

## ECONOMIC EFFECT OF THE COVID-19 PANDEMIC ON RURAL AND URBAN COMMUNITY

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### ABSTRACT

*COVID-19 has enormously impacted the economic life of the people. The study's objective was to investigate the effect of the COVID-19 pandemic on the financial aspects of the rural and urban community in the Banaskantha district during and post-lockdown. The study sample consisted of 200 respondents randomly selected from ten rural and ten urban areas in the Banaskantha district. An interview schedule was developed to collect primary data from respondents. The result showed that economically rural respondents were moderately affected during the lockdown but highly affected post-lockdown. In comparison, urban respondents' social and economic aspects were extremely affected during the lockdown and moderately affected post-lockdown. A significant difference between lockdown and post-lockdown for social and economic effects was found due to the COVID-19 pandemic between rural and urban respondents. Overall, it can be concluded that COVID-19 adversely affected the economic aspects of rural and urban communities during and post-lockdown. Thus, better management by the government against the COVID-19 pandemic is essential to mitigate the financial crisis.*

**Keywords:** pandemic, COVID-19, effect, economic aspects, rural and urban community, lockdown

### INTRODUCTION

The whole world has a long history of epidemic diseases. Most countries have suffered from epidemics and pandemic situations for more than 100 years, like Spanish flu, influenza, smallpox, cholera, swine flu, SARS, H7N9, etc.; from every pandemic disease in the past world mostly faced losses in casualties. Problems such as economic crises, poverty, and other health issues were very minute compared to the difficulties faced by COVID-19. The COVID-19 pandemic is the worst global health disaster and the most-significant challenge of the century. It is an infectious disease caused by Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-COV-2). The COVID-19 Pandemic has overwhelmed the entire world, and India has also borne the brunt.

The outbreak of COVID-19 has enormously impacted nations; the pandemic affected almost every country in the world and moved the activities of every sector on the global front, especially the nationwide lockdowns that brought social and economic life to a standstill. A world that was forever buzzing with activity fell silent, and all resources were diverted to meet the requirement of people who had never experienced it before the crisis. The virus was a multi-sectoral impact as nations' social and economic activities slowed down.

According to The Economic Times (March 12,

2020), India was facing a massive decline in government revenues and income growth for at least two quarters as the coronavirus hit the economic activity of the whole country. On one side, the virus had destroyed the world's economy; people had nothing to do, and more than half of the world's population had closed their houses, consequently affecting their mental health. The first coronavirus outbreak in India was reported on January 30, 2020, in the Thrissur district of Kerala when a student returned home from Wuhan University, China (Rawat,2020). Later, the number of infected cases increased daily, and the situation worsened. As a result of its infectious nature, almost all nations favored lockdown to limit its spread. Following this, India initially proclaimed a one-day "Janata Curfew" on March 22, 2020. Initially, a total lockdown was reported in India for 21 days, which was extended to an additional 19 days, and after that, it broadened further with minor relaxations. After June 1, 2020, many relaxations were given to proceed with the economic activities (Aneja & Ahuja, 2020).

Nevertheless, the borders of some states are sealed even now, depending on the severity of the health crisis in a particular state. However, all the economic activities were provided some relaxation after a complete halt, but an unprecedented loss has already occurred, and the economy is poorly shaken. Consequently, it poses enormous health, economic, social, and psychological challenges to the entire

human community. COVID-19 has rapidly affected our growth and day-to-day business, disrupting world trade and movements.

### Effect of COVID-19 pandemic on economic aspects

The global COVID-19 pandemic is inflicting two kinds of shocks: health and economic shock. The highly contagious nature of the disease is the cause for the imposition of social distancing, self-isolation at home, closure of institutions, and public facilities, restrictions on mobility, and even lockdown of an entire country. These actions lead to dire consequences for economies around the world. In other words, effective containment of the disease requires a country's economy to stop its normal functioning. In such a crisis, India's effort to combat the COVID-19 virus has been praised over the globe. But the lockdown has come with an economic cost and cascading impact on all sections of society. The COVID-19-induced lockdown in India was a substantial economic shock. It started across the country on March 24, 2020, and has continued with restrictions in one form or another. The economy stalled, and enterprises in all sectors were banned entirely. The coronavirus pandemic has also triggered a massive reverse migration from the urban to rural areas in large parts of the country due to business interruptions and shutdowns from social-distancing measures.

The safety measures such as lockdown, social distancing, and self-isolation were taken to stop the spread of COVID-19 from influencing the daily life of people, their businesses, and mobility. There has been a significant shift in the economic market, and the share market witnessed crashes daily. Factories, Restaurants, Pubs, Markets, Flights, Super Markets, Malls, Universities, Colleges, *etc.*, were shut down. Fear of the coronavirus has limited the movement of individuals. People were not even going to buy the daily essentials, and these all were somewhere impacting the world's economy as a whole. While lockdown and social distancing result in productivity loss, on the one hand, they cause a sharp decline in demand for goods and services by the consumers in the market, on the other, thus leading to a collapse in economic activity.

The COVID-19 crisis has disrupted the standard practice of economy and governance and has far-reaching consequences. The severity of the economic impact was spatially heterogeneous, and specific communities were more affected, and the financial stress started and snowballed. It was noted that lockdown measures resulted in the poorest and most marginalized members of the society (who make up approximately 400 million informal workers) having the least socioeconomic capacity to combat the pandemic without work and income. The economic effects on the daily

life of the people during COVID-19 are presented as follows:

- ◆ Slowing of the manufacturing of essential goods
- ◆ Disrupt the supply chain of products
- ◆ Losses in national and international business
- ◆ Poor cash flow in the market
- ◆ Significant slowing down in revenue growth.

