

IMPACT OF LOCKDOWNS ON RURAL ECONOMY: AN EMPIRICAL RESEARCH

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ABSTRACT

Even though India has achieved a new high in Covid-19 with over one lakh positive cases, there is no clear picture of the disease's prevalence in rural regions. Regardless of such incidents, rural communities have borne the brunt of the lockdown enforced since March 25. With hordes of migrants returning to rural regions, there might be a double whammy of Covid-19 spread and worsening socioeconomic conditions. The current study sheds light on the situation of migrant labourers and the impact of COVID-19 on India's rural economy. The reverse migration will put undue strain on agriculture and the rural economy, causing a considerable number of people to slip into abject poverty. COVID-19 will have an immediate and long-term impact on India's rural economy. The government's economic plan is mostly long-term, but short-term measures such as financial incentives and wage subsidies should be implemented to help migrant workers and small farms. Above all, widespread corruption in the system is the most significant impediment to effective plan execution.

Key words: COVID – 19, lockdown, migrant, labourers, economy

INTRODUCTION

India is mostly an agrarian economy, and rural regions contribute significantly to national GDP. Despite rising urbanisation, more than half of India's population is expected to live in rural areas by 2050 [1]. Thus, the expansion and development of the rural economy and people is critical to the country's overall growth and inclusive development. Agriculture has traditionally been the major source of rural economy and employment in rural India. India also boasts the largest unorganised sector, which contributes significantly to the country's GDP. Laborers come to metropolitan regions in search of work during the off season of agricultural activity. However, trends are gradually shifting, and individuals in rural regions are now engaged in other economic activities.

Even though India has achieved a new level in Covid-19 with over one lakh positive cases, there is no clear picture of the disease's prevalence in rural regions. Regardless of such incidents, rural communities have borne the brunt of the lockdown enforced since March 25. With hordes of migrants returning to rural regions, there might be a double whammy of Covid-19 spread and worsening socioeconomic conditions. The large-scale reverse migration that has occurred as a result of the lockdown is an extraordinary tragedy that must be fully comprehended. The World Health Organization originally called COVID-19 a public health emergency, then

a pandemic (WHO). The new virus is currently spreading in over 190 nations. In most nations, there is a national emergency and a lockdown. COVID-19 virus has afflicted over 4 million individuals worldwide to date, with over 300,000 people dying as a result. The national and state governments in India attempted to care for the economy and the poorest among the poor through specific economic package such as the Pradhan Mantri Garib Kalyan Yojna (PMGKY) scheme, but successful execution of this policy remains a major difficulty. Migrant workers have been the engine of prosperity for ages, labouring day and night to ensure the economic success of any location throughout the world. They, on the other hand, are the most vulnerable and have no recourse to social security. The forced reverse migration from urban to rural regions would have a profound influence on rural India's population, society, and economy. Historically, the majority of migrant workers were marginal farmers who left agriculture to seek greater economic possibilities in cities. People are at risk of falling into abject poverty as a result of forced reverse migration during an agricultural crisis.

