

THE BIG LOCKDOWN

\$12-15 billion
Textile/Apparel sector losses

Rs 9-10

\$2-3 billion
Auto sector losses

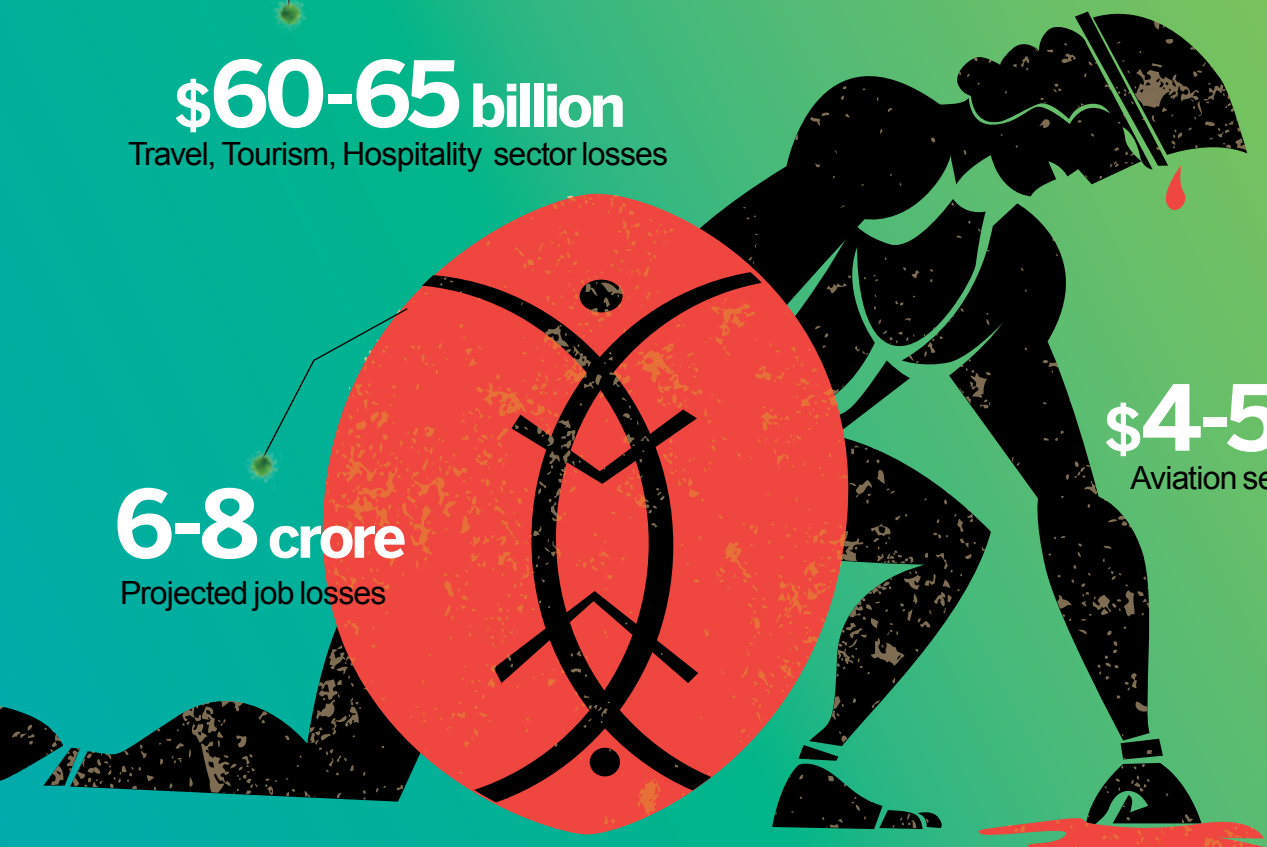
LAKH CRORE NEEDED?

