

Socio Economic Impact of Lockdown on Kerala Economy: A Case Study of Malappuram District

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ABSTRACT: This study examines the socio economic impact of lockdown based on the information collected through random sampling in the district of Malappuram in Kerala. The sample evidence shows that the entire society, barring the government servants, has borne the brunt in terms of reduction in well-being. The self-employed too have been able to improve their family cohesion considerably. The paper has also sought to examine and evaluate the state policy response to the crisis. The initiatives of Kerala government to overcome the pandemic show that they are innovative and exemplary. However, decline in tax and non-tax revenue of the state is unlikely to support and maintain these initiatives.

Key words: Covid 19, Pandemic, lockdown, socio economic impact,

I. INTRODUCTION

The globe has faced many epidemics in the history of human civilization such as H1N1, H5N1, avian influenza, Ebola, SARS, Zika and Nipah and successfully overcome from it with research (Maurya, et al.2019). In the last two decades, Covid-19 is the third outbreak as an epidemic after witnessing severe acute respiratory syndrome (SARS) in 2003 and Middle East respiratory syndrome coronavirus (MERS CoV) in 2012 (Zhong, et al. 2003, Ramadan & Sahib, 2019, Chatterjee, et al. 2020). This outbreak of corona virus disease caused by the virus, which was named severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), owing to its genetic similarities with the SARS virus (Chatterjee, et al. 2020) began in Wuhan, China in December 2019.

The entire world today is in the grip of the pandemic Covid 19. The invention of an effective vaccine to eradicate the pandemic is still at an experimental stage. Naturally, people are forced to disengage in their economic activities and keep themselves indoor. Hence, the Covid ridden situation has brought about medical emergency and subsequently financial emergency having a harmful impact upon almost all nations of the world. The

collaborative interventions of various governments at large in the form of relief packages have not transformed the conditions from going worse. Being aware of this menace, the Government of India, as part of driving out the pandemic declared a nationwide 21 days lockdown on 24th March 2020 which subsequently extended to May 3rd 2020 with strict enforcement of regulations. Janata curfew was also observed on 22nd March from 7am to 9pm. However, its impact is divergent in different states of the country depending on their socio-political characteristics. It was in Kerala state that the first case of corona virus reported as a student from the University of Wuhan, China returned to Kerala.

II. SOCIO-ECONOMIC IMPACT OF COVID-19

The Covid 19 pandemic has, unarguably, caused a destructive global crisis in general and health crisis in particular. This is an onslaught on the human capital of the country. A vibrant and qualitative human capital is an invaluable asset of a nation (Sujathan 2018). But, this asset has almost met with a premature death. International Labour Organisation has estimated that full or partial lockdown measures now affected almost 2.7 billion workers, representing around 81 percent of the world's workforce and that IMF also projected a significant contraction of global output in 2020. According to the estimates by Centre for Monitoring Indian Economy (CMIE), unemployment has risen from 8.4 percent to 23.4 percent on April 2020. The United Nations 'Economic and Social Survey of Asia and the Pacific 2020: Towards sustainable economies' reported that GDP growth of India for the current fiscal year 2020-2021 would come down to 4.8 percent. The sector-wise impact of the pandemic is indeed shocking. The agriculture sector which is already in bad shape is battered by the pandemic due to the suspension of farming activities in spite of the fact that there is a clear directive from the Home Ministry to exempt it from shutdown. A