Therefore, assessing the impacts of the COVID-19 crisis on societies, economies, and vulnerable groups is fundamental to informing and tailoring the responses of governments and NGOs to recover from the situation. It also helps to handle economic aspects better and mitigate risks. How people cope with the pandemic will be based on the quality and resilience of their social and psychological structures. Furthermore, there is a need to understand the socioeconomic consequences of COVID-19, as any epidemiological diseases have a long history of socioeconomic impacts.

### OBJECTIVE

To study the economic effect of the COVID-19 pandemic on the rural and urban communities of the Banaskantha District

### METHODOLOGY

The present study was conducted in the Banaskantha district of Gujarat. The Banaskantha district has 14 talukas; out of them, two talukas; were selected purposively. A multistage random sampling method was used to determine the location and respondents for the study. From each taluka, 50 respondents from the urban community (10 respondents from five- zone of a selected city) and 50 respondents from the rural community (5 villages were chosen randomly, and ten respondents from each village at random) were selected randomly. In all, 200 adults working for populations (100 from each taluka) were considered respondents to the study. The interview schedule dealt with information regarding the effect of the COVID-19 pandemic on the economic aspects of respondents during and post-lockdown. The personal interview technique was adopted for the collection of data. The collected data were categorized, coded, and analyzed using frequency, percentage, means, standard deviation, mean percent score, and independent-sample t-test methods.

### RESULTS AND DISCUSSION

The statement-wise data on the effects of COVID-19 on the economic aspects of rural and urban respondents during and post-lockdown were analyzed and presented below.

### Effects of COVID-19 on statement-wise economic aspects of rural and urban respondents during and post-lockdown

The data accorded in Table 1 show the statement-wise response of the rural and urban respondents regarding their economic situation during the lockdown and post-lockdown periods. These statements were designed to capture the financial status and troubles of the rural and urban respondents considering their pre-lockdown status as a reference point. All activities or practices following the

pre-lockdown period were considered normal. Hence, in this study, respondents were asked to register their responses regarding their pre-COVID-19 economic situation in terms of employment, earnings, expenditure, and source of money for regular spending, *etc.* Lockdown and post-lockdown restrictions brought a remarkable and never-experienced change in most respondents' daily routine and financial behavior. It affected people's physical and mental health and family's economic well-being.

**Table 1 : Effects of COVID-19 on statement-wise economic aspects of rural and urban respondents during and post-lockdown** (n = 200)

Sr. No.	Statements	MPS			
		Rural		Urban	
		During lockdown	Post-lockdown	During lockdown	Post-lockdown
		<i>f</i>	<i>f</i>	<i>f</i>	<i>f</i>
1	<b>COVID-19 has affected you financially.</b>	70.5	58.5	88.5	71.5
2	<b>Economic stress is increased.</b>	68.5	54.5	86	64.5
3	<b>Lost employment.</b>	3.0	00	13.0	4.0
4	<b>Business transactions declined.</b>	29.0	3.0	25.0	8.5
5	<b>Loss of income during the pandemic.</b>	73.5	34.0	85.0	56.5
6	<b>The business was closed due to the lockdown.</b>	11.0	00	27.0	3.0
7	<b>COVID-19 affected the family's ability to meet financial obligations (Loan repayments, household bills, mobile recharge school fees, <i>etc.</i>).</b>	39.5	32.0	94.0	73.5
8	<b>Borrowed money (financial help from friends and relatives) to mitigate financial loss or sustain daily needs.</b>	37.5	24.5	52.5	43.5
9	<b>Due to the unavailability of labor, farming, agriculture production, and sale are affected.</b>	60.0	31.0	1.0	1.0
10	<b>Border closures and trade restrictions reduced production.</b>	60.5	28.5	23.5	10.0
11	<b>Spent money from long-term savings.</b>	38.5	29.5	52.5	36.5
12	<b>Panic buying created a shortage of essential items and made them expensive.</b>	79.5	53.5	83.0	67.5
13	<b>Online classes increased spending on electricity and internet/mobile bills.</b>	44.0	54.5	72.5	89.5

The data presented in Table 1 provides glimpses into the effect of lockdown and post-lockdown restrictions on the rural and urban economic situation in terms of statement-wise mean percentage score (MPS). These statements and responses of respondents are not indicative of their financial situation before the spread of COVID -19. Most of the respondents belonged to the middle and lower-middle classes; hence may or may not be in good financial condition before the lockdown. However, here we focused on getting their responses concerning their economic situation during lockdown and post-lockdown. Hence, the response is relative.

The response to the first statement suggests that

COVID-19-related lockdown and post-lockdown restrictions affected the majority of respondents economically. The effect was more on urban respondents (lockdown - 88.5 MPS; post-lockdown - 71.5 MPS) than rural respondents (lockdown - 70.5 MPS; post-lockdown -58.5 MPS). Urban respondents are primarily engaged in private business and services. In contrast, agriculture and allied sectors were allowed to operate to maintain food, vegetable, and milk supplies. In the initial phase of the lockdown, panic buying and inflation due to a supply shortage also resulted in financial stress.

No source of earning added more stress to urban residents as payment of house and business rents, EMI, and

hefