

## PANDEMIC INDUCED POVERTY AND ITS IMPACT ON ECONOMIC DEVELOPMENT IN INDIA

Palak Agarwal\*

### ABSTRACT

*Pandemic is defined as a widespread occurrence of an infectious disease that causes an effect in a geographic region and causes socio-economic disruption in the world. Now it becomes difficult for the people to eliminate world poverty due to COVID-19 pandemic situation. Effect of infection on rural – urban migration has debilitated livelihoods which majorly consist of migrant laborers which belong to the poor and weak section of the community. The Pandemic had made many poor families of the community in the world face very challenging livelihood consequences. As per the International Labour Organization (UN-ILO) reports, employees working in the informal sectors of India are likely to be burdened by poverty due to the worst pandemic situation in the country nowadays . The report came out in April, 2020 and if the situation stays the same then poverty in the country will worsen day by day with no. of corona cases crossing 25 Lakhs in India by August end. Rural economy in India is having both short and long term effects due to the outbreak of COVID – 19. The COVID – 19 is having a strong negative effect on both developed and weak economies of the world. Indian Government has introduced an economic package which mostly includes long term measures to fight with the situation and short term measures such as cash and wage subsidy to migrant laborers and marginal farmers. Various strategies that can minimize the pandemic impacts on the livelihood and the economic activities of the poor communities are being suggested. This paper targets to analyze how the outbreak of COVID – 19 is causing the socio-economic impact in the economy and how hard it is for the poor communities to follow the guidelines issued by the Central and State Government towards social isolation (quarantine) or the lockdown, having disruptive effects on production, reduction on agricultural works and activities, slowing down the tourism, trade and industry business which ultimately slowdowns the economy.*

**Keywords:** *Pandemic, COVID-19, Poverty, Economic Development, Social Isolation*

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\* Student-B.Com.LL.B. (H) @ Amity Law School, Noida; Email: palakagrawal921998@gmail.com

## INTRODUCTION

The economy of India has been drastically disrupted due to the coronavirus pandemic in 2020. The Ministry of Statistics reported that in the fiscal year 2020, India's growth went down to 3.1% in the fourth quarter, which was mainly attributed to the effect of the pandemic. While the country was already in a state of pre-pandemic slowdown, the sudden outburst of the pandemic increased the risk to the current economic scenario of the country. The World Bank and other institutions initially noted that India's growth in the financial year of 2021 might be the lowest figure the country has ever seen in 3 decades, after the economic liberalization in the 1990s. India also announced an economic relief package in an attempt to mitigate the losses caused due to the pandemic, however, dispute this, the GDP figures of the country downgraded to further lower figures, indicating a possible recession. The effect of the pandemic and an analysis of the pandemic possibly triggering poverty in the country, and the relevant measures taken by the Government to address such issues are detailed herein below.

## POVERTY BEFORE LOCKDOWN AND AFTER LOCKDOWN IN INDIA

The Pre-COVID-19 scenario demands attention as well as India was barely dragging itself in terms of economic growth. *"The International Monetary Fund (IMF) contradicted India's growth forecast by 1.3 percentage points to 4.8% for 2019-20 while the RBI have estimated growth in 2019-20 at 5%."*<sup>1</sup> It is to be noted that such low projected growth was, among other reasons (stress in NBFCs) because of weak rural income growth. A report released in the month of June by the World Bank<sup>2</sup> forecasted that at least 7 to 10 crore people may be pushed into poverty as an effect of the pandemic, corresponding to a global growth that was predicted at 5-8% in this fiscal year, whereas, the projections in April only showed a number of 4 -6 crore, implying an uptick in poverty estimates.

For India as per a prediction by a paper COVID-19 may double the poverty scenario.<sup>3</sup> This paper illustrates the poverty level pre and during COVID using the NSSO and Planning

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<sup>1</sup> Gita Gopinath, *India's Slow Growth is a Drag on the World*, LiveMint, Available at: <https://www.livemint.com/news/india/india-s-slow-growth-is-a-drag-on-the-world-imf-11579541807331.html> (Accessed on: 20.01.2020, 11:22 PM)

<sup>2</sup> Remya Nair, *India Could See Millions Pushed Into Extreme Poverty Due To Pandemic*, ThePrint, Available at: <https://theprint.in/economy/india-could-see-millions-pushed-into-extreme-poverty-due-to-pandemic-world-bank-analysis/440298/> (Accessed on: 12.06.2020, 2:09 PM)

<sup>3</sup> Shweta Saini, *Covid-19 may double poverty in India*, Financial Express, Apr 30, 2020.