serious bankruptcy, farmer suicide, compression in rural consumption and a fragile industrial base is the likely fall out until and unless there is a remarkable stimulus from government to revive the sector. The performance of textile industry has also gone astray as the trade relations with China which we depend for the raw materials such as synthetic button and hanger have been disrupted. The automobile sector of India has been in trouble for the last one year. China accounts for almost 26 percent of automobile imports of India. Wuhan, the major strategic auto hub of China has downed its shutters to the best disadvantage of India. The civil aviation sector in India has also been in trouble due to the cancellation of global travels. The sector earnestly hopes for a bailout package from the government. Tourism, hotels and restaurants lost a substantial share of their business. Production of organic and inorganic chemicals in India also received a dent since the active ingredients for the same ceased to import from United States. As the announcement of lockdown was sudden and unexpected, there was a spurt in demand for Fast Moving Consumer Goods (FMCG) especially for grocery by the household sector which gradually met with supply bottlenecks. Sadly, the case of Indian pharmaceutical industry, the third largest in the world in terms of volume looks serious. India imports around 90 percent of its requirement of Active Pharmaceutical Ingredients (APIs) from China to make antibiotics (Pandey 2020). So, for salvaging pharmaceutical industry from the stand-off, Government of India restricted the export of some pharma products. E-commerce business has also come to a halt due to the withering of demand and fear of community spread out of free home delivery. There is a total breakdown of uninterrupted service from Indian IT companies due to lockdown.

We have, therefore, seen that the pandemic Covid-19 has not spared anything. Against this backdrop, this study dwells on the impact of lockdown on the households of Malappuram district in Kerala state. We know for certain that the sudden and unexpected lockdown have a damaging impact both on the rich and poor households, although disproportionately. It is because sudden lockdown shall shut down all kind of income sources of the households leaving them in poverty. Hence, there is reason to believe that households comprise of the common masses bear the brunt of the lockdown rigorously. The households include many individuals comprising of public servants, private employees, entrepreneurs, manual labourers, unemployed etc. No doubt, contributions of households play a crucial role in

building an economy. Households are a mixed bag of producers, consumers, savers, professionals and tax payers. Any slippage of these roles will have an injurious effect upon the economy. Once savings at the disposal of households are not channelized, the capital market will be dried of funds and capital formation of the economy will receive a setback. The decline in disposable income and aggregate demand of the households will stagnate production sector and paralyse government sector. The degree of impact of lockdown on these divergent categories of people are markedly different each other. Is there any sea change in their well-being soon after the lockdown as a social calamity erupted unexpectedly? Even though the state of Kerala has been acclaimed as a role model for mitigating the gravity of disease with containment measures without an inordinate time frame, it is expedient to explore whether these innovative initiatives brought about a sociological impact on households. This study has, therefore, delved deeper into the lockdown impact on social commitment of households, changes in income and expenditure and attitude towards the preventive measures taken by Government. It is an admissible fact that a macro-economic impact of the slew of anti-pandemic measures may not be reflective of the ground realities at grass roots level. No seminal study at disaggregated level with regard to the impact of lockdown has so far been seen on the households

III. THE SURVEY BASED STUDIES ON THE OUTBREAK OF COVID 19

A serious academic attempt of the socio-economic impact of Covid-19 is yet to come out. Some of the eminent opined the impact of Covid 19. "As it becomes clear that the lockdown will go on for quite a while, in a total or a more localized version, the biggest worry right now, by far, is that a huge number of people will be pushed into dire poverty or even starvation by the combination of the loss of their livelihoods and interruptions in the standard delivery mechanisms. That is a tragedy in itself and, moreover, opens up the risk that we see large-scale defiance of lockdown orders- starving people, after all, have little to lose. We need to do what it takes to reassure people that the society does care and that their minimum well-being should be secure" (Sen, Raghuram and Banerjee 2020). Dev (2020) pointed out that the lockdown of all economic activities will create economic crisis and misery among the people, job losses and rising food insecurity. The economic shock would be more severe among Indians, because the economy is already going downhill and India's largest

informal sector is vulnerable and that the workers therein suffer a lot due to lack of regular salaries or income. Kant (2020) held that the relief in the form of stimulus packages may bring about a boom in retail credit among households paving the way for higher proportion of household income and cash flow and thereby forcing them to reshuffle their household budget after the pandemic. UN (2020) reported that social relationships are already hurt by income inequalities. The COVID-19 crisis impedes social cohesion within countries since it impacts much on society, individual behaviour, mental health and well-being. Recently, some attempts based on telephone interview during the Covid-19 and lockdown period are taken note of. Rozelle and Rahimi (2020) reported a sample survey study on the impact of lockdown on rural economy of China. The study has found that majority of sample respondents used to keep the social distancing and lockdown successfully reduced the spread of Covid 19 in rural villages. Employment of three quarters of respondents lost after the start of quarantine and that majority of the respondents' income drastically reduced due to disease control measures. The lockdown also adversely impacted on education, nutrition and access to health care and thereby curtailing income and spending. Livermore and Dezan (2020) pointed out that many types of business such as food and beverage, retail, real estate, and travel are the four biggest losers in China. The labourers from these fields have either been on leave or have lost their jobs completely. It also harmed lower brackets of society for a prolonged period of time. Zhang

