

MEASURING THE IMPACT OF COVID 19 ON SPECIFIC SECTORS OF INDIAN ECONOMY: CHALLENGES, OPPORTUNITIES, AND STRATEGIES

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Abstract

The impact of coronavirus (COVID19) pandemic on India has been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors of the Indian Economy have been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. An attempt is made to analyze the impact and possible solutions for some key sectors like food & agricultural, pharmaceuticals, telecom, Aviation and tourism, healthcare, insurance, transportation, education etc. It is evident that the current downturn is fundamentally different from recessions. The sudden shrinkage in demand & increased unemployment is going to alter the business landscape. So it is inevitable to cope up with this situation for survival, growth and continuous enhancement of economy. Adoption of new principles, policies and business strategies in trading will really be helpful to overcome the situation.

Keywords: Corona, Pandemic, Downturn, Crisis, Challenges, Opportunities, Strategies.

INTRODUCTION

The three-sector model in economics divides economies into three sectors of activity: extraction of raw materials (primary), manufacturing (secondary), and service industries which exist to facilitate the transport, distribution and sale of goods produced in the secondary sector (tertiary). The **services sector** accounts for 53.66% of total India's GVA (Gross Value Added) of Rs. 137.51 lakh crore. The industrial sector is at the second spot and contributing around 31% of the Indian GDP. The agriculture sector is at the third spot and contributing around 16% of the Indian GDP. Primary sector includes those activities which lead to the production of goods by utilisation of natural resources Secondary sector includes those activities, which result in transformation of natural products into other forms by manufacturing Tertiary sector includes those activities that help in the development. COVID-19 created significant economic and social disruptions in India. Rural households, including smallholders, were affected by loss in migrant income, livelihood and farm and non-farm income. The biggest disruption of livelihood in both the developed and developing world affected the livelihoods of 1.3 billion population.

The national statistical office released the estimates of Gross Domestic Product (GDP) for the first quarter (April-June 2020), suggesting a negative economic growth of 23%. In comparison, the construction sector shows a negative growth of 50%, followed by the service sector (47%) and the manufacturing sector (39%). In contrast, agriculture and allied show positive growth of 3%.

During this lockdown, the Indian government enacted several emergency legislations to provide direct and indirect relief to workers and households. India's COVID-19 social assistance package, namely, PM-GKY, announced in March 2020, was designed to provide immediate relief to the vulnerable population. The PM-GKY provided cash direct benefit transfers (DBT) and in-kind supports (IKS) through existing schemes.

COVID-19 pandemic has disrupted the Indian agricultural system extensively. Nevertheless, the recent quarterly GDP estimates post-COVID scenario showcase robustness and resilience in Indian agriculture, the only sector to register a positive growth of 3.4% during the financial year (FY here after) 2020-21 (Quarter 1: April 2020 to June 2020). At the same time, the immediate past quarter growth was estimated at 5.9%

witnessing a decline by 2.5% point. In this context, we aim to synthesize the early evidence of the COVID-19 impact on the Indian agricultural system *viz.*, production, marketing and consumption followed by a set of potential strategies to recover and prosper post-pandemic. Survey findings indicate that the pandemic has affected production and marketing through labour and logistical constraints, while the negative income shock restricted access to markets and increased prices of food commodities affecting the consumption pattern. The pandemic wreaked a substantial physical, social, economic and emotional havoc on all the stakeholders of Indian agricultural system. Seizing the crisis as an opportunity, the state announced a raft of measures and long-pending reforms. We propose a 10-point strategy ranging from social safety nets, family farming, monetizing buffer stock, staggered procurement to secondary agriculture to revive and prosper post-pandemic.

