



## COVID-19: A SHATTERED DREAM WITH A HOPE TO NEW NORMAL

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### Abstract

The bolt comes from the blue: all of a sudden India had the first case of covid-19 in the month of Jan 2020, three people from Kerala who returned from Wuhan. At Prinaton University, a webinar was held in the 2<sup>nd</sup> week of April 2020, economics noble laureate A. Deaton said, "Countries with strong Administration and health systems could enforce social spacing, comprehensive testing, isolation and treatment. But in poor countries with weak administrative and medical capacity, shutdowns would not check the disease. Social distancing was impossible in densely populated urban slums, crowded bazaars and huts, where several people slept. Virus testing capacity weak, so detection, isolation and treatment were highly incomplete and the disease would spread during shutdowns".<sup>1</sup> Although Prof. Deaton has not named India, but really we were not prepared for this. An economic activity is concerned with activities that secure survival to man. The physical survival gets extended according to technological base is broad enough. Traditional economic theory assumes that individuals and other economic agents behave rationally-optimum allocation of resources such as to obtain the least cost combination of factors, max satisfaction to the consumer etc. But behavioural economics is the study of how people make choices in the real world-particularly when there are uncertainties like natural disasters, Amphan, Nisarga, pollution, entering of a swarm of locust and pandemic like covid-19 and the consequences there of. In such situations study of human behaviour has its multidimensional approach. This research paper is an outcome of this behavioral approach.

**Keywords:** - Logical and rational behaviour to a Stage where actual human beings act illogically and irrationally (over purchase of goods and services, what will happen tomorrow, uncertainty, fear psychosis, change in behaviour...)

### Introduction

The physiocrats conceived of an ideal order of things, a perfect arrangement of institutions guided by the law of nature which they called the natural order. The order was providential and God in His mercy had created it for the benefit and happiness of mankind. Natural order was sacred, universal and unchangeable. Nature is very kind to us but we have not paid due attention to environment risks for sustainable base for economic prosperity. Covid-19 has certainly opened everyone's eyes to possibilities that can positively impact the climate agenda. Clean, breathable air and the reality of a work-from-home culture are obviously ones. For manufactures, shorter supply chains

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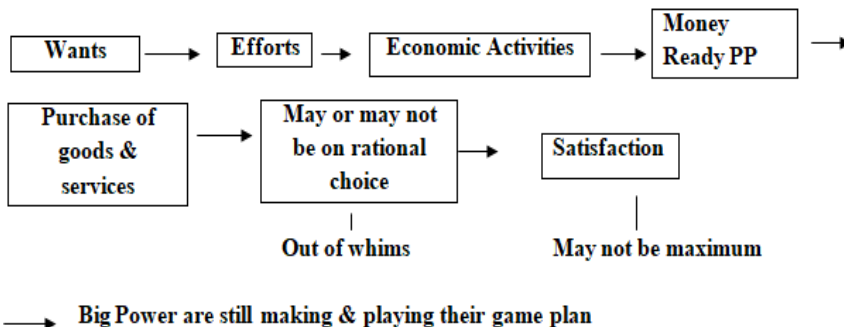
with its lower scope 3 green house gas emissions will become a business community imperative. The similarity between covid-19 and the climate crisis-both in terms of their disruptive impacts on human lives and the economy and their response that emphasizes science and the need to build resilience-can also benefit the climate agenda.<sup>2</sup>

Recovery must take into account the climate crisis actors such as think tanks and advocacy groups should work to ensure the momentum is maintained. Many big cities are already mired in a deep water crisis or heading towards it. Mindless exploitation of ground water has almost exhausted, what could have been used as an alternative in times of crisis. Both Amphan and Nisarga are trailers of what the future is going to look like because of climate crisis. There is no substitute of water. India is clearly in the stage of community transmission. It will also strain the health infrastructure. As per official data, there are 1.2 billion people mobile phone users in India, but only 350 million have smart phones. The remaining 900 million are feature phone users. 115 million people have downloaded the Arogya Setu App till now, which is mandatory for those taking special trains, arriving from abroad by the repatriation flight or taking domestic flights.<sup>3</sup>