(2020) reported that small scale enterprises are struggling to survive such that 40 percent of survived firms are at a loss to last beyond a month showing a dire picture of small scale enterprises bankruptcies under Covid 19. Majority of sample firms had not resumed operations at the time of survey and the business firms are also beset with serious labour shortage. Desai and Pramanik (2020) reported NCAER survey on Covid-19 that incomes of the almost 85 percent of households in the National Capital Region (NCR) have been impacted by the Covid-19 outbreak and also found that nearly a third of all households were affected by shortage of food, cooking fuel and medical supplies and 36 percent of respondents reported that members of their households curtailed visiting a health facility for a medical condition owing to social distancing norms. It is also found that majority of them extended support for the extension of the lockdown during the crisis time. The Economic Times (2020) reported the Nielsen survey that the consumers would be hesitant on discretionary spending such as movies and restaurant visits, and postpone spending on fashion and personal grooming even in the coming months. Even after the magnitude of the outbreak comes down, there is likely to be undercut in spending on alcohol and tobacco products. A considerable shift of consumption in favour of health and hygiene products, healthy organic food, medical needs etc are the likely outcomes. Our study went a step further by focusing on the socio-economic features of households and how they underwent change due to the impact of lockdown.

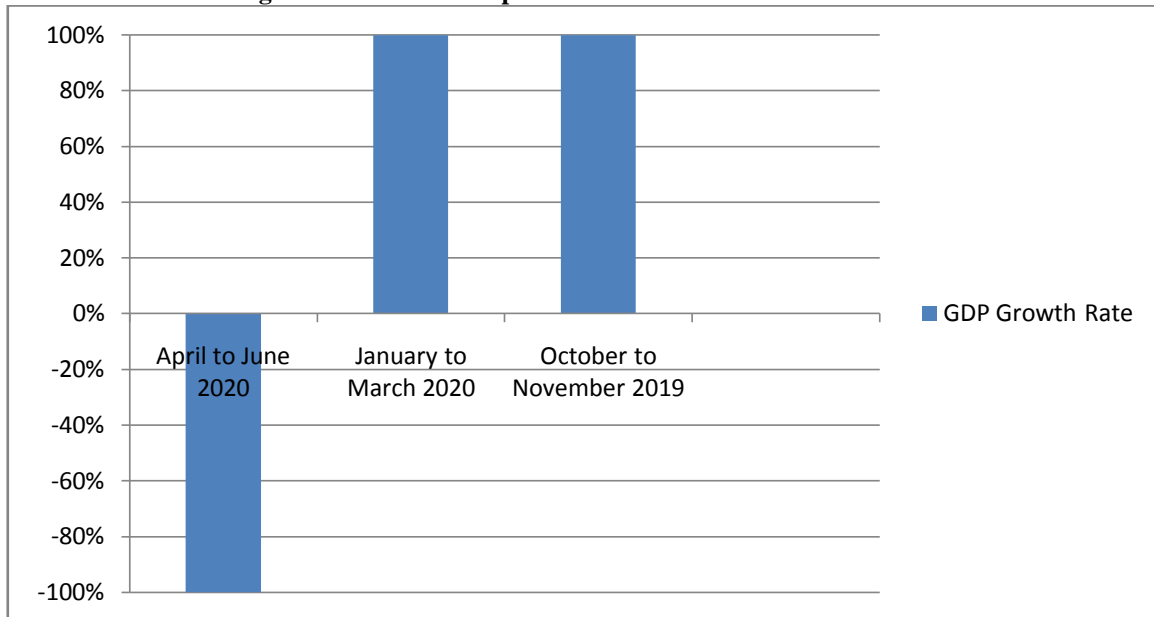
Estimated Impact of Covid 19 on Indias GDP 2020