THE STIMULUS THE ECONOMY MAY NEED TO
RECOVER FROM THE LOCKDOWN EFFECTS

\$60-65 billion
Travel, Tourism, Hospitality sector losses

6-8 crore
Projected job losses

\$4-5 billion
Aviation sector losses





SURVEY **HOW IS COVID-19 IMPACTING INDIA?**



The Institute for Competitiveness along with BW Businessworld conducted a survey to gauge the impact the pandemic and the subsequent lockdown have had on businesses and individuals and how they foresee their future along with those around them
By Amit Kapoor, Manisha Kapoor & Chirag Yadav

UNCERTAINTY ABOUNDS as the world grapples with the coronavirus. If one thing can be said with certainty in such times, it is that the uncertainty will persist in the foreseeable future. In fact, even before the world has managed to address the health crisis, an economic crisis is already underway. And these are crises that current generations have not witnessed in their living memory. Apart from the scale of the pandemic, the shock that the world economy has received is unique in nature. So, our response to the crisis that faces us calls for a response which is equally unique.

To build such a response, it is crucial to understand what the crisis entails; who will be affected; to what extent; and how.

Data in the current context will be crucial to inform the future strategy for each stakeholder within the economy – the consumer, employee, businesses, the government. The findings from the Covid-19 India survey conducted among nearly 700 citizens and businesses give a sense of where the Indian economy is headed and how different stakeholders perceive the future.

Figure 1 (Findings of the Covid-19



India Survey) highlights the behaviour of Indian citizens on two aspects crucial in managing the crisis. First, an overwhelming majority of the respondents believe that the Covid-19 issue is quite serious. Second, they believe that their chances of getting exposed are not that high. To be precise, on a scale of 0-5, the average score for seriousness of the issue is 4.46 while the average score for risks related to its exposure is 2.93. The

high difference between the two is reflective of the trust factor.

Trust plays a crucial role in combating pandemics. Since there is no vaccine available at the moment, the only option authorities have is to control the spread of the virus through measures such as travel curbs, lockdowns etc. In autocratic nations, citizens can be compelled by authorities but in democracies such as India, that is not possible. It is, therefore, important

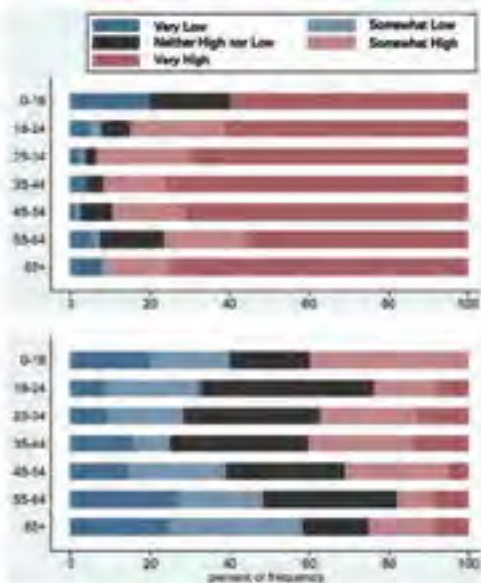
that citizens trust their government as it will significantly impact their ability to govern. If people don't trust the government, they are less likely to follow the advice of the leaders and in turn cause huge risk for the nation. Our results show that citizens trust the leaders and know that they are working in their interests.

However, these results vary significantly by age group, as illustrated in Figure 2. Interestingly, the perception



FINDINGS OF THE COVID-19 INDIA SURVEY

How would you rate the severity of the COVID-19 pandemic?



What are your chances of getting exposed to the virus?