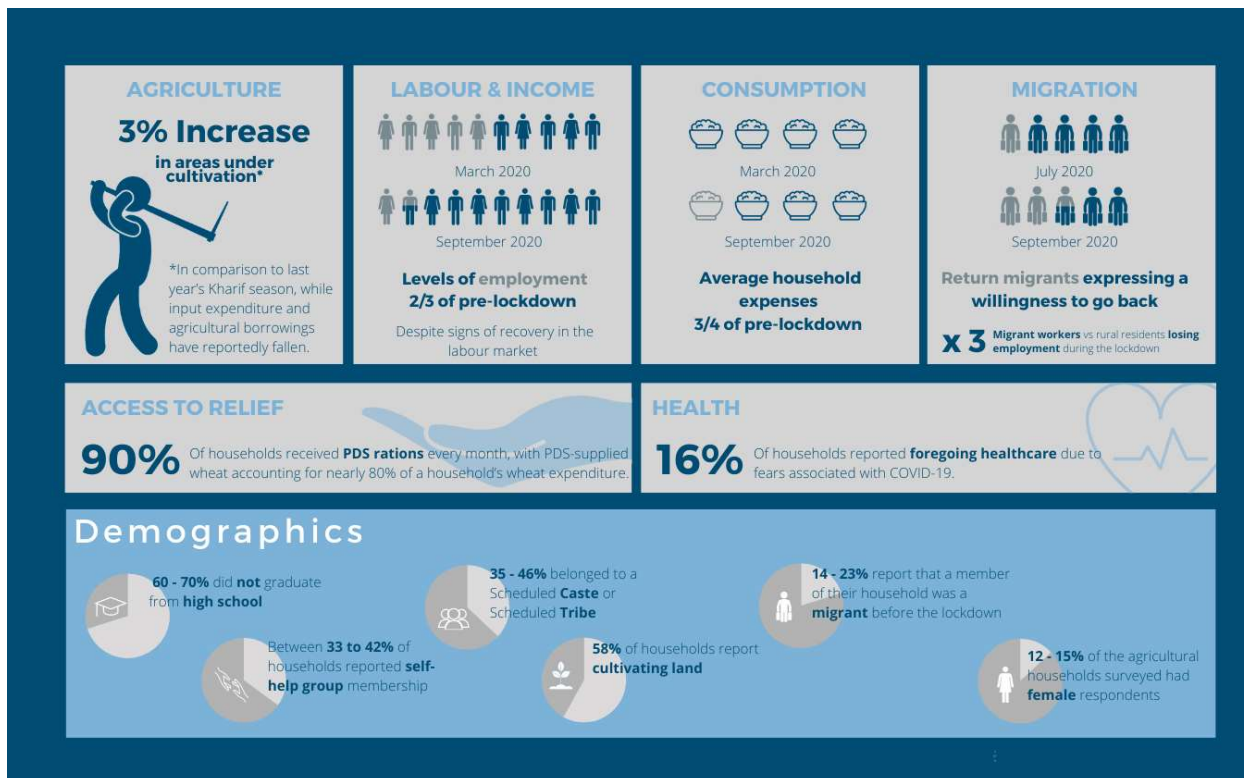
Impact of Covid 19 on rural economy

The COVID-19 pandemic caused havoc in countries all over the world, prompting them to go into lockdown. The countrywide lockdown went into effect on March 25, 2020. All establishments, save those supplying essential goods and services and those involved in agricultural operations, have been shuttered throughout the lockdown. Food, medicine, and electricity are examples of essential goods. Banking, telecommunications, and medicines are examples of essential services. Transportation of all commodities (necessary or non-essential) remained operational, but the numerous migrant workers who began an exodus to their hometowns on the day the lockdown was announced fueled an unprecedented reverse movement from India's densely crowded cities. Agriculture and allied sectors employ more than half of the country's workers. The vast majority of farmers in India (85%) are small and marginal farmers who own less than two hectares of land. More than nine million active fishers rely on fisheries for a living, with 80% of them being small-scale fishermen; the sector as a whole employs over 14 million people.

The rabi crop was ready for harvest in many areas when the COVID-19 crisis halted everything; this is also the season for plantation crops like pepper, coffee, and banana to be harvested. Harvesting of rabi crops has been delayed as a result of a lack of labour, machinery (harvesters, threshers, tractors), transportation facilities, and movement restrictions; growers of perishable commodities, such as fruits, vegetables, and flowers, in particular, have suffered losses. This is the peak flowering season, thus demand is strong. Many small farmers in Tamil Nadu who produce flowers as a revenue crop in their agricultural system have suffered losses during what would otherwise have been the peak season for flower sales. Harvesting of plantation crops in Kerala and Tamil Nadu has also been delayed, impacting farmers' and farm labourers' income flow. Agriculture workers are unable to get to work owing to a lack of transportation. The Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) has come to an end.