Table 1 : Quarter on Quarter Growth

| Period | Growth Rate in Percentage |
|---------------------------------|----------------------------------|
| April to June 2020 | -9.3 |
| January to March 2020 | 5 |
| October to November 2019 | 1.2 |

Source: statista.com

Figure 1: Estimated Impact of Covid 19 on India's GDP 2020



India's quarterly GDP was estimated to a decline of over nine percentage between April and June 2020. This was decrease from a five percent growth in the beginning of 2020. The country went into lockdown on March 25, 2020, the largest in the world, restricting 1.3 billion people. This was extended until May3, 2020. Indias government estimated its financial, real estate and professional service sector to be hardest hit during the period of lockdown

IV. METHODOLOGY

The present online cross-sectional study was conducted from May 1 to May 15, 2020 the two week times after first lock week of lockdown in India . Due to lockdown it was not possible to do community based sampling , therefore, Investigator decided to collect the data via online i.e. telegram, WhatsApp, Facebook, messenger, mail etc. For the convenience, investigator classified households into five categories based on the occupation of the household heads; ie, wage employed, self-employed, government salaried, private salaried, and unemployed. This paper is a preliminary insight of the lockdown effect of Covid 19 on households. Hence, investigator selected 50 respondents from each category and a total of 250 household heads' responses were collected from Nilambur Municipality in Malappuram district of Kerala who are willing and ready to answer genuinely to the questions sent by the researcher. The Google form questionnaire has been sent to the government and private salaried category and telephone interview,WhatsApp and Facebook

methods were used to get the responses of the remaining categories of the households. The changes in economic status of the respondents are measured by asking the households say, "have you lost the flow of regular income into your family due to sudden outbreak?" "Are you forced to cut down the expenditure on essential commodities due to sudden outbreak?" And attitude respondents towards the practices of covid19. The answers of the respondents are measured on a 1-3 Likert scale and Yes or No responses (1-To a small extent, 2-To an extent, 3-To a large extent). The study used only percentage distribution and comparison of the respondents' response and did not go in for estimation and inferential statistics due to the non-population representation of the selected samples.

V. WELL-BEING OF THE HOUSEHOLDS

Any economic event, positive or negative, will have direct impact on well- being of the people. Well -being is a condition characterised by comfort, mental health, happiness etc. Well-being can be classified as objective well-being (OWB) and subjective well- being (SWB). OWB mainly comprises of expenditure, income, safe neighborhood, economic stability, education etc. SWB is more a mental disposition of individuals. Lucas et al (1996) held that SWB has mainly three components viz life satisfaction, positive effect and negative effect. Positive effect and negative effect are basically moods and emotions of the people which can be termed as happiness. Life satisfaction is, on the other hand, evaluation of people's life as

a whole; i.e. how satisfied is you with your life? What would you do to change yourself? This section examines the impact of lockdown on the well-being of households. The economic profile of the households which includes the variables such as 'income' and 'expenditure' are used for measuring OWB.

VI. RESULT AND DISCUSSION

The investigator opted online cross-sectional survey method, the data were tabulated, analyzed and interpreted diagrammatically for this study as given in following paragraphs

6.1 Economic Profile of the Households

It is the household income that would bring the economy back to life (United Nations 2020).Undoubtedly, the most immediate impact of the lockdown is upon income and expenditure of the households. The transaction motive with which people hold money considerably is relegated by the precautionary motive as a result of the setback perpetuated by the lockdown. During this time, people could not afford to be physically present at work which adversely affected both employment and employability at large. In this context, it is deemed desirable to discern how this economic shock will impact on the income and household expenditure of households. Table 2 showed that