India's economy grew at 4.2 % (2019- 20) the lowest in 11 years as against 6.1% (2018-19). Prior to the pandemic, the unemployment rate touched its highest watermark in 45 years. Industrial growth suffered as did the key sectors of the economy (manufacturing, construction, trade, hotels, transportation and communication and financial services). A fastest growing economy has been shattered. Our social Institutions, social attitudes and values are changing. Now people are in stress, they are feeling uncertainty, hopeless, worry about future, loneliness, emotional disturbance. These are the behavioral changes due to covid-19. The assumption of certainty is not valid due to four factors:-

1. Outcome is uncertain (investment may or may not bring the stipulated rate of return).
2. Return on real investment is again uncertain.
3. Lack of information (there is a question mark on the right information being supplied)
4. No scientific fore-casting or prediction is possible.

Choices are being made on our own whims. Many a time purchase are made, but one regrets later. But still the fundamental theorem of economics has not lost its validity.





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## Literature Review

India is facing the most serious public health economic and humanitarian challenge in its independent history. This has led to a range of both immediate and far-reaching decisions by the government. Migrant workers across the country are heading back home and are largely subject to what can only be termed as rather arbitrary orders of the central government India is now opening up (unlock from 1-6-2020 but this is expected to increase the number of cases). There has been no institutional accountability (parliament when bills are presented discussed and then passed- in Lok Sabha, then in Rajya Sabha after that clearance from the president of India). India is set to cross 4 lakh cases on May 18 and the doubling rate has gone down. If this persists, it means india could cross a million cases by the first week of July 2020 and may witness close to 30,000 deaths by that time. The country has now substantially opened up which all experts agree could lead to a sharp increase in cases. Thus, we need testing, equipments and laboratories EUSA based antibody testing kits, capacity to produce PPE kits with their success stories, more beds, oxygen support ICU, ventilators and above all a well coordinated public health management system all over the country.

One is reminded of Malthusian Theory of population. He was first to develop smashing emphasis. He wanted to prove that “the poor are themselves responsible for their poverty”. He believed that passion cannot be controlled. Population grows in G. P [1, 2, 4, 8.....] and rises unchecked. It has a tendency to double it in every 25 years. Supply of food grains grows in AP (1, 2, 3, 4.....) due to law of diminishing returns in agriculture. Rate of growth of population out strips the growth of food grains. He advocated preventive checks otherwise positive checks shall set in motion equibalancing population growth. According to him “The laws of nature are essentially punitive, Natural evil is the instrument by which God warns us from any mode of conduct which is not suited owe being.”<sup>4</sup>

Corona virus disease, the climate crisis, developing severe typical cyclonic storm (Amphan, Nisarga, land fall in Raigarddist. etc. are the warning bells of what the future is going to look. According to the estimates of the United Nations Population Fund, 141 million births were recorded worldwide of which 27.2 were in India. India will beat the centre of a baby boom triggered by the covid-19 outbreak, which has prompted lockdowns across the world and confined residents indoors, according to a report by the United Nations. According to a report released by Unicef on 7<sup>th</sup> May 2020- ‘An estimated 116 million babies will be born under the shadow of the covid-19 Pandemic- New mothers and newborns will be greeted by harsh realities.’<sup>5</sup>

## Research Gap

Labour force participation rate is very low and a number of persons are losing their job along with a fear of job loss to those, who are in employment. Following are the priorities:

1. Providing quality Health care to all (Particularly to those who are not socially secured)
2. Fight against poverty, hunger, malnutrition, over exploitation of natural resources and creating job opportunities.
3. Empowering people for a behavioural change (they are not used to)



India is headed into first recession in four decades with GDP growth rate tipped to drop into negative territory in fiscal year 2020-21 (-6.8 % GDP growth estimate for 2020-21).<sup>6</sup> Economists are of the view that the situation is worse than the great depression of thirties, when Keynes came on the scene with his ideas of compensatory spending and Pump- Priming (in the form of a fiscal stimulus) to correct the deficiency in aggregate demand and thus established him as a father of macro-economics. Classical economists believed the position of full- employment as a normal situation in the economy. All those who are willing to work, qualified to work, able to work get the work at current wage rate without any delay.

