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10. A Study on Financial Pandemic Situation Face by Workers due to Covid-19

Vadhar Pankti Kamlesh (M.Com.)

Abstract:

The outbreak of COVID-19 brought social and economic life to a standstill. In this study the focus is on assessing the impact on affected sectors, such as aviation, tourism, retail, capital markets, MSMEs, and oil. International and internal mobility is restricted, and the revenues generated by travel and tourism, which contributes 9.2% of the GDP, will take a major toll on the GDP growth rate. Aviation revenues will come down by USD 1.56 billion. Oil has plummeted to 18-year low of $ 22 per barrel in March, and Foreign Portfolio Investors (FPIs) have withdrawn huge amounts from India, about USD 571.4 million.

While lower oil prices will shrink the current account deficit, reverse capital flows will expand it. Rupee is continuously depreciating. MSMEs will undergo a severe cash crunch. The crisis witnessed a horrifying mass exodus of such floating population of migrants on foot, amidst countrywide lockdown. Their worries primarily were loss of job, daily ration, and absence of a social security net. India must rethink on her development paradigm and make it more inclusive. COVID 19 has also provided some unique opportunities to India. There is an opportunity to participate in global supply chains, multinationals are losing trust in China. To 'Make in India', some reforms are needed, labour reforms being one of them.

10.1 Introduction:

The outbreak of COVID-19 has impacted nations in an enormous way, especially the nationwide lockdowns which have brought social and economic life to a standstill. A world which forever buzzed with activities has fallen silent and all the resources have been diverted to meeting the never-experienced-before crisis. There is a multi-sectoral impact of the virus as the economic activities of nations have slowed down. What is astonishing and worth noting is an alarm bell which was rung in 2019 by the World Health Organization (WHO) about the world's inability to fight a global pandemic. A 2019 joint report from the WHO and the World Bank estimated the impact of such a pandemic at 2.2 per cent to 4.8 per cent of global GDP. That prediction seems to have come true, as we see the world getting engulfed by this crisis.

10.2 Research Methodology:

Research studies done earlier to assess the economic impact of epidemics have been based on simulation models. A study done by Martin Karlsson (2014) to assess the impact of 1918 Spanish flu epidemic on Swedish economy is based on the neoclassical growth model; an extension of the standard difference-in-differences (DID) estimator was employed to exploit the differing flu mortality rates across Swedish regions.

The policy brief issued by the Asian Development Bank to assess the economic impact of Avian Flu pandemic on Asian economies has been done through macroeconomic simulations based on Oxford Economic Forecasting (OEF) global model, which incorporates both the demand and supply sides and adjusts to a new equilibrium after a shock (Bloom et al., 2005).

10.2.1 Research Overview:

Initiated due to COVID-19, this paper investigates the use of online group interviewing in a study that involved young people as vulnerable participants (Batat, 2016), surrounded by a support group (parent/parents), while investigating a sensitive topic (alcohol consumption and family communication). The research explores the experiences of 35 participants (nine family groups composed of parents and young people aged 12–22 years – please see Appendix for a description of participants), who participated in online group interviews during COVID-19. At the end of the online group interviews participants were asked to share their thoughts and experience of participating in a group interview online. Further, with the need for greater reflexivity in consumer and service research (Jafari *et al.*, 2013; Thompson, 2002), researchers' reflections and experiences were also documented and utilized.

Primary Data:

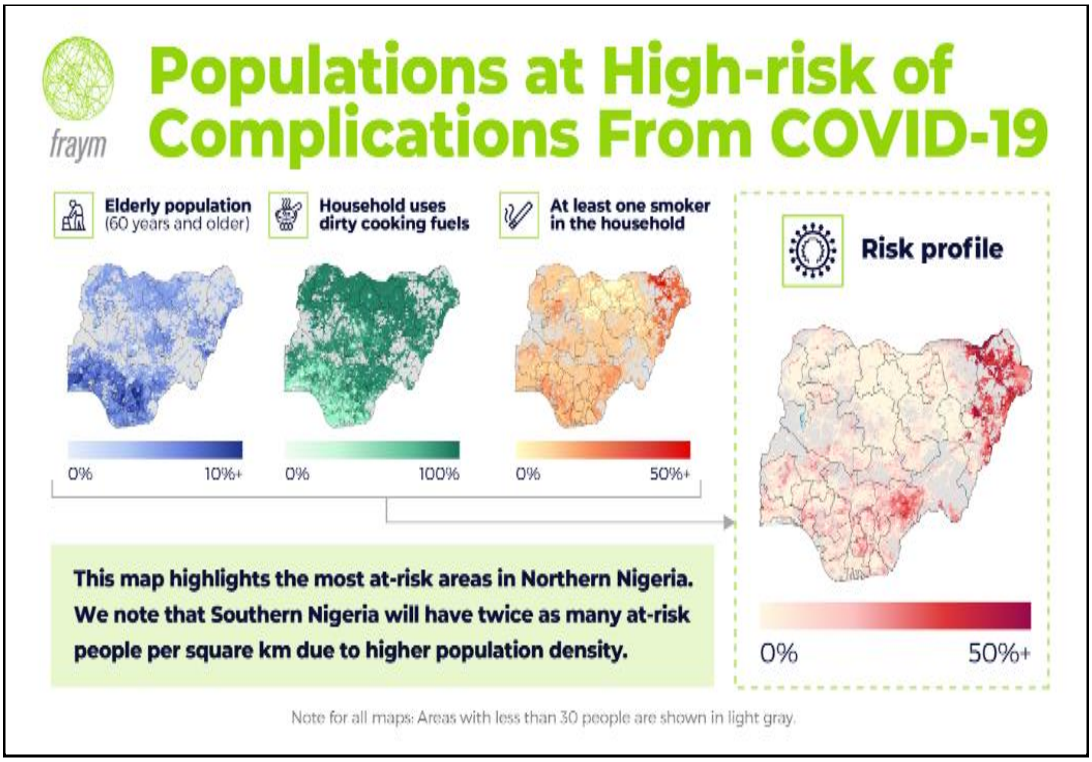
- Questionaries'
- Interviews

There are growing privacy concerns about the ways governments use data to respond to the COVID-19 crisis. As new technologies emerge that aim to collect, disseminate and use data in order to support the fight against COVID-19, we need to ensure they respect ethical best practices. Even in times of crisis, we need to comply with data privacy regulations and ensure that the data is used ethically.

Identifying the most vulnerable communities can be important for health officials to guide response efforts like health infrastructure improvements, emergency funding allocation, and preventative measures. This is especially relevant in the emerging countries where living conditions can compromise one's ability to follow advice on how to behave.

Washing your hands for 20 seconds or more with clean soap is hard to do when your main source of water is a polluted river. Self-quarantine and self-isolation is unrealistic when you share a single room with other family members. And staying at home is impossible if you live hand to mouth and have to go out twice a day to work and then stock up for the next meal.

Authorities can map areas where the ability to respond appropriately is compromised, with a high level of detail, using a combination of available primary data collection, data from national bureaus of statistics and satellite images. The Location Analytics (LOCAN) team at Dalberg Research based in Kenya is analyzing risk profiles in multiple African countries. The results are then fed back into epidemiological models as input for informed decision making on the crisis response. A similar risk model, which drew on three key risk variables – people aged over 60, regular smokers, and those who use dirty cooking fuel in their houses – was developed and applied to Nigeria where health officials continue to announce new cases despite a strong early federal response.