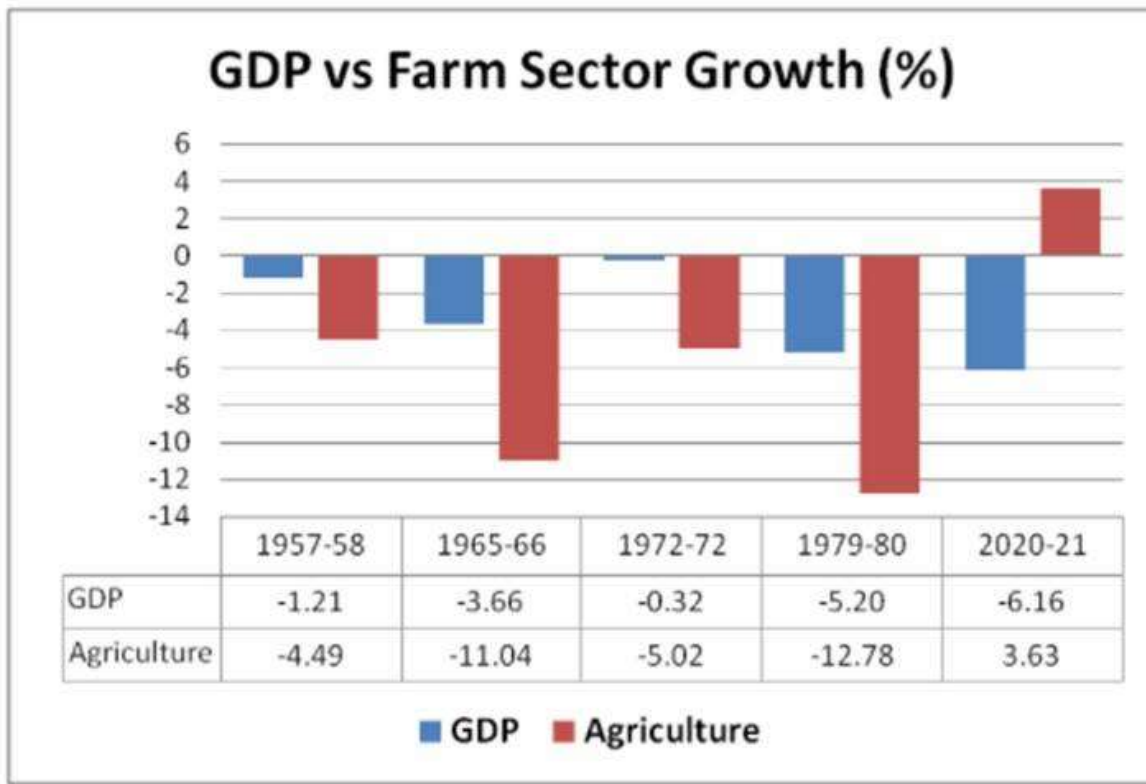
Reports came in from around the country of migrant workers being stuck due to the suspension of railroads and buses. Several people trekked for kilometres to get to their communities. Many people were unable to cross state lines. Most wage employees in India are hired by private contractors and have so lost their livelihood. According to a Government Labour Force Survey issued last year, more than 71% of workers with a regular wage working in non-agricultural businesses did not have a written job contract. Nearly half were ineligible for social security payments, placing them at risk. The Centre and State Governments made steps to assist migratory labourers with food, housing, and eventually transportation (special trains and buses) to their

destination. In light of this, the second shutdown (from April 20, 2020) authorised operations aimed at ensuring agricultural and allied activities remained fully operational. It permitted the operation of rural industries, including food processing industries; the construction of roads, irrigation projects, buildings, and industrial projects in rural areas; MNREGA works, with a priority on irrigation and water conservation; and the operation of rural Common Service Centres (CSCs) [2]. According to the Centre for Monitoring Indian Economy (CMIE), the rural unemployment rate jumped to 9.15% in December from 6.24% in November. According to the Weekly Report, the cause for this increase is due to agriculture sectors losing labour and general weakening labour market circumstances.



Source: <https://www.idinsight.org/article/visualize-covid-19s-effect-on-indias-rural-economy/>

The Indian economy saw its greatest decline since independence in 2020-21, as well as the first since 1979-80. The National Statistical Office estimated the increase in real gross value added at basic prices (formerly known as GDP at factor cost) for 2020-21 at negative 6.2% in its Provisional Estimates issued on May 31. The farm industry (agriculture, forestry, and fisheries) has expanded by 3.6% this year, which is rare. As seen in the chart below, there have been four previous instances of negative GDP growth: 1979-1980, 1972-1973, 1965-1966, and 1957-1958.