Commission Data. The difference in poverty ratio and threshold is derived by using the monthly per capita expenditure of households. Using the same a simple example has been illustrated as the poverty threshold levels were estimated at Rs. 768 and Rs. 941 per person in Uttar Pradesh in 2011-12 for a month for rural areas & urban areas respectively. The poverty ratio was calculated to be 29.4%. UP's poverty ratio comes to be 57.5% when measured against the same poverty threshold levels if an income shock of 25% is introduced and after applying this new ration one can easily find that about *"71 million more people would be impoverished in the state."* The conclusion of the said data states that the overall poverty here rises to 46.3%, i.e., more than twice the 2011-12 levels, and higher than even the 1993-94 levels; and subsequently, will have an additional 354 million poor, taking the total count of the country's poor to about 623 million.

#### **STEPS UNDERTAKEN BY THE CENTRAL & STATE GOVERNMENT TO TACKLE WITH THE SITUATION OF POVERTY DURING & AFTER LOCKDOWN**

The palliative measures considered by the Government of India in late March as highlighted disclosed that there are almost 33 crore accounts under the *"Pradhan Mantri Jan Dhan Yojana"* that could have been used for the purpose of cash transfer of a fixed amount to the vulnerable sections.<sup>4</sup> In most of the states this became an efficient *"Public Distribution System"* for cash handout and through this system beneficiaries were identified. According to the National Food Security Portal in India, there are a total of *"23.53 crore ration cards in the country"*.<sup>5</sup> It was assumed that all these cards belonged to the citizens who were below the poverty line so a transfer of Rupees 1,000 was considered which estimated a cost of Rs. 23,500 crore for the Centre. Eventually, key relief packages offered by the Indian Government were monthly allowance of *"500 rupees for three (3) months"* under the *"Pradhan Mantri Jan-Dhan Yojana"* exclusively for bank account holders who were women, this initiative sought to ensure universal access to banking facilities. To fight the situation of poverty during the pandemic the Indian Government on 26<sup>th</sup> March announced a financial package of Rs. 1.7 trillion, comprising direct cash transfers and free food. Under the PM-KISAN Scheme in lockdown around 6 crores farmers were benefited and payments of Rs. 13,855 was done towards the first instalment under the scheme. It was also said that the

<sup>4</sup> Raghuvir Srinivasan, *Blunting the Economic Impact of a Pandemic*, The Hindu, Mar 21, 2020.

<sup>5</sup> Harikishan Sharma, *What is the "One Nation, One Ration Card" System?*, The Indian Express, May 16, 2020.

wages under the employment guarantee scheme will be cleared by the government which amounted to Rs. 11,499 crores and out of which 4,431 crores had already been released by the government and moreover it was also said that there will be an increase in the wages under the “MGNREGA Scheme”, and if the promise is kept then there will be a rise in national average wage i.e. from Rs. 182 to Rs. 202 per person per day. However, the packages have failed to meet the bare minimum requirement of rural citizens.

Government doubled the collateral free loan amount to approximately Rs. 20 Lakhs for women in self-help groups and moreover government for the next three months is trying to provide 8.3 crore women with free LPG refills under the “Ujjawala Scheme”.<sup>6</sup> *“Under the National Social Assistance Programme, Rs 1,400 crore has been disbursed to about 2.82 crore old age people, widows and disabled people.”*<sup>7</sup>

## **SOCIO-ECONOMIC IMPACT ON THE ECONOMY DUE TO COVID-19 & LOCKDOWN**

Indian has successfully lifted about 271 million people out of poverty during 2006-2016. However, the current pandemic seems to threaten this gain made by India when around 90% of India’s workforce that includes 400 million workers engaged by the informal business sectors was at a higher risk of being more affected by poverty during the crisis, which is related with the farming sector which has now halted due to the restrictions imposed on mobility and lack of access to labor and hindrance of remittance to the village people.<sup>8</sup>

A Private think-tank CMIE reveals that unemployment in India has risen to 27% as of the 3rd of May, 2020 and has further increased thereafter. Although in the month of May, 2020 the no. of people with no income were around 7.5% of the workforce as against 9% in the month of April, 2020 but the same has increased when compared with the pre pandemic situation where the level was at 6%. According to them, incomes are paused, as the percentage of the workforce earning less than Rs 3,000 a month elevates to 24% of the workforce as against 15% before the onset of the crisis. Experts have suggested that the coronavirus pandemic has magnified the fault lines within the consumer economy, especially income inequality.

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<sup>6</sup> HT Correspondent, *20 Days, 20 Steps: A Look At Government’s Measures Against Covid-19 Amid Lockdown*, The HT, April 13, 2020.