Secondary Data:

- Books
- Internet

10.3 Literature Review:

The empirical estimates of the economic effects of the severe acute respiratory syndrome (SARS) epidemic are based on a global model called the G-Cubed (Asia-Pacific) model which was proposed by Lee and McKibbin (2004). Economic effects of epidemics are measured through economic costs deriving from disease-associated medical costs or forgone incomes as a result of the disease-related morbidity and mortality. In a global economy, the economic consequences of an epidemic in one country are transferred to other countries because of the integrated supply chains and capital markets. COVID-19 pandemic is caused by novel coronavirus infection, and scientific research is going on to study the impact of this infection on the human body and to find a possible cure for the infection. There are many variables in the epidemiological calculations done for this disease which are based on assumptions such as the cause of infection, the infection rate and the ratio of asymptomatic cases to symptomatic cases. In the future, scientific research will unravel the mysteries of this disease and the disease spread. Economic projections or simulations are closely linked to epidemiological forecasting of the disease pattern. We decided not to use simulation models because of the uncertainties related to the disease. In this study, the focus is on assessing the damages caused by COVID-19 in the affected sectors, such as aviation, tourism and the retail, the overall productivity loss and the socio-economic impact of labour hours lost with an analysis of developmental policy and programme implications.

10.3.1 Sectoral Implications of COVID-19 Pandemic in India:

a. Impact on Tourism, Aviation and Retail:

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 are based on present circumstances and are likely to increase or decrease in future. Millions of people associated with industry are likely to lose their jobs. In India, the travel and tourism industry is flourishing and is 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 provide employment to nearly 53 million people. Foreign Tourist Arrivals (FTAs) crossed 10 million in 2017. However, the coronavirus pandemic has restricted international mobility and the revenues generated by this sector will take a major toll on the GDP growth rate. It may bring a downfall of 0.45 per cent in the growth rate of GDP.

b. Impact on GDP Growth Rate:

While the COVID-19 pandemic is constantly growing and showing little signs of containment as of 15 April 2020, its adverse impact on economic growth of the country will probably be very serious. The UN warned that the coronavirus pandemic is expected to have a significant adverse impact on global economy, and most significantly, 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 inundate activities across borders in the areas of tourism, trade and financial linkages (United Nations, 2020).

c. Impact of COVID-19 Pandemic 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 are at a risk of falling deeper into poverty due to catastrophic consequences of the virus.

As half of the world is in lockdown, it is going to be a loss of 195 million full-time jobs or 6.7 per cent of working hours globally. Many are in low-paid, low-skilled jobs where sudden loss of income is catastrophic (International Labour Organization, 2020).

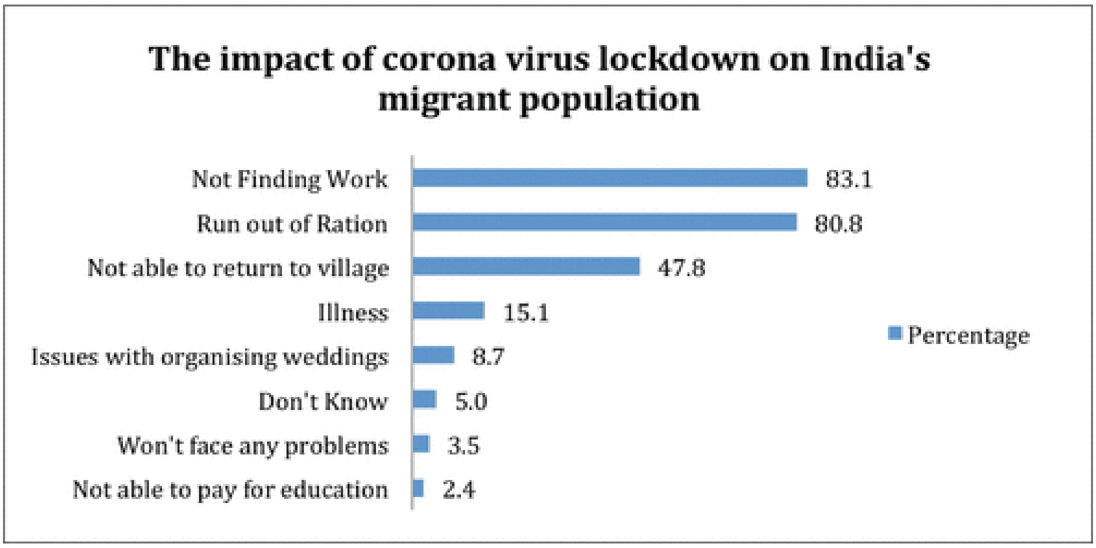


Figure 10.1: Impact of COVID-19 on Migrant Population

Source: Jan Saahas Survey (2020).