Source: <https://indianexpress.com/article/explained/indian-economy-rural-sector-gdp-lockdown-7340121/>

Issues and challenges

The return or reverse migration from urban to rural regions during the agrarian crisis poses significant challenges to the rural economy. The specific concerns are as follows:

- Return Migration or Reverse Migration:

Return migration, according to the International Migration Organization (2011), is "the act or process of returning to the point of departure, is the return of individuals to their origin or place of regular residence after spending some time at another place." It might be either voluntary or forced migration. Regardless of the cause for migration, the return has a tremendous influence on rural demographics, society, and economy. Over time, reverse migration has a substantial influence on population size and characteristics. People are finding it difficult to blend into society because they are afraid of being contaminated by the virus. Finally, return migration to rural regions has a substantial influence on the rural economy, since it in certain situations significantly helps to enhancing economic activity in the area. In India now, there are around 450 million internal migrant labourers. Field facts suggest that migrant labour is most prevalent in Uttar Pradesh and Bihar, followed by MP, Punjab, Rajasthan, Uttarakhand, Jammu & Kashmir, and West Bengal. Returnees are currently arriving with empty hands, having abandoned their destination to escape poverty and starvation. According to ILO estimates, around 400 million workers in India's informal sector face further hardship during the crisis.

- **Agrarian Crisis and Reverse Migration:**

The agriculture sector has been in crisis for the previous two decades. The majority of farmers in India are tiny landholders who are dealing with declining productivity, water shortages, and other issues. The vast majority of returnees were formerly marginal farmers. The reverse migration will put further strain on agriculture, which is already overworked.

- **Producer price decrease and consumer price increase:**

The reverse migration will result in a further decrease in crop producer prices, reducing farm wages and income. On the other hand, as a result of low productivity and food hoarding, food costs would rise, disproportionately affecting the poor.

- **Rural unemployment and poverty are on the rise:**

Reverse migration, lower producer prices, and increased pressure on the agriculture sector will exacerbate rural unemployment and poverty.

Government initiatives

This global lockdown has had a significant influence on the Indian economy. The Indian government has taken a number of initiatives to address the problem and boost the economy.

Economic Stimulus Package

On 12 May 2020, the Hon'ble Prime Minister of India announced a unique economic and comprehensive package of Rs 20 lakh crores for rebuilding the Indian economy. The package aims to enhance and assist create jobs and incomes for a greater segment of the population. The government announced a slew of stimulus measures in November 2020 to create jobs and offer financial support to strained industries like as tourism, aviation, and construction, as well as to improve the property market. The announced initiatives are worth Rs 2.65 lakh crore.

Financial assistance

A relief package of Rs. 1.7 lakh crore rupees was approved to help the underprivileged and marginalised parts of society [3].

The package planned to provide cash to the Pradhan Mantri Garib Kalyan Yojana as well as insurance coverage of Rs 50 lakh to health personnel (such as physicians, nurses, paramedics, and ASHA workers) who died while treating COVID-19 patients. For the next three months, underprivileged households will receive five kilos of wheat or rice and one kilogramme of selected pulses for free as part of the Pradhan Mantri Garib Kalyan Yojana. Between April and June, women with Pradhan Mantri Jan Dhan Yojana accounts received Rs 500 per month, while needy households received three free gas cylinders over the next three months. According to the Ministry of Finance, about 33 crore impoverished individuals received cash support worth Rs 31,235 crore through bank transfers⁴ between March 26 and April 22, 2020 to help them through the lockdown. Widows, women account holders under the Pradhan Mantri Jan Dhan Yojana, aged persons, and farmers are among those who benefit from bank transfers. Other measures of aid, in addition to direct bank payments, were begun, including:

- 40 lakh metric tonnes of food grains distributed to 36 States and Union Territories, and 2.7 crore free gas cylinders distributed to recipients.
- Rs 3,497 crore disbursed to 2.2 crore building and construction employees from state-managed Building and Construction Workers' Funds.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

During the lockdown, MGNREGA supplied a much-needed stopgap solution for many. The initiative aided the rural population, which was in despair after many labourers who had travelled abroad in quest of better pastures were forced to return home with no work. During the period March 2020 to September 2020, 99.8% of households were offered employment based on their demand. The Mahatma Gandhi NREGA is implemented by the states/UTs. State governments are required to provide unemployment benefits if a family is unable to find work in response to a job posting within 15 days after applying, or from the start of employment in the event of an advance application [4].