<sup>7</sup> *Ibid.*

<sup>8</sup> PTI, *Coronavirus crisis hit poor the hardest; leaves more people without income than pre-pandemic*, Financial Express, June 25, 2020.

When addressing the agriculture sector and its impact due to the crisis, which is bestowed upon such a vulnerable section of the Indian society, the state of affairs is quite disheartening. COVID-19 is disrupting the services of the agriculture industry and the supply chain as there is unavailability of migrant labor which leads to the halting of many agricultural activities specifically in the northwest India regions.<sup>9</sup> There are interruptions in the existing supply chain structures due to the transportation and movement hurdles and related concerns. Although prices have declined for essential commodities such as wheat, vegetables, and other crops, consumers continue to pay more for acquiring such goods. Reports have also shown that milk sales have also been affected due to the sudden and long closure of hotels, restaurants as well as confectionery and sweet shops. For India the economic crisis will be much more severe, for two reasons. First, Pre-COVID-19, the economic scenario in India was already on the decline and experiencing slow growth due to widespread issues relating to employment, non-competitive income range, education and employment issues faced in the rural regions and widespread inequality. It is also to be noted that the informal sector in India is more exposed to vulnerability in this crisis since they are not on an equal pedestal to the formal sector in terms of stability of work, income and other protection. According to available data, of the 465 million workers in India, around 422 million, about 91% of the population belonged to the informal sector in the year 2017 – 2018.

The migrant issue crisis evolved as one of the most difficult repercussions India had to face during the pandemic. Lakhs of migrant workers were left stranded in the place where they were employed, with little or no supply of proper food and proper shelter. As most of the migrant workers relied on a day to day income, many of them had no or very little cash to even avail of the ration or other essential products, including medicines. Although relief measures were announced specifically by the Government on the 26<sup>th</sup> of March, 2020, the relief packages have not reached them on time or are taking a long time which is further adding to their woes.<sup>10</sup>

Last year, India had one of the largest Diasporas in the world, amongst all the countries in the

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<sup>9</sup> S. Mahendra Dev, *Addressing Covid-19 Impacts on Agriculture, Food Security & Livelihoods in India*, International Food Policy Research Institute, Available at: <https://www.ifpri.org/blog/addressing-covid-19-impacts-agriculture-food-security-and-livelihoods-india> (Accessed on: 08.04.2020)

<sup>10</sup> Tina Edwin, *Why Migrant Workers Are Protesting: No Money to Buy Essentials, Limited Access to Food*, The Hindu – Business Line, Apr 16, 2020.

world, and was remitting millions of dollars and significantly contributed to the economy.<sup>11</sup> Between the years 1990 and late 2000s, India saw a threefold increase in migration from India, rendering it the largest country of origin for migrants<sup>12</sup>. However, their conditions changed substantially in the months of February and March of this year, as the coronavirus pandemic caused havoc in the country, rendering many migrants without jobs and shelter. Desperate and despairing, they approached the Indian Government in the hope of a solution. However, to date, only around 8,78,000 Indians have been repatriated through the Vande Bharat mission.

A study conducted By SWAN observed that the livelihood of at least twelve crore people in the country had been affected due to the crisis and the enforcement of the Government's directive to pay the full amount of wages without any deduction have not been fully complied with by all the organizations. Construction Workers who are not duly registered are not able to access the aid properly from the cess collected by the Labour Welfare Board. *"Very few States recognized the distress of migrant workers and extended relief measures such as free rations to those without ration cards and cash transfers to stranded migrants."*

A study conducted by SWAN evidenced that in the first phase of the lockdown period, wages were not paid by the employers to their workers which got stranded due to the pandemic and were about 89% and also that almost 74% of the migrant workers were getting only less than half of their daily wages throughout the lockdown period, where the average wage of most migrant workers itself is only about Rs. 400 a day.

## **LAWS AND ACTS GOVERNING LOCKDOWN (DISASTER MANAGEMENT ACT) & INVOKING OF EPIDEMIC DISEASE ACT**

In order to cope up with the pandemic, the Government resorted to legislation, as old as 123 years for rescue. In order to ensure enforcement of all advisories of the Union Health Ministry and State Government in this crisis, *"Section 2 of the Epidemic Diseases Act 1897"* was invoked. Apart from this the Disaster Management Act was also invoked to bring into force the initial *"21-day nationwide lockdown"* that began on the midnight of 24<sup>th</sup> March 2020. The Government was empowered to enforce actions to battle the crisis with the aid of