while 40 percent of households reported that they experienced a fall in their income “to a large extent”, near 35 percent reduced their income “to an extent”. Hardly 25 percent reported that they experienced fall in income “to a small extent.” When asked about the reduction of expenditure of the households, 65 percent of households reported that they reduced it “to a large extent” and that10 percent of households “to an extent” reduced their expenditure. Interestingly, near 25 percent of respondents cut short their expenditure “to a small extent” only. This must probably be due to the fact that these respondents are having alternative sources of income, say, for instance, bank deposits, ancestral property etc. The different categories of people who have been impacted by lockdown are explained in detail in Table 3. It could be found that that 80 percent of wage employed and 84 percent of self-employed categories experienced “to a large extent” a drop in income and that 100 percent of private salaried category felt that their income “to an extent” dropped. This is of course an inevitable impact of lockdown among wage employed, self-employed and private salaried people. Contrariwise, government servants did not experience any sort of dip in their income. This must be due to the steady flow of salary guaranteed every month

Table 2: Economic Impact of Lockdown

| Reduction in income and expenditure | To a small extent | To an extent | To large extent | Total |
|-------------------------------------|---------------------|--------------|-----------------|-------|
| | Reduction in income | 25% | 35% | 40% |
| Reduction in expenditure | 25% | 10% | 65% | 100 |

Source: Primary data

Figure 2: Economic Impact of Lockdown

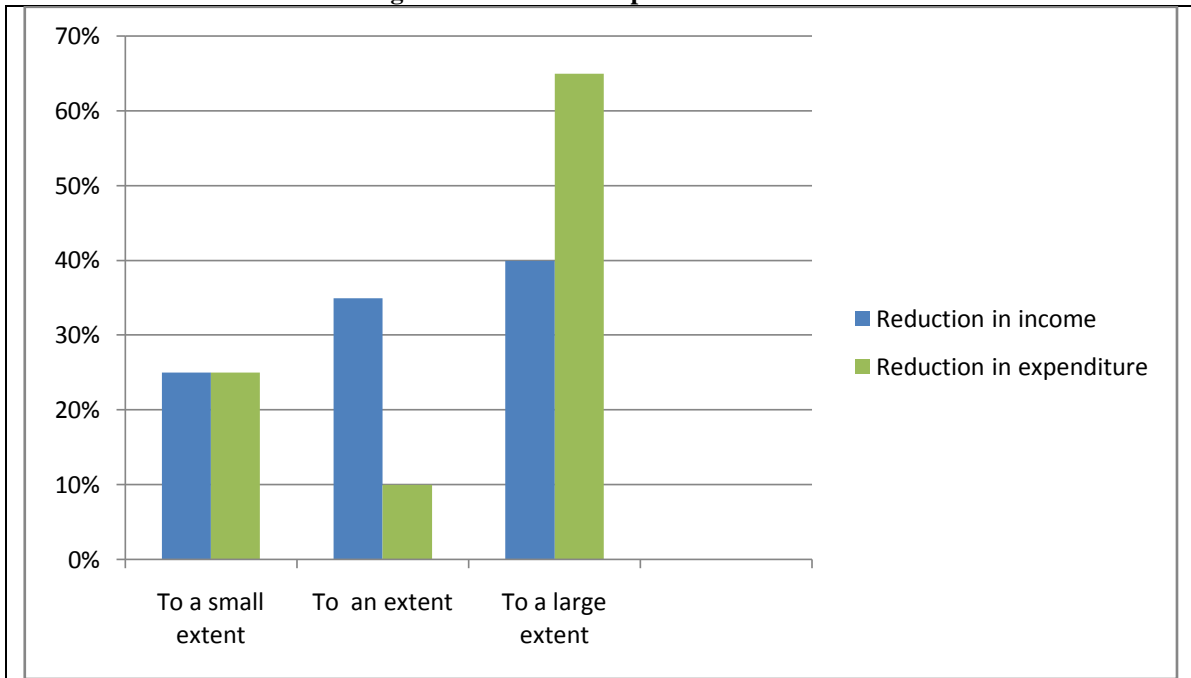


Table 3: Distribution of Sample Households by the Extent of Reduction in Income across Occupational Group

| Occupational Group | Percentage of sample households reporting reduction in income | | | Total |
|---------------------|---|--------------|-------------------|-------|
| | To a small extent | To an extent | To a large extent | |
| Wage employed | 0% | 20% | 80% | 100 |
| Self employed | 0% | 16.9% | 84.1 % | 100 |
| Government salaried | 100% | 0% | 0% | 100 |
| Private salaried | 0% | 5% | 95% | 100 |
| Retired | 50% | 28% | 22 % | 100 |
| Unemployed | 0 | 35% | 65% | 100 |