Fig 1. Disparity in Perception of the Severity of the COVID-19 Pandemic and Personal Exposure

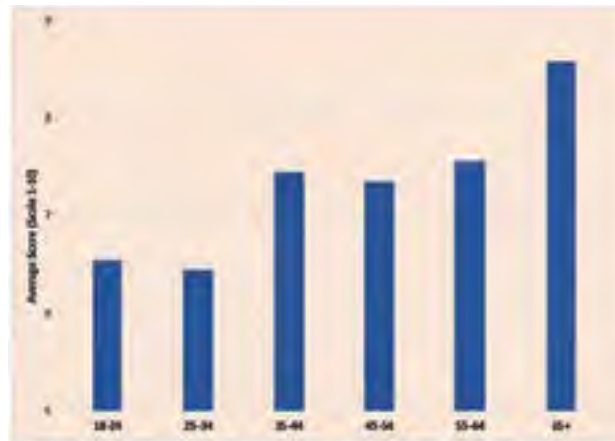


Fig 3. Average Rating for Central Government Efforts in Handling the Crisis, by age

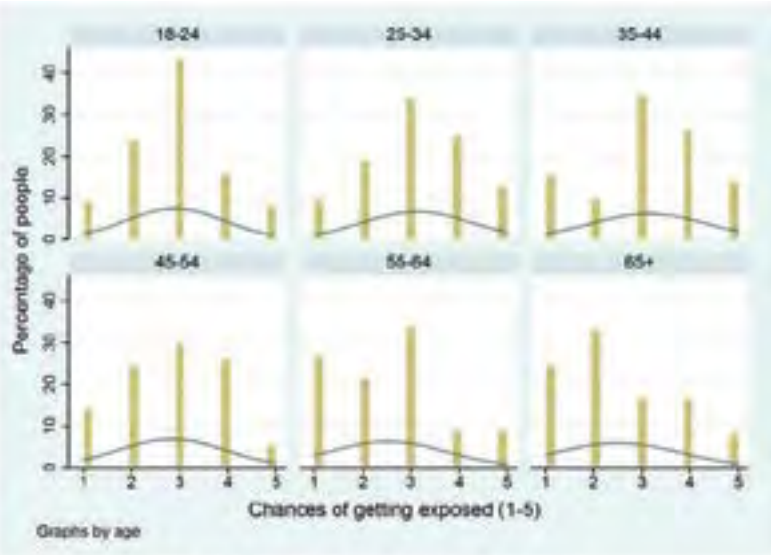


Fig 2. Perception of Getting Exposed to the Virus, by age

of being safe from the virus improves with age. The majority of respondents in the age groups 55-64 and 65+ rate their chances of getting exposed below 3. This might feel counter intuitive since the mortality of the disease is highest in the older age group. But Figure 3 explains this behaviour. It

shows that all the people generally rate the efforts of the central government highly in tackling the crisis. But these scores have an increasing trend with age group. While the age group 25-34 has given a rating of 6.4 to the central government's efforts, the age group 55-64 have rated them at 7.5.

This increases to 8.5 for the 65+ population. The older generation has more trust in the governmental institutions than the younger generation.

Another important aspect of the survey is the economic impact of the pandemic on the citizens. A majority of the respondents (64 per cent) have stated that their economic situation is not impacted by the coronavirus. However, 28 per cent of the people have said that their monthly income has fallen. The economic scenario across age groups presents a worrisome finding. The percentage of respondents who claim that the Covid-19 pandemic has had no impact on their employment scenario is heavily skewed to younger segments of the population. Therefore, it might be the case that these people are not a part of the job market. On the other hand, the lowering of monthly income is primarily centered around the middle-aged segments, who usually have a family to support. Since the survey has been taken just one week into the lockdown and has majorly covered respondents in the formal sector, the job scenario can only be expected to worsen.

The economic impact on citizens extends from the changing business scenario due to the coronavirus pan-