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<sup>11</sup> S. Anisha, *In India, Coronavirus has created a "crisis within a crisis" by bringing migration abroad to a halt*, Available at: <https://scroll.in/global/970268/in-india-coronavirus-has-created-a-crisis-within-a-crisis-by-bringing-migration-abroad-to-a-halt> ( Accessed on: 25.08.2020, 06:30 AM)

<sup>12</sup> *Ibid.*

the aforesaid legislations.<sup>13</sup>

### ***The Epidemic Diseases Act, 1897***

The Epidemic Diseases Act is one of the shortest legislation in India, with only four sections and was formulated for “*providing for better prevention of the spread of Dangerous Epidemic Diseases.*” The Central Government has the power to prescribe regulations related to inspection of ship or vessel leaving or arriving in any port & to detain any person planning to leave or enter India under Section 2A. Restricting the international and domestic travels also falls under the provisions of the act as per advisory issued by the government. The State Government can prescribe regulations to any person or group of people to contain the spread of coronavirus.

### ***The Disaster Management Act, 2005***

The Disaster Management Act (‘DMA’) was enacted by the legislation to handle the issues arising out of natural disasters at the Central as well as State Government levels.

Under “*Section 2 of the DMA Act*” disaster is defined as a “*catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes*”. In March this year, the Central Government of India identified the coronavirus as a critical situation or in other words as Pandemic. Under the provisions of the DMA Act, the Centre, as well as the States, has the power to enforce lockdowns and restrict any free public movement. The government is also empowered to have access to the “*National, State as well as District Disaster Response Fund*”

### ***The Penalties***<sup>14</sup>

Penalties are prescribed under the “*Section 3 of the Epidemic Diseases Act, 1897*” for violating the regulations or order made under this Act. These falls under Disobedience to order duly promulgated by a public servant as per “*Section 188 of the Indian Penal Code*”, such offences are punishable by imprisonment of six months and fine of an amount up to Rs

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<sup>13</sup> Rahul Gul, *The Legal Framework behind the Lockdown*, National Herald, Available at: <https://www.nationalheraldindia.com/india/explained-the-legal-framework-behind-the-lockdown> (Accessed on: 06.05.2020, 09:48 AM)

<sup>14</sup> RSTV Bureau, *Epidemic Act & Disaster Management Act Enforced to Combat Covid-19*, RSTV,, Available at: <https://rstv.nic.in/epidemic-act-disaster-management-act-enforced-combat-covid-19.html> (Accessed on: 31.03.2020, 7:01 PM)



1000 or with both.

Sections 51 to Section 60 of the DMA enlist the penalties for the violators of the rules framed under the Act. Violators can be jailed for up to 1 year or fine, or both and the jail term can be extended to 2 years if the behavior is of more dangerous nature. Apart from the aforementioned Acts, several state governments are also invoking “*Section 144 of the Indian Penal Code*”, which prohibits the gathering of four or more people in a particular area. This provision is invoked to enable the administration to keep a check and control crowding and prevent the spread of the virus.<sup>15</sup>

### WITHDRAWAL OF MHA ORDERS

In March, 2020 the Labour and Employment Ministry had issued an order advising all the establishments not to terminate contracts of their employees working, especially the casual and contractual workers and should not reduce the wages and salaries of their employees due to Covid-19 pandemic. The advisory also stated that if the working of an establishment is suspended due to the pandemic, then also the employee of such establishment will be considered on duty, therefore an order was issued. Many state governments also issued a similar kind of advisory like this which stated that the initial lockdown period would be treated as paid leave working professionals in any establishment i.e. till 31<sup>st</sup> March, 2020.

Subsequently the nationwide lockdown was extended and some state government extended their previously passed orders of treating the lockdown period as paid leave and some stated issued a new advisory under the “*Epidemic Diseases Act, 1897 which stated that the employees whether temporary, outsourced or contractual of private establishments are needed to stay at home and work from of home if possible and the employees would be treated as on duty as per the government orders and shall be paid full salary without any cut.*” MHA Order and other orders & advisories issued by the state government were challenged before the Apex Court as being unconstitutional on various grounds of fundamental rights and if they are forced to pay the salaries during the lockdown period when there is not much revenue earned by the industries then the industries and establishments will collapse.

