style and many have undergone mental distress and are trying to overcome it.

One of the challenges posed by this crisis is that of deciding between protecting the Lives and the Livelihoods of people. The lockdown has led to loss of jobs on a grand scale and the ILO has predicted that all over the world more than 1.5 billion working in the informal sector are likely to lose their jobs. Governments are finding it difficult to strike a balance between saving lives and livelihoods. With the pandemic not receding, the governments were forced to partially open the economy to production and manufacturing and the sale of high taxed items like liquor. Loss of production and Substantial reduction in Economic Activity is affecting everyone in the society. The governments will witness a sharp fall in tax revenues and the expenditure shooting past their budgets by a wide margin, totally upsetting and widely exceeding the Fiscal Deficit targets laid for the budget 2020-21. The government has no other option but to resort to large scale

borrowings particularly from the Reserve Bank of India to meet the crises and save the distressed people as well as the businesses, particularly the sectors which were already bleeding before the crisis and have now been impacted further like hospitality, hotels and restaurants, airlines, tourism, etc.

The pandemic has rendered a significant proportion of workforce unemployed due to the lowering of economic activities. In India, due to the complete lockdown for more than 2 months in 4 phases the unemployment scenario which was already bad has been very adversely impacted. As per the CMIE data on unemployment, India's unemployment rate sharply increased from 8.75 in March 2020 to 23.52 in April 2020 which has further increased to 24.6% by 24th May 2020 as estimated by CMIE using 30-day moving average method. As regards the urban unemployment, it has reached to an alarming proportion of 26.1% as on 24th May 2020 which was 9.41% at the end of March 2020 and spiked to 24.92% at the end of April 2020, solely due to the stoppage of most of the economic activities. Similarly, the rural unemployment has sharply increased from 8.44% from March end to 22.89% at the end of April 2020 which has further increased to 23.9% as on 24th May 2020, though the economic activities were not as much impacted in rural areas as in the urban areas. With the sharp increase in the outlay for MGNRERA from the budgeted Rs 60,000 crore to Rs 1,00,000 crore in the recent announcement of economic package to deal with Covid-19, the rural unemployment situation should ease out to some extent. It should also be able to provide some employment avenues to returning migrant workers.

One of the global concerns in the recent past was pollution. After the onset of the crisis and the big fall in demand for energy consumption in many parts of the world, pollution levels were down and, in many places, within the prescribed levels. Transportation and manufacturing are the biggest polluters in the industry. The crisis has taught that it would be possible to live in a pollution-free world. But this may not be sustainable in future.

Once the crisis gets over, the world is likely to witness a new normal in all parts of life. People in general will become health conscious and will have a budget for health. Social distancing may become the norm. The use of digital technologies for business and work will increase. The travel for work will come down. Many of

the industries will be forced to change their business models. Airlines will not be allowed to fill all the seats to maintain social distancing norms. People will avoid tourism. The large congregations for festivals and social celebrations will be the things of the past. The lifestyles will change drastically. Immediately after the crisis, the consumption of discretionary products will witness a fall in demand.

Developing Psychological Immunity to Fight Covid-19

A strong immune system always helps a person in fighting any dreaded disease. It has been clearly established that the people who have good immune system are able to fight the coronavirus more successfully than the people who have weak immune system. Therefore, the death rates widely vary from country to country mainly due to varying lifestyle impacting the immune systems. In some of the countries like Italy, France and some of the other European countries, the death rate is as high as 12 to 14% of the infected cases whereas some of the country's it is just 2 to 3%. In India, it is around 3% which is considered quite low compared to the world average and it is believed that the immunity of people contributed significantly in keeping low mortality rate in India.

The immunity can be broadly divided into two categories: physical and psychological. The physical immunity can also be classified into two: genetic (heredity) and acquired. The genetic immunity is innate in nature and cannot be altered whereas the acquired immunity can be enhanced through physical exercise, meditation, yoga, diet, herbal and other medicines.

The Psychological Immune System (PIS), which is influenced by the positive mental and emotional states and outlook like positive thinking, optimism, resilience, self-confidence and self-belief, help people to fight a disease and come out from a dreaded situation. The subject area of positive psychology is gaining the popularity because it focuses on the well-being of the people rather than focussing on the negative behavioural aspects displayed by the people mostly covered in the traditional psychology. The psychological immune system is widely used in sports psychology to develop and enhance psychological immunity and

making the sportsmen mentally and emotionally tough to deal with failures and helps to bounce back.

Attila Olah (2005) first developed a tool to measure psychological immunity called Psychological Immune System Inventory (PISI). Through its sub-scales, Olah conceptualised and covered the attributes for measurement viz. Positive Thinking, Sense of Control, Sense of Coherence, Sense of Self-growth, Change and Challenge Orientation, Social Monitoring Capacity and Goal Orientation; Creative Self-concept, Problem Solving Capacity, Self-Efficacy, Social Mobilising Capacity, and Social Creating Capacity, Synchronicity, Impulse Control, Emotional Control, and Irritability Control. Thus, Psychological Immune System appears to be based on the assumption that persons with flourishing mindset have a better capability to fight the diseases than those who have languishing mindset. Besides, the above 16 parameters conceptualised by Olah, some parameters like resilience, courage and ego-strength may be added to develop psychological immune system further.

Parents and schools can play a vital role in developing this immune system from childhood. Positive parenting and positive schooling may prove to be very effective in this direction. Teachers and school administrators also need to be skilled in positive schooling. Most of the schools have some sessions on physical training to develop physical immunity. Developing the psychological immunity should also be the part of school curriculum. The attributes which have been discussed above are very much necessary for enhancing psychological immune system to fight the ailments.

Conclusion

To sum up, the dimension of the problem due to the pandemic is very large, difficult to manage and unprecedented. The biggest challenge before the government and planners is to save both lives and livelihood. The future of Covid-19 is totally uncertain and we may be required to live with this pandemic and cannot afford to keep economic activities shut for long. The biggest priority of the government,

businesses and industries is to recreate the lost jobs and to put economic activities on track. It may however be difficult to convince the migrant labours to come back to support the productive activities unless the things become normal. They cannot easily forget the hardship and trauma they faced due to loss of their livelihood.

It will change human life drastically the world over and will witness a new normal in all parts of life. People in general will become health conscious and will follow more discipline to avoid any risks. People have to develop physical as well as psychological immunity to fight with such pandemics.

Each country is facing similar economic and social problems due to the unprecedented impact of this deadly pandemic. Every country needs to cooperate with each other to fight the problem collectively. The immediate need is to invent the vaccine at the earliest and share the productive capabilities to produce the vaccine in a large scale to eradicate this deadly virus.

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The webinar conducted by Dr N.K. Saxena, an eminent Psychologist on Psychological Immunity on 10th May 2020 has inspired the authors to include it as a measure to fight the pandemic.