IMPACT OF COVID 19 ON POVERTY

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Abstract:

India has been hard hit by the Covid-19 pandemic. The virus has exacted a heavy toll in terms of lives lost and deteriorating health outcomes. The economic consequences of the pandemic have been similarly grim. In this paper I attempt an initial, interim, assessment of the impacts of the crisis on poverty during and post covid 19. I review the growing literature that considers emerging poverty impacts, noting that there remain significant knowledge gaps due to limited evidence on current welfare outcomes. I analyze post covid survey data to examine the incidence of chronic poverty and downward mobility during a period of rapid economic growth and declining poverty. A profile of poverty during such a period might offer a plausible, partial, window on population groups currently at risk. I suggest that, notwithstanding the severe initial impacts of the crisis on poverty, there are grounds for expecting further consequences going forward. As the virus has spread out of the relatively affluent cities, and as economic stagnation persists, rural areas, with historically higher rates of chronic poverty and vulnerability, may see particularly sharp increases in poverty. While recent vaccination developments offer some grounds for optimism, there remains an urgent need to identify, implement and amplify effective policy alleviation measures.

Key words: Poverty, Downswing, Economic crisis, Inflation, etc.

Introduction

The year 2020 marks a major break in the progress achieved throughout the world in reducing global poverty. Sustainable Development Goal 1, announced by the international development community in 2015, had proclaimed the ambitious objective of ending extreme global poverty by 2030. Success in meeting the Millennium Development Goal of halving global poverty during the 1990–2015 interval had undoubtedly emboldened the architects of the Sustainable Development Goals to pursue a poverty objective that, while clearly aspirational, did not appear to be entirely beyond reach. The onset of the Covid-19 pandemic in early 2020 has dampened these ambitions. Nowhere is this more evident than in India, a country where poverty

reduction during the first decades of the 2000s had been remarkable, but where the impact of the Covid pandemic has been staggering in terms of both public health and economic livelihoods.

In this study I attempt to provide an assessment of how the fight to end extreme poverty in India has been disrupted by the arrival of the Covid-19 crisis. In particular, we are interested in informing policy making by providing insights into possible population groups that are likely to have been most seriously affected by the crisis, or to be particularly exposed to its most pernicious consequences in the months and years to come. Given that the Covid-19 pandemic remains in full swing, it is impossible to arrive at a complete assessment of its full impact on poverty in India and how it may evolve going forward. The economic consequences of the crisis are still working their way through the Indian economy, and policy measures aimed at addressing both the public health and economic fallout from the crisis continue to be formulated and rolled out.

Objective of the study:-

1. To analyze the scenario of Poverty due to COVID 19
2. To focus on solution for Poverty on account of COVID 19

Research Methodology:-

The Research approach used in this project is a 'Secondary Data Analysis'. The information existing in the following analysis is based on Government Surveys, Internet, Newspapers, Magazines and Books etc.

Backwash Effects of COVID 19 on Poverty:-

The outbreak of the novel coronavirus last year led to mass havoc, fueling a global health and economic crisis, the death of millions, lockdown of industries, large-scale job cuts, and catastrophic income shocks. It pushed the world into a deep recession, which for the first time after the Great Depression, is creating economic downturns in terms of job, income and consumption loss. Across the globe, around 3.9 million people have died, and millions have been pushed into poverty. India is no exception to this. In India, the official death toll is 3.98 lakh (the unofficial figure is many times more than the official one). The Indian economy contracted by 7.3 per cent last year; the greatest contraction since independence. As per the CMIE report, there was a net loss of 7 million jobs between February 2020 and February 2021. Households experienced an average of 12 per cent loss in income during the last fiscal year. A point to note here is that it is an average loss. The loss for the poor and middle class ought to be higher. Besides, the CMIE survey is criticized for being biased towards the richer households, and hence the actual loss for poorer households tends to be higher than the reported. Our estimates show that 218 million additional people (168 million in rural and 50 million in urban areas) would have been pushed into poverty at 12 per cent contraction in their monthly per capita consumption in the year 2020-21.