Source: Primary data

Figure 3: Distribution of Sample Households by the Extent of Reduction in Income across Occupational Group

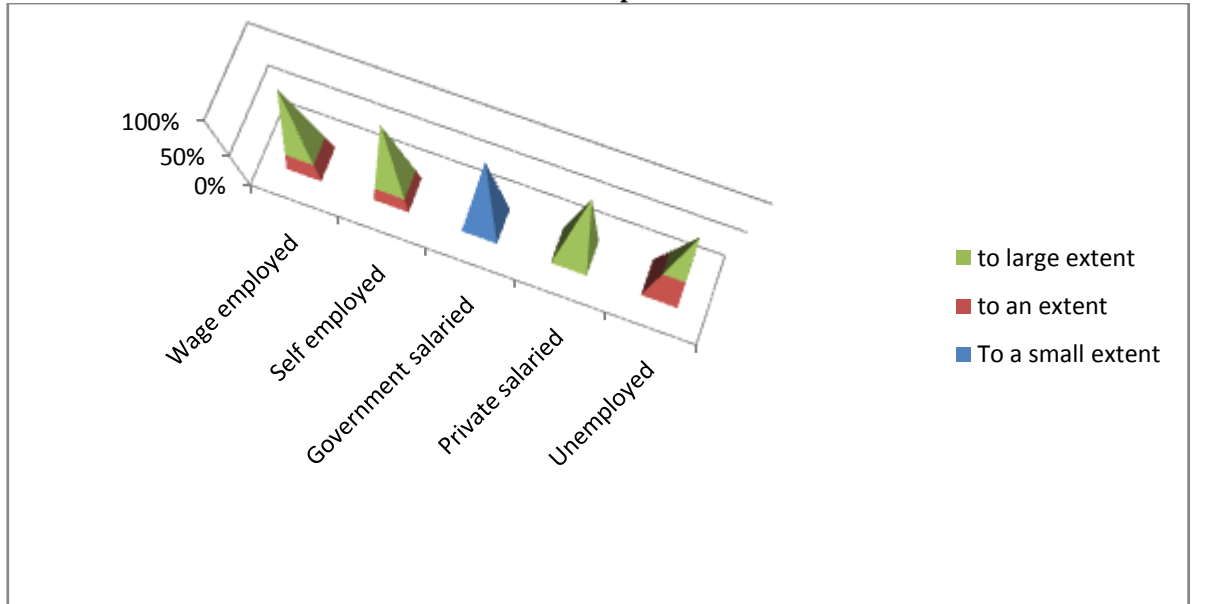


Table 4: Distribution of Sample Households by the Extent of Reduction in expenditure across Occupational Group