1.	Classical economist assume that there is only one function of money that is the medium of exchange (Quantity theory of money) PT= MV or M=IPY	According to Keynes demand for money is due to three motives- transactive and precautionary both being functions of Y and the third one speculative motive mainly function of rate of int. M= IPY+L (r)
2.	Volume of income is a function of vol of employment in the economy (micro concept) Y=Y (N)	Keynes agrees- but his analysis is macroeconomic analysis. Y= Y (N)
3.	$\frac{dY}{dN} = N \left( \frac{W}{P} \right)$ Rate of change in vol. of employment is an inverse function of real wage rate and real wage rate could be reduced through a wage cut (Pigou formula).	Keynes agrees but according to him vol of employment could not be increased via wage cut because wages are not only cost but source of demand also. Hence he was in favor of increase in supply of money.
4.	Saving and investment both are functions of rate of interest S= S (r) i = i (r)	According to Keynes aggregate savings are mainly function of income S=S (Y) and rate of interest. Investment is a function of expected rate of profit and rate of interest.
5.	Whatever is earned is automatically spent on consumption- there is no leakage in the flow of income and expenditure.	Whatever is earned is not spent on consumption. As income increases consumption also increases but not so much as income. $0 \leq MPC \leq 1$ $MPC = \frac{\Delta C}{\Delta Y}$
6.	Saving is both private as well as a social virtue.	According to Keynes savings is a private virtue but a social vice
7.	Automatic Adjustment.	No automatic adjustment, Keynes recommended a fiscal stimulus so that there could be PP in the hands of unemployed. $\Delta Y = K \Delta I$ $K = \frac{\Delta Y}{\Delta I} = \frac{1}{1 - MPC}$ Multiplier is a path breaking contribution of Keynes.

### Objectives

There are three objectives of this paper

1. To study the impact of covid-19 on social behaviour
2. To analyze the impact of covid-19 on Indian economy
3. To examine the effect of covid-19 on mental health



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### Research Methodology

This paper is an outcome of the experiences faced by the authors during the lockdown, when our dears and nears were ringing the door bell and we were not inviting them and nor do they were expecting. Notes were being exchanged along with masks and face shields on our faces. The Indian value of “Atithi Devo Bhava” has undergone a change for which still we are not prepared. According to the annual report card of the Global Health status (Released by WHO on May 13, 2020) - “It is disappointing to see India among the bottom of all countries in the context of healthy life expectancy which is now primarily driven by non-communicable diseases such as diabetes, cancer, heart and lung disease and stroke” Dr Anoop Mishra (Chairman Fortis Centre of Diabetes, Obesity and Cholesterol, New Delhi).<sup>7</sup> Enough material is being supplied by a number of organizations and government agencies. Centre of Monitoring Indian Economy is doing a creditable role in supplying authentic data apart from WHO, RBI, United Nations etc. Daily news papers are carrying a lot of information. This paper is based on secondary data supplied by these sources. Simple statistical tools have also been used to draw conclusion and inferences.

**Objective 1- (Social Behaviour)** - The toughest thing during these days is not having physical contact with people. There have been online teaching, online examination, a number of webinars etc. where we have enjoyed live chats but nothing replaces having the persons in front of you. Indians are very much attached to social traditions and that is why they keep their family roots intact by observing all social obligations and cultural values.

Our value system has built up a social network of friends and family members. A person’s social status is judged by attending social functions. The term values refer to motivations of human behaviour towards particular ends. All human beings in society want self-esteem in the form of self interest, dignity, honour and recognition. Gone are the days, when a person was judged on the basis of his birth place, family background, caste, creed, region etc. There are a number of persons, who have led revolutionary movements for a change for the better. Now every person expects that due respect should be given on the basis of attributes and the quality services rendered to the cause of society.

A person's social status is judged on the basis of the following indicators-

1. How many invitation cards are exchanged and the response rate for attending these functions.
2. How many VIPs make their presence.
3. How many persons visit hospitals in case of serious illness of a family member and how many persons come forward to donate blood in case of need.
4. How many dishes are served during social function.
5. How many persons take part in funeral processions and make it a point to send condolence messages.
6. How much amount is being spent on the parties, the venue, the decoration, the gifts etc.