Many employers resorted to the option of reduction in salaries of the employees by not

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<sup>15</sup> *Ibid.*



following the MHA Order and state government advisory. These reductions were done forcefully and in some cases voluntarily as the industries knew, no one wanted to quit their job and every person needed at least some amount of money to live during these situations which the world was facing. Other measures which the employer resorted to were leave without pay, terminating large no. of employees when they are not earning much revenue. Many counter petitions were filed seeking protection from wrongful termination of employment and irregular payment of wages. *“The principle of no work-no wages cannot be applied during the present pandemic situation due to Covid-19 and also ordered the employer to ensure that the contractor pays full wages except various allowances like food and conveyance allowance, to the employees from March, 2020 to May, 2020. It was decided by the Aurangabad bench in the petition filed by Rashtriya Shramik Aghadi.”*<sup>16</sup> New MHA Orders has lifted almost every restriction including restriction on private offices and units to pay the full salaries and *“wages to the workers during the period of lockdown”* is no longer relevant as now offices and establishments are allowed to operate which requires their employee to report back to their work but with a condition to follow social distancing norms and other protection norms.<sup>17</sup>

### **CASE LAW RELATED TO PAYMENT OF WAGES DURING THE LOCKDOWN**

State Authorities which facilitate all the Private Establishments, Factories, Trade Unions etc. can now avail interim measures for the *“Payment of Wages during the lockdown”*. Such interim measures were issued by the Supreme Court in July.<sup>18</sup> Employers and employers’ associations of various sectors filed Writ Petitions challenging the orders issued under Disaster Management Act, 2005 and further subsequent orders issued by various States and authorities at different points of time where directions were issued for all employers, including employers who are industries or shops or commercial establishments falling within the ambit of the Shops and Commercial Establishments Act shall be liable to make prompt and full payment of wages to the workers of the organizations on or before the due date without making any deductions, for the period of time such establishments are under closure

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<sup>16</sup> *Rashtriya Shramik Aghadi v. The State of Maharashtra & Ors.* (Writ Petition No. 4013 of 2020).

<sup>17</sup> Seema Jhingan & Tanmay Mohanty, *MHA Withdraws Order Requiring Compulsory Payment of Wages*, Mondaq, Available at: <https://www.mondaq.com/india/employment-and-workforce-wellbeing/937246/mha-withdraws-order-requiring-compulsory-payment-of-wages> (Accessed on: 19.05.2020)

<sup>18</sup> *Ficus Pax Private Limited v. Union of India* (Writ Petition (C) Diary No. 10983 of 2020)

during the lockdown.<sup>19</sup>

Moreover, any private establishment or employer can enter into negotiation and settlement scheme regarding the payment of wages for 50 days to their employees during the period when no work was carried out by the industry and was closed due to the lockdown imposed in the nation and if they are unable to settle the claims, then they can submit a proper request to the concerned labor authorities who are entrusted with the obligation to conciliate the dispute between the parties who on receiving such request, may call the concerned Employees Trade Union/workers Association/ workers to appear on a date for negotiation, conciliation, and settlement.

Any industries, factories, companies, commercial establishments, employer's establishments or any other enterprises that remained functional during the lockdown period are also entitled to follow the steps enumerated in the Direction, even if such organizations were not running in their full capacity. Further, any existing rules pertaining to unpaid wages of more than fifty days shall not apply in any manner prejudice industries, private establishments or factories that allow employees to continue working in the establishment.

## CONCLUSION

According to the NCRB Data 42,480 Farmers and Daily Wagers committed suicide due to poverty in 2019. In 2020 a total of 195 people died of suicide in Noida since January and numbers have spiked following the announcement of lockdown. In January the number of suicide cases were 16, in February the cases were 19, in March the cases were 15 and then the numbers had spiked due to the announcement of lockdown in the country i.e in the month of April the number of suicide cases were 24, in May the number went up to 31, in June it went up to 34, in July the cases were 30 and in August 26 people died of suicide due to poverty. The Indian economy shrank 23.9% year-on-year in the second quarter of 2020, much worse than market forecasts of an 18.3% drop. It is the biggest fall down till date as the Indian Government imposed a coronavirus lockdown in March, 2020 and had extended the same in many phases. Various sectors of the economy saw a decline like the Construction Sector saw a decline of 50.3%, Hotels & Transportation saw a decline of 47%, Mining & Quarrying saw a decline of 23.3%, Finance & Real Estate Business saw a decline of 5.3%, Exports saw a

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<sup>19</sup> Krishnadas Rajagopal, *Lockdown Wages: Supreme Court Allows Firms to Negotiate with Staff*, The Hindu, June 12, 2020.

decline of 19.8% and Imports went down to 40.4%. To fight the situation of declining GDP and to recover the Economy, the Indian Government had announced unlock in the country so that the various sectors of the economy can operate and can recover itself as soon as possible but at the same time the country saw a rise in the no. of corona case which have now crossed the mark of 40 Lakhs in India in the 1<sup>st</sup> week of September, 2020 and is expected to cross the mark of 50 Lakhs by September end.