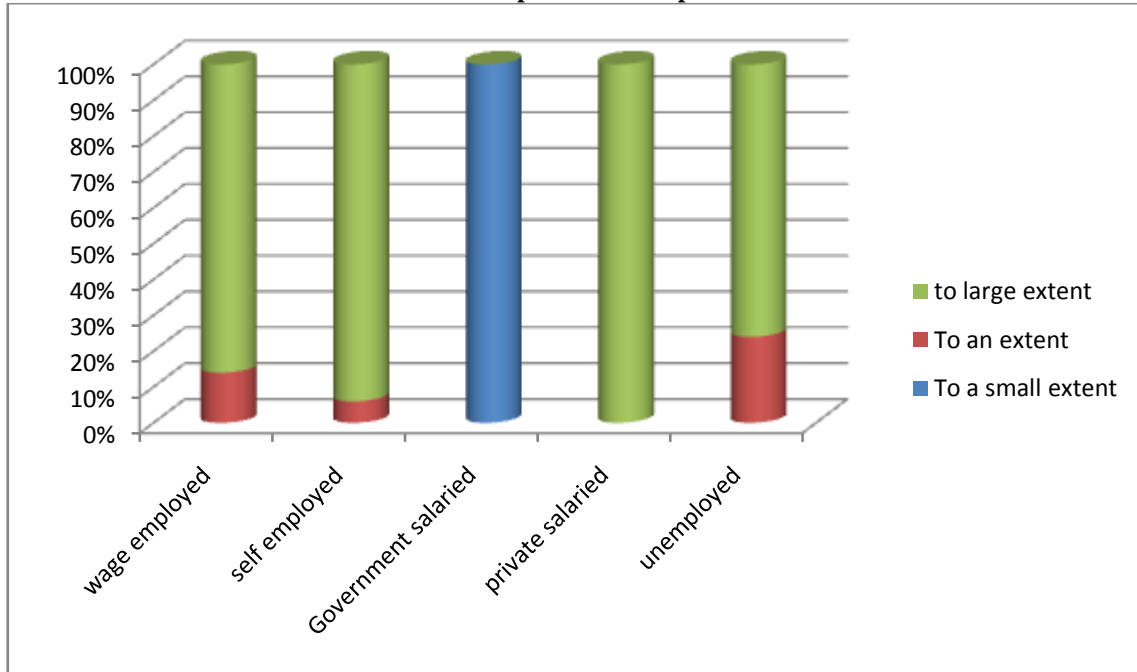
| Occupational Group | Percentage of sample households reporting reduction in expenditure | | | |
|---------------------|--|--------------|-------------------|-------|
| | To a small extent | To an extent | To a large extent | Total |
| Wage employed | 0% | 14% | 86% | 100 |
| Self employed | 0% | 6% | 94 % | 100 |
| Government salaried | 100% | 0% | 0% | 100 |
| Private salaried | 0% | 0% | 100% | 100 |
| Unemployed | 0% | 24% | 76% | 100 |

Source: Sample survey

Table 4 draws the relationship between household expenditure and occupation. It could be ascertained that 86percent of the wage employees and 94 percent of self- employed reported reduction in expenditure “to a large extent.” It is contrasting to note that, at the time of interview, 100 percent of government servants reduced their expenditure “to a small extent”, whereas 100 percent of private salaried reduced their expenditure “to a large extent.”However, as of

now, austerity measures are being implemented by Central and State governments and so the expenditure pattern among government servants is likely to undergo a drastic undercut in future. It may be noted that majority of the unemployed reduced their expenditure considerably. There is no wonder that the unemployed have to be prepared for the worst in view of the likely distortions and complexities of the labour market in future due to the impact of lockdown.

Figure 4: Distribution of Sample Households by the Extent of Reduction in expenditure across Occupational Group