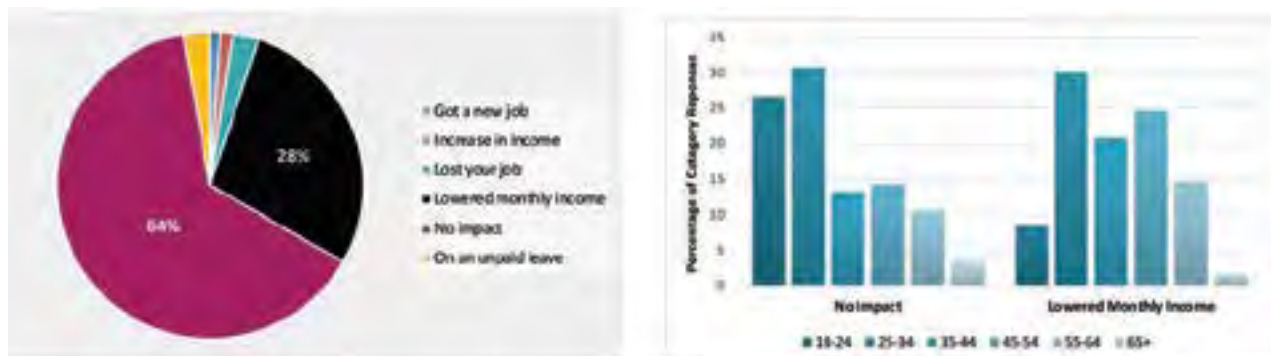


Fig 4. Economic Impact on Citizens due to the COVID-19 Pandemic

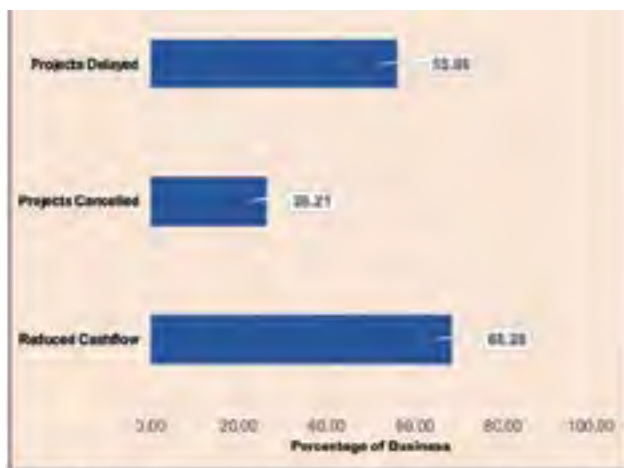


Fig 5. Economic Impact on Businesses due to the COVID-19 Pandemic



Fig 6. Future Economic Outcomes of the COVID-19 Pandemic

demic. Thanks to the lockdown, economic activity across several sectors has been severely hampered like never before. In the businesses surveyed, 68 per cent claimed to have reduced cash-flow due to the crisis already. As depicted in Figure 5, more than half of them have also seen project delays and over one-fourth have faced project cancellations. The situation is only expected to worsen until uncertainty prevails around global movement of goods and people. Also, it must be noted that the survey esti-

mates only cover formal businesses, and since India is predominantly informal, the impact should be more critical across the economy. Expectedly, most growth forecasts have cut India's estimates for the current fiscal by about 2 per cent.

The business perception is equally concerning for the future (Figure 6). About 64 per cent of businesses stated that they have implemented or are planning to impose a hiring freeze. The employment situation being already dismal in the country, a hiring

freeze across businesses is bound to complicate matters. As per CMIE estimates, unemployment rate in the first week of April had hit an unprecedented 23.4 per cent.

However, businesses are quite optimistic about reviving their businesses. Over 70 per cent of businesses expect to bring their operations back to normal. Curiously, more than half of the same respondents felt that the overall economy might take more than a year to return to normalcy. It can, thus, be safely deduced that their economic outlook with respect to their own businesses was driven more by hope than genuine expectations.

Hope is a crucial currency to have in such uncertain times. Just like trust, hope can have key economic implications. It can provide a stimulus to economic activity in a way that no amount of monetary intervention can. As long as people are hopeful about the economic prospects of an economy, they would be willing to spend and invest their money, driving economic growth. But India needs to tap into this hope that people have in their abilities and the trust that they have in the government to minimise the negative impact that the coronavirus will leave behind in its trail. The manner in which India addresses this crisis today will have far-reaching repercussions for the economy and would reverberate for decades and determine the developmental prospects for generations to come. **BW**

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