The survey further explains that about 99.2 per cent of these workers have Aadhar card, 86.7 per cent have a bank account or Jan Dhan documents, 61.7 per cent have ration cards and 23.7 per cent have Below Poverty Line (BPL) cards. Although government has announced a relief package of ₹1,700 billion, many of them might find it difficult to avail the benefits.

These workers expected the government to provide for monthly ration and monthly financial support (Jan Saahas Survey, 2020). The crisis witnessed a horrifying mass exodus of such floating population of migrants on foot amidst the countrywide lockdown.

Their worries primarily emanating from loss of job and absence of a social safety net. Despite assurance from the government, they continued to walk back to their homes. It is a saga of inequality, poverty and social exclusion of vulnerable populations struggling to overcome this sudden crisis.

The Supreme Court sought a status report from the Centre on the measures taken to prevent the mass exodus of migratory labourers to their villages.

A sudden displacement of workers due to coronavirus will have far-reaching effects on the Indian economy. Some of these workers may not return to work in the industrial towns of Gurugram, Surat and Mumbai. They may seek employment in their marginal farms or in the nearby areas.

The consequences of behaviour changes forced by lockdown will put pressure on MSMEs and farm sector, as labour will not be available soon after lockdown. If not properly addressed through policy, the social crisis created by the COVID-19 pandemic may also increase inequality, exclusion, discrimination and global unemployment in the medium and long term.

d. Implications on Capital Markets, Global Oil Market and its Impact on India:

Coronavirus fears have sent shock waves across global financial markets. Indian capital markets are envisaging a funds flow to Western capital markets, owing to rate cuts and fall in the stock markets the world over.

As per the NSDL data, Foreign Portfolio Investors (FPIs) have withdrawn huge amounts from India—₹247.76 billion from equity markets and ₹140.50 billion from debt markets in a short span of 13 days, that is, from 1 to 13 of March 2020. There will be a lot of volatility in the capital markets in the next 6 months, owing to rapid flow of capital from one market to another in the world.

A historic drop in demand for oil has dropped the crude oil prices to an 18 year low of US$22 per barrel, in March from US$65 per barrel in January. Some estimates have pegged a saving of US$7–8 billion for India for every US$5 a barrel fall in crude oil prices. A fall in crude oil prices may cut India's current account deficit, which was 1.55 of GDP in 2019–2020 (Economic Survey, 2020).

But the capital outflows from India may exceed the potential saving in the current account deficit. INR to USD average exchange rate has 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, rupee (INR) may depreciate further in the coming days.

e. Policy and Programme Implications:

f. Fiscal and Monetary Measures:

Coronavirus pandemic demands coordinated fiscal and monetary policy measures to deal with it. The fiscal measures include paying the healthcare bill raised by the pandemic. Providing for masks, gloves, testing kits, personal protection equipment, ventilators, ICU beds, quarantine wards, medicines and other equipment would mean a huge increase in healthcare spending. Public spending on healthcare in India is 1.1 per cent of GDP. It is likely to increase in the current fiscal year. The government has declared a relief package of ₹1,700 billion, it will be used to make cash transfers to the poor and vulnerable sections of the society. The sectors that are affected the most, that is, MSMEs and the farms, will be supported by another relief package which will be announced soon. Tourism and those sectors which are integrated with global supply chains will require support. Tax revenues will also drop due to recession. Fiscal receipts could drop by at least 2 per cent of GDP. All these fiscal measures will increase fiscal deficit by 1–1.5 per cent, which is currently at 3.2 per cent, as predicted by economists.

g. Impact on Start-Ups and Micro, Small and Medium Enterprises:

Micro, Small and Medium enterprises, which have 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), are at the risk of having a severe cash crunch if the lockdown is 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, movement of perishable goods is hampered and thus, these businesses stare at huge losses. India cannot have a 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 fund raising. 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. 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.

h. Economic Inequity and a Rethink on Developmental Paradigm for India:

The Oxford Committee for Famine Relief (OXFAM) report on ‘Income Inequalities in India’, 2019, brought forth some eye-opening findings on asymmetrical developmental paradigm in India. The report mentioned that in 2017–2018, the richest 1 per cent of the population owned 73 per cent of the wealth generated in the country.