5.2 Attitude of Respondents regarding practices towards Covid19

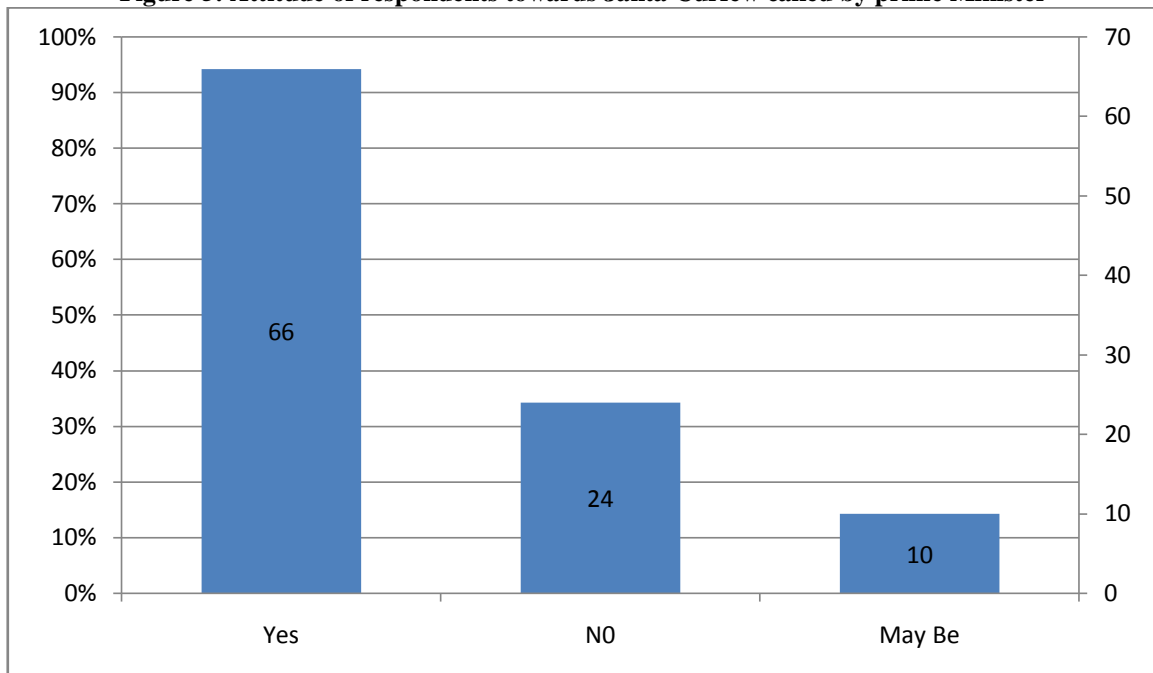
Table 5: Social attitude of Respondents regarding practices towards Covid 19

| Question | Response | | | Total |
|--|--------------|-------------|------------|-------------|
| | Yes | No | May Be | |
| In recent days are you following social distancing & government guidelines? | 90 % (45) | 8% (4) | 2% (1) | 100 (50) |
| During this lockdown are you falling in stress & bore | 80% (40) | 20% (10) | 0% (0) | 100 (50) |
| In recent days have you supported 'Janta Curfew' and feel this initiative will be helpful to prevent Covid-19. | 66% (33) | 24% (12) | 10% (5) | 100 (50) |

The data shown in figure 5 (regarding Practices towards covid-19) majority of respondents (66%) admitted that they supported Janta Curfew (On March 22; first day of lockdown for 14 hrs: 7am-9pm IST) called by our Prime Minister Shri Narendra Modi, and they also agreed that this was initially good step to prevent from the virus, while 10 % respondents stated that may be these kind of step would be helpful for prevention measures. As well as 24% respondents disagreed or

denied that these step (curfew) or only lockdown is not permanent solution of the pandemic. The data shown in figure 5 (regarding practices towards covid-19) most of the respondents (90%) stated that they were following social distancing and government guidelines as precautionary measures to prevent from covid-19 virus where as 2% respondents stated that they may be using precautionary health measures properly as directed by WHO and Gov. of India

Figure 5: Attitude of respondents towards Janta Curfew called by prime Minister



6.2 Happiness of the Households

The mental state of affairs of the people, in the wake of the lockdown, is indeed awesome. The lockdown has devastated them financially, mentally and physically. Being sedentary at home without having to do anything is driving people mad. The uncertainty on the futuristic events on the one side and the severe slippage in income on the other have, of course, kept the households frightened. Even developed countries of the world have succumbed to Covid 19 whereas a tiny state like Kerala could resolve this serious issue in a surprisingly limited time. As the disposition of the people has become so complex in these compelling circumstances

VII. CONCLUSIONS

The lock down has put a severe strain on the households of Kerala state. They are the key players of the economy and the impact of the lockdown will bring about economic imbalance with reduced consumption, saving, investment, and demand for credit. The study has, therefore, examined the socio-economic impacts of lockdown on the households of Kerala. It has investigated lockdown impact of covid19 on objective and subjective well - being of the households in terms of changes in income, expenditure and happiness and how these changes differ across different categories among the households. It is found that lockdown, more or less, reduced income, expenditure and the happiness of the households.

However, compared to other categories, the adverse impact is lower among the salaried households due to regular source of income. It is interesting to note that while the adverse income effect of lockdown is more among low income households, the adverse expenditure effect of lockdown is more among low and middle income households

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