LITERATURE REVIEWS

Impact of COVID-19 on the Indian agricultural system: A 10-point strategy for post-pandemic recovery (AG Adeeth Cariappa, Kamlesh Kumar Acharya, Chaitanya Ashok Adhav). A pandemic shock can have a greater significance on economies due to lost human lives compared to a weather shock such as drought or flood or a trade embargo. Undoubtedly, all these shocks affect agricultural systems; however, pandemic shocks affect all the sectors of an economy. The pandemic disrupts demand and supply of food impacting the global supply chain; while droughts tend to be localized affecting only the associated sector or stakeholders (Mishra et al., 2021). The agriculture sector registered positive growth post-pandemic (3.4% FY 2020–21 Quarter 1: April to June) but less than its immediate past quarter growth (5.9% FY 2019–20 Quarter 4: January to March) witnessing a decline by 2.5% point due to the impact of COVID-19. Quarter 1 (FY 2020–21) positive growth in agriculture. COVID-19 induced lockdown in India disrupted food markets which forced consumers to alter their consumption patterns. Consumers prioritized what they wanted and what they really needed. Various surveys report that individuals lost their jobs or their income decreased during lockdown (Arun, 2020; Cariappa et al., 2020a; Imbert, 2020; Ray, 2020). The lockdown coupled with sudden negative income shock posed serious concerns about food and nutrition security in India.

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WHY AGRICULTURE SECTOR MATTERS?

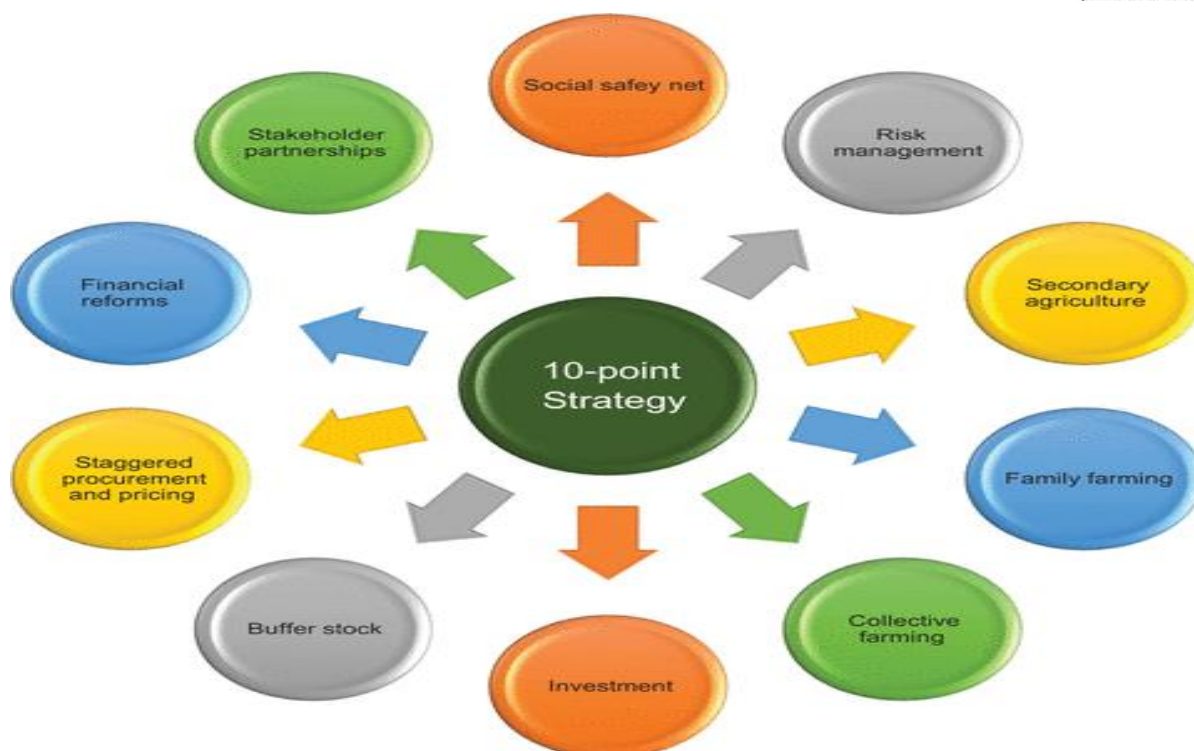
The agricultural & allied sector carries immense importance for the Indian economy. It contributes nearly one-sixth to the Indian national income and provides employment to nearly 50% of the workforce. It is fundamental for ensuring food security of the nation and also influences the growth of secondary and tertiary sector of the economy through its forward and backward linkages. The performance of agricultural sector greatly influences achievements on many other fronts. For instance, World Development Report 2008 released by World Bank emphasizes that growth in agriculture is, on average, at least twice as effective in reducing poverty as growth outside agriculture. Agricultural growth reduces poverty directly, by raising farm incomes, and indirectly, through generating employment and reducing food prices. In other words, a thriving agricultural sector is a boon for most sectors of the Indian economy. India's Position in World Agriculture

As regards, India's position in world's agriculture is concerned, it is the largest producer of pulses, okra, mango, banana and lemon and the second largest producer of 6 wheat, rice groundnut, potato, tomato, onion, cabbage, cauliflower, brinjal etc (Table 2.1). India produces more than one fifth of global production of paddy and pulses. Similarly, it contributes to more than twenty per cent of global production of many of the horticulture crops such as okra, cauliflower, brinjal, banana, mango and papaya.

First Source: FAOSTAT

10-POINT STRATEGY TO STRENGTHEN THE AGRICULTURAL SECTOR POST COVID-19.

The above discussion on the impact of COVID-19 on the Indian agricultural system enabled us to arrive at a following 10-point strategy for strengthening the sector against the crisis and sustainability issues (Workie et al., 2020) posed by the pandemic.



Impact on Availability of Agri Inputs - Due to restrictions imposed on movement of men/material and closure of shops, availability of agri inputs viz. seeds (-9.2%), fertilizers (-11.2%), pesticides (-9.8%), fodder (-10.8%), etc. declined in the range of 9 to 11 per cent.

Impact on Prices of Agri Inputs - Due to disruption in supply chain owing to restrictions on movement of vehicles and closure of shops and markets, prices of agri inputs viz. seeds (8.8%), fertilisers (10.0%), pesticides (9.0%), fodder (11.6%), increased in the range of 9 to 12 per cent. At all-India level, 54% of sample districts witnessed an increase in prices of agri inputs, possibly due to its non-availability.

Impact on Agriculture Marketing -Even though local procurement centres were opened by various State Governments under their jurisdiction, yet restrictions on movement of vehicles had adversely impacted in smooth operation of agriculture marketing through mandis. The impact on operation of rural haats was more severe,. This was mainly due to a complete ban on opening of rural haats by the local authorities in majority of the districts in the country.

Impact on Banking Services - As far as banking services are concerned, access to credit through term lending and KCC was adversely impacted in about 89 per cent and 59 per cent of districts, respectively.

Impact on Microfinance Activities and FPO/FC- At an all-India level, microfinance activities were adversely impacted and the business activities of NBFC was adversely affected. Similarly, adverse impact was reported in activities of FPOs and Farmers Clubs promoted by NABARD.

POLICY IMPLICATIONS/SUGGESTED ACTION POINTS

- Due to decline in agriculture and allied sector production, income support may be provided to farmers in general. In this connection, enhancing the income support through PM-KISAN could be a good option.
- recovery is also poor so, interest waiver for agri term loan for at least one year may be provided by Banks.
- Microfinance activities to be reactivated through injection of more liquidity to NBFCMFIs
- Banks to be nudged to enhance credit linkage and next dose of credit to eligible SHGs
- MSME sector to be supported through credit support (working capital) at concessional rate and interest subvention schemes and waiver of interest for at least two quarters for existing loans
- Opportunities for mask making, sanitizers, direct delivery of food grains, vegetables, fruits may be encashed by SHGs and FPOs.
- A provision may be considered for NABARD grant assistance to FPOs for purchase of small road transport vehicle to take advantage of new emerging opportunities for direct selling of agri and horticulture produce to consumers.
- Launching awareness camps and disseminating information on coping/dealing with COVID-19 or similar such emergencies by SHGs, FPOs and FCs in rural areas.

- Due to disruption in marketing of agri produce through mandis and rural haats, and reduced farm gate prices, the income stream of farmers have dwindled leading to 4 poor recovery. Therefore, interest waiver for agri term loan for at least one year may be considered.
- Microfinance activities need to be reactivated through injection of liquidity to NBFCMFI sector so that petty business activities on pavement and road side could be resurrected in semi-urban and rural areas.
- Banks should be nudged to enhance credit linkage and /or next dose of credit to eligible SHGs
- Expanding digital infrastructure for online trading of agricultural goods
- Effective Universalization of MNREGS for covering more labourers, including the migrant workers who have returned from bigger cities.

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