Coronavirus and frequent lockdown are bringing a compulsive big change in the social behaviour of all persons if only 50 members are allowed to attend a marriage ceremony, closed relatives and friends are even left out. Similarly only 20 persons are



allowed to attend the cremation/ burial etc. Doctors prescriptions are available online on the basis of various test reports of the patients surgeries are being postponed. Senior citizens are not meeting their friends in a park and notes are not being exchanged. Most of them are computer-illiterate. Telephonic formalities are being observed and expectations are subsiding because we are used to Physical presence.

### Objective- 2 (Economic Aspect)

India became the fastest growing economy by achieving a growth rate of 8% in 2015-16 and 8.17% in 2016-17 at constant prices (2011-12) and this figure gave a confidence to make an Indian economy of 5 trillion dollar by 2024-25. Economic growth is a multidimensional concept and is reflected in people's better standard of living, better food, clothing and housing, improved education, sanitation, medical facilities, better means of transport and communication (information technology, reduction in level of poverty, hunger, unemployment and inequalities in distribution of economic and social power, increase in productivity with advancement of science and technology, carrying out innovation through research in different fields, promotion of human skills, improvement in production functions, participation of less advantageous section of the society in decision making, empowerment of the needy section of the society, social welfare and social security (inclusive growth), sustainable growth (conservation of natural resources), focus on air, water and waste management etc.

It is the climate crisis, which cuts across all sectors and has an impact on everyday life. Climate crisis is making cyclones stronger and more destructive by increasing sea surface temperature and rainfall during the storm; raising sea levels, which increase the distance that a storm & surge can reach, and allowing storms to gain strength quickly. The graph given below highlight the trends in growth rate at constant prices during the period of 11 years from 2009 to 2021-22 [estimated]



IMF'S Prediction on 25-6-2020



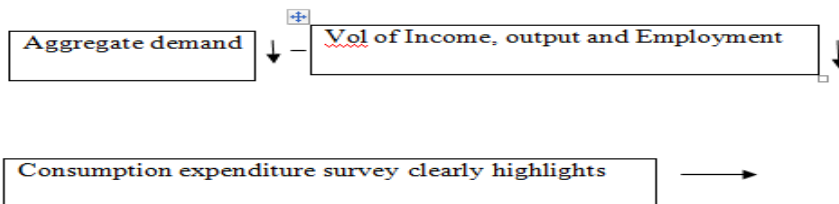
1. lowest in 11 years
2. Q4 (2019-20) growth rate remained at 3.1 % [only seven days of lock down from 25-3-2020 to 31-3-2020]

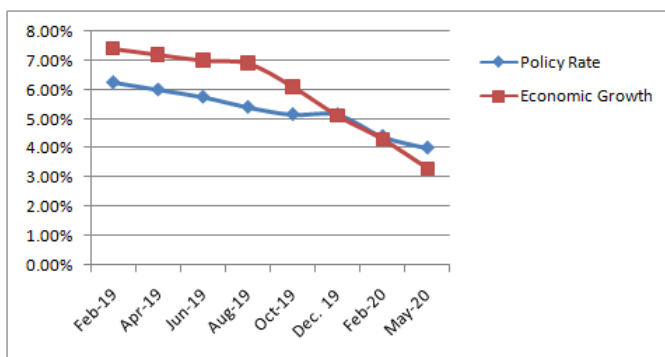
The lockdown is expected to sharply cut GDP growth rate in 2020-21. India is headed into first recession in four decades (because of covid-19) pandemic with GDP growth rate tipped to drop into negative territory in fiscal year. Gross State Domestic Product in 2020-21 loss due to COVID-19 for all states, which is 13.5% of the total GSDP, while the budget estimates pegged the GDP for 2020-21 at rupees 24.9 lakh Crore, the loss in GDP of rupees 30.3 lakh Crore means revised figure is tipped to be rupees 195.6 lakh Crore.<sup>8</sup> The report estimates the economic loss in Q1 (2020-21) will exceed to 40%. The RBI warned in May 2020 about the slackening of private consumption. Economists have predicted that 25% reduction in the earnings will increase the number of those below the poverty line from 21.9% to 46.3%. Mass migration of hapless victims of lockdown has resulted in a different types of crisis (could be named as a humanitarian crisis). Fiscal deficit during 2019-20 was 4.59 % of GDP.