Pre and Post Pandemic Poverty
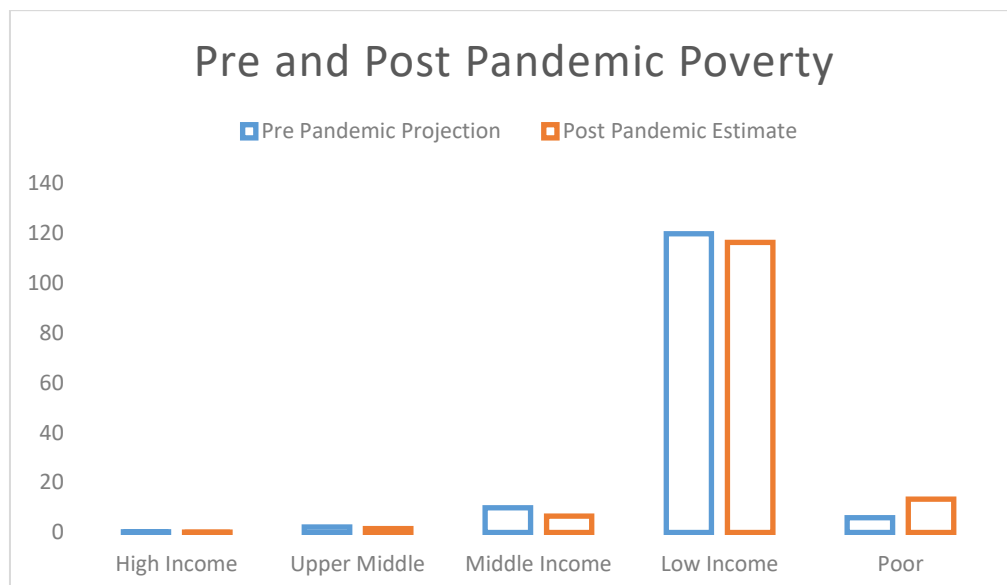
Source- The Hindu, Dated 20 March 2020

India's middle class may have shrunk by a third due to 2020's pandemic driven recession, while the number of poor people earning less than ₹150 per day more than doubled, according to an analysis by the Pew Research Center. In a comparison, Chinese incomes remained relatively unshaken, with just a 2% drop in the middle class population, it found.

Recently released World Bank projections of economic growth to estimate the impact of COVID-19 on Indian incomes. The lockdown triggered by the pandemic resulted in shut businesses, lost jobs and falling incomes, plunging the Indian economy into a deep recession. China managed to avoid a contraction, although growth slowed. "The middle class in India is estimated to have shrunk by 3.2 crore in 2020 as a consequence of the downturn, compared with the number it may have reached absent the pandemic", defining the middle class as people with incomes of approximately ₹700-1,500 or $10-20 per day.

"Meanwhile, the number of people who are poor in India (with incomes of $2 or less a day) is estimated to have increased by 7.5 crore because of the COVID-19 recession. This accounts for nearly 60% of the global increase in poverty", estimating an increase from almost 6 crore to 13.4 crore poor people. It also noted the record spike in MGNREGA participants as proof that the poor were struggling to find work. The vast majority of India's population fall into the low income tier, earning about ₹150 to 700 per day. Pew's projections suggest this group shrank from 119.7 crore to 116.2 crore per day, with about 3.5 crore dropping below the poverty line. The middle income group is likely to have decreased from almost 10 crore to just 6.6 crore, while the richer population who earn more than ₹1,500 a day also fell almost 30% to 1.8 crore people.

Result and discussion: -

In pre-Covid times, around 35 per cent (265 million people) of the rural population was poor. However, this number is expected to rise to roughly 381-418 million, with the total headcount ratio reaching 50.9-55.87 per

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cent in 2021-22. Under the same levels of contractions, urban India expects 36 to 46 million additional people to fall under poverty, with the total headcount ratio reaching 39.08- 42.4 per cent. Across social categories, a higher percentage of people from marginalized groups are expected to fall into poverty than the other groups. For instance, at an all-India level, around 13-20 per cent of additional SC/ST people are expected to fall into poverty as compared to 12-16 per cent of upper caste people making total HCR for the group reaching a whopping 60-70 per cent. Across major occupations, our analysis reveals that self-employed agriculture, non-agriculture, and casual laborers bear the highest impact in rural areas. In urban areas, casual laborers disproportionately bear the brunt of the crises. The ongoing farm distress, rural indebtedness, lack of infrastructures, small, marginal scattered landholdings, adverse terms of trade, and corporatization of agriculture contribute to vulnerability for such laborers in rural areas. In the urban area, it is mostly the informal nature of jobs, depressed earnings, and little to no social security that place the casual workers at the brink of vulnerability.

Conclusion: -

In the lump COVID 19 has affected economic conditions of the citizens. A rising number of poor can lead to demand shocks in the economy, leading to further contractions in GDP growth. Therefore, the identification of poor and vulnerable groups is the need of the hour, followed by directed interventions under the ambit of National Food Security, Direct Benefit Transfer and other social security programmes prevent such groups from further falling deeper into poverty. A large fiscal stimulus along with intermediate informal employment insurgency through MGNREGA and other employment generation programmes are urgent to rein the adverse impact of COVID-19 on the welfare of the masses.

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