The wealth of this group increased by ₹20913 billion, which is equivalent to the total budget of the central government in the same year. Richest 1 per cent in the country hold more than four times the wealth held by 953 million (bottom 70% of the country’s population). Six hundred and seventy million Indians who comprise the poorer half of the population saw 1 per cent increase in their wealth in 2017–2018. It is clear that the benefits of development have been claimed by a few people in the society.

Stark income inequities in the country explain why a large part of the population which belongs to subsistence sector does not demand anything more than subsistence needs of food and shelter. An economic shock resulting from natural calamity or a pandemic pushes many others back to the subsistence sector. The COVID-19 pandemic has brought forth lopsided development in the country to the forefront. Loss of daily wages has forced a large segment of the society to struggle with hunger, unless a relief measure is provided to them.

10.4 Discussion:

A micro virus has eroded wealth and corroded investor confidence, slowed-down private consumption and investment, disrupted workplaces and distorted markets. Economic Survey 2019–2020 had laid out a plan to promote exports of network products, to integrate ‘assemble in India for the world’ into Make in India and to create 40 million jobs by realizing the aspiration of a 5 trillion economy by 2025 (Economic Survey, 2020, p. 100). The COVID-19 pandemic has forced us to rethink on these strategies. Integration with global supply chains also makes the nation susceptible to global supply shocks. The survey had mentioned, ‘As no other country can match China in the abundance of its labour, we must grab the space getting vacated in labor-intensive sectors’. The COVID-19 pandemic posed a huge threat to the mainstay of global production because the mobility of Chinese migrant workers was restricted and the production activity had come to a halt. Half of the humanity at present is under lockdown, and if lockdown persists, in the rest of the world, lost sales in Chinese firms will result in layoffs, cuts in investment spending and a deep recession. A rise in demand for commodities, if the virus does not get contained, will increase prices, even when there is a global supply shock and unemployment rates are high, and that is when stagflation sets in.

The Indian economy will be largely protected from these global upheavals because Indian producer, except in a few sectors, is not a participant in global supply chains.

Global firms, in an attempt to bring down costs, have left themselves dangerously exposed to supply chain risks. The global industry relies on ‘Just in Time’, refurbishment of products and thus, they maintain very low inventories. China is a manufacturing powerhouse with a 16 per cent share in global exports and 7 per cent of global mining imports (*The Economist*, 2020). Regions worst affected by COVID-19, for example, Wuhan and Shanghai, are the places where multinational companies in mobile, car and optical fiber manufacturing depend on for assembly line operations. Indian firms should assess their supply chain risks before they start sourcing from the world or integrate their supply chains with global supply chains.

Economists, through simulation models, have predicted various scenarios of the socio-economic impact of virus outbreak and efforts towards containment. The first scenario is the containment of virus spread by May end, and economy reviving very fast in the third quarter. The second scenario is of a community spread of virus, the containment taking longer and the economic revival not being possible until September. In the second scenario, there would be a shortage of essential commodities, resulting in demand shocks and inflation. A longer lockdown period for production houses will impact supply and will wipe out the revenues for the year. The costs pertaining to healthcare sector will also increase and relief measures will have to be intensified. The third scenario is that of a second or the third outbreak of the virus happening during the year and all the containment efforts going haywire. The third scenario will not be controlled unless herd immunity develops or a vaccine is invented. Otherwise, a deep recession in the economy will set in, unemployment rates will be very high, there will be massive loss of life and millions of people will be pushed back to poverty.

10.5 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 a great damage to the economy, especially during periods of lockdown, the nation will have to work its way through it, by introduction of fiscal measures. As the national government envisions, protection of both lives and livelihood is required. The economic activity must begin gradually after screening of the labour force. Strict preventive measures should be implemented by the industry in order 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.

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