There has been a declaration phase in Indian economy for four consecutive years (2017-18 onwards). Gross Fixed capital formation (a measure of investment) contracted by 2.8% in 2019-20 (worst performance since 1991-92) Private final consumption expenditure has also gone down from 8.1% in 2017-18 to 5.3% in 2019-20.<sup>9</sup> India has seen four instances of contraction in GDP since 1951-52 [1957-58,1965-66,1972-73 and 1979-80]. The household savings rate has also gone down from 23.6% of GDP in 2011-12 to 18.2% in 2018-19.<sup>10</sup> According to UN chief “Pandemic will cause unimaginable devastation, usher in hunger and famine of historic proportions and lead to a loss of 8.5 trillion dollar in global output-the sharpest contractions since the Great Depression of the 1930s. Sixty million more people have been pushed to extreme poverty upto half the Global workforce is without livelihood.<sup>11</sup>

India’s sovereign credit rating was cut by a notch to the low investment-grade with negative outlook by Moody’s investor service, which cited growing risks that Asia’s third largest economy will face a prolonged slower growth amid rising debt and persistent stress in part of the financial system. The country's credit rating was downgraded to Baa3 from Baa2.<sup>12</sup> India will continue to face high unemployment rates in the wake of pandemic if the economy is not in revival mode soon. If we do not address growth, there will be a number of issues.

Aggregate demand in the economy= Final consumption expenditure + Govt purchase of goods and services + Gross domestic private investment + Net exports





Author's own calculation  
 $r = (+.3)$  app.

From the graph above, it is very clear that normally a negative relationship is there between policy rate and rate of economic growth but here this is not happening. Because consumption mainly depends on income (Purchasing Power) and Inv on the expected rate of profit. Tens of millions have lost their job, production has come to a halt and the aggregate demand has reached rock-bottom due to sleep fall in exports, investment and consumption demand. India has given a stimulus to the tune of 10% of GDP i.e. Rs. 20 lakh crore to boost liquidity, consumption and investment in the economy. It is important to reach out to those sections of the population that need relief to even survive. The need of the hour was money in hand.

### Objective- 3 (Psychological Effect)

Nowadays due to covid-19, human mind set has become very negative, because every where there is negative news- whether on print media, TV on social media. When a person does not work, what will he eat? People are in street, they are facing the problems of uncertainty, hopeless, worry about future, loneliness, emotional disturbance because covid-19 has changed human relationships during these months. Tomorrow what will happen, nobody knows? If job is not there, lives are disrupted, livelihoods are hurtor even destroyed and person stare at an uncertain future for themselves and other family members. This has caused anxiety, fear, stress and trauma. Depression is something that anyone can experience it any point of their life. People suffering from depression might get rude. Irrespective of the pandemic mostly Indians have not prioritized mental well-being except they are worried about their physical well being sometimes, one needs someone to listen to him/her.

United Nation Secretary General Antonio Cuteress on 13<sup>th</sup> May 2020 said- need for government to urgently address mental health Care needs and ask them to include mental health as part of their policy response to the Pandemic. The mental health crisis will stay beyond the pandemic and people across classes and communities will need help.<sup>13</sup> India ranks poorly in Mental Health Awareness and treatment. Battling social stigma on one hand and lack of mental health has always been important sphere of our lives. It is believed that the root of most issues which are needed to be addressed.





## Conclusion

New cases in six countries- Brazil, Russia, India, Peru, Chile and Mexico have seen a drastic surge in the month of April & May 2020. India reported the third highest new cases on June 3, 2020. In the new case curves of the 20 worst hit nations, above-mentioned six nations have upward trajectory, while the other top nations all have dropped. In fact, the health care infrastructure is built over decades. Now three months are over into pandemics run in India and after more than two months of lockdown, no one would accept that the country does not have testing resources physical activity is great for mental health- but this all depends to the condition that one has not lost the job and is able to fulfill all basic needs of the family. The new normal will definitely take some re-adjusting time. When it comes to choose one out of life and living, it is really very difficult to choose one. Both are equally important.

## Suggestion

1. Public health system should be well coordinated and well managed with proper backward and forward linkage
2. Focus should be on air, water and waste management. Climate crisis is the overarching challenge.
3. Boost a low carbon economy for jobs, growth and sustainability.
4. Country is first, we all are Indians challenges are to be accepted and opportunities are to be availed.
5. Last but not the least, we must observe norms of planned parenthood.

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