REVIEW OF LITERATURE

On March 23, 2020, India declared the world's greatest lockdown to stop the spread of the COVID-19-induced pandemic. An unprecedented suspension of economic activity across the country for several months resulted in massive job and income losses. The national unemployment rate was at its highest (24%) in May and June 2020 (CMIE 2020) [5], while the predicted economic growth was negative (23%) in the first quarter of the year (RBI 2021). The shutdown of construction and other economic operations, which resulted in a mass transfer of labour back to their native locations, had the greatest impact on informal workers and migratory labourers (Srivastava 2020) [6]. Although the central and state governments were quick to give free foodgrains, deposit cash payments under agriculture programmes such as the Pradhan Mantri Garib Kalyan Yojana (PMGKY), and launch other relief efforts for the poor, the crisis was beyond comprehension. Various non-governmental organisations, religious institutions, and individuals also stepped forward to offer whatever assistance they could to the victims. However, the poor appear to have borne the brunt of an overall contraction in their salaries and income.

Literature on the impact of pandemic-induced lockdown is limited. However, it shows proof of the suffering and misery inflicted by COVID-19 on individuals in terms of physical and psychological health, disparities in access to medical and educational services, and expenditure surpassing their income. According to Singh et al (2021) [7], 59% of households experienced income loss, 38% lost jobs, 83% had difficulty obtaining healthcare, and 28% lowered their consumption of fruits and vegetables. Among others, Mathias (2020) [8] and Modak et al (2020) [9] observed that the COVID-19-induced lockdown not only reduced household income, consumption, and food security, but also had a negative impact on their mental health. The lockdown, along with social distancing norms, dried up work and caused major issues in managing daily expenses and maintaining adequate nutrition and health (Khanna 2020) [10]. Small firms, such as those classified as micro, small, and medium enterprises (MSMEs), faced significant financial constraints, resulting in the closure of numerous units and the loss of many people (Chaudhary et al 2020) [11]. Basole et al (2021) [12] discovered in November 2020 that the pandemic impacted salaried and lower-middle-class employees as well as the impoverished, and that almost 20% of families reported no change in food intake since the lockdown. This was despite the government providing more food to a huge portion of the population and financial help through several PMGKY flagship programmes.

COVID-19 causes a global economic and non-economic crises on several fronts. Trade restrictions and labour mobility would produce demand and supply shocks. There will be consequences for 81% of individuals in India who work in the informal economy. Almost 90% of workers in the informal sector have survived with

no minimum wage or social protection (Dandekar, 2020) [13]. Even after the unorganised workers' social security act in 2008, just 5-6% of workers enrolled in social security. According to the 2017-18 Periodic Labour Force Survey (PLFS), 71.1% had no employment contract, 54.2% were not entitled for paid leave, and 49.6% did not have social security (Boone L, 2020) [14].

RESEARCH METHODOLOGY

The present study is theoretical in nature. The data for the present study has been collected from secondary sources. The data analysis has been done through secondary review and content analysis has been performed to arrive at conclusions and discussion. The secondary sources of the data includes books, journals, newspapers, published and unpublished research work, various search engines, etc.

OBJECTIVES OF THE STUDY

- To gain a deeper grasp of the adverse impact of covid 19 on the rural economy.
- To have a better understanding of the Government initiatives taken to tackle the problems generated due to covid 19.
- To investigate the issues and challenges faced by the rural area and the rural people due to covid 19.

SCOPE OF THE STUDY

During the first wave, India's rural economy demonstrated extraordinary resilience to the effects of the pandemic, in stark contrast to its urban counterpart; and it soon became clear that a two-speed economy existed during the first wave, with one sector flourishing while the other struggled to keep up.

With agricultural operations exempted from COVID-19 regulations, farming and related activities could continue without hindrance, allowing the rural economy to thrive.

The impact of the coronavirus pandemic on India has been primarily disruptive in terms of economic activity and human life loss. Almost all sectors have suffered as domestic demand and exports fell sharply, with some notable exceptions where high growth was observed. Sectors that comprise India's rural economy contribute nearly half of the nation's GDP and are growing steadily, aided by government and private sector improvements to physical and digital infrastructure. The agricultural economy is on the verge of collapse. The scope of this paper is limited to the influence of Covid 19 on the rural economy.

CONCLUSION

The COVID-19 lockdown flooded streets with migrant labourers marching to their communities in search of warmth and empathy. Many people made it home, but some died on streets and train lines. The current study sheds light on the situation of migrant labourers and the impact of COVID-19 on India's rural economy.

On May 12, 2020, Prime Minister Narendra Modi announced a massive 20 lakh crore rupee plan for the Indian economy, equal to 10% of national GDP. The current package includes the previous package (PMGKY, RBI liquidity measures, interest cuts), which totaled about 4% of GDP. The package's main focus is on land, labour, liquidity, and regulations that will meet the demands of cottage businesses, MSMEs, labourers, and the middle class. Localization of industries and employment is critical in the long run to minimise economic inequities, regional imbalances, and the percentage of migrant workers. Apart than giving credits, there is also a need to

focus on institutional aspects such as law and order, corruption, and so on in order for policies to be implemented effectively. Migration or migratory labourers are the engine of expansion in the manufacturing industry. Manufacturing things would always be required in a COVID-19 or post-COVID world. As a result, the government must develop a process for returning migrant workers to their respective employment. COVID-19 testing, on the other hand, should be expanded in order to limit and spread the infection in the population. To prevent migrant labourers and marginal farmers from poverty and famine in the near run, measures such as monetary incentives should be used. Similarly, wage subsidies should be provided to the informal sector. Above all, widespread corruption in the system is the most major hindrance to effective plan implementation. The rural economy has traditionally been the cornerstone of India's economic growth, since it houses two-thirds of the country's population and 70% of its labor, and it contributes about 46% of national revenue. Agriculture and allied sectors have been able to absorb extra labor discharged into the market during times of economic turmoil.

All of this changed when the second wave reached the country this year. The sector's labor absorbing capacity has hit its limit, with rural monthly unemployment rates reaching an all-time high of 10.63 percent in May 2021. As the number of cases grew in Tier 3 and Tier 4 cities, the rural household expenditure pattern shifted dramatically due to increased out-of-pocket expenditure on healthcare services. This was exacerbated by disruptions in remittances paid to native villages by millions of migratory laborers, significantly hurting rural consumption, growth, and nutritional security. Supply chain disruptions also harmed businesses such as FMCG, electronics, and others that were thriving in rural India during the first wave.

While the actions taken to boost rural recovery were critical, localization of industries and employment is required in the long run to eliminate economic gap and regional unfairness. Apart from improving loan availability in agriculture and MSME sectors through Direct Benefit Transfers (DBTs), there is also a need to focus on institutional aspects and a strong governance structure to ensure that these policies are implemented effectively. A renewed emphasis on the use of technology in agriculture, as well as the promotion of fintech, the creation of opportunities for self-employment and entrepreneurship, and the development of resilient value chains in both rural and urban markets, will go a long way toward making the economy disaster-resilient in the future.

There is little question that the pandemic has accelerated the rural economy's technological advancement, with e-commerce channels emerging, low-cost electronic products becoming necessary commodities, and mobile phones becoming household necessity for schooling and other uses. While it would have been easy to assume that the rural economy's boom during the first wave would have been sufficient to see India through the pandemic years, it is also clear that there is a need to strike a balance between the rural and urban economies so that the country's economic revival can be initiated in a way that puts it on the path of sustainable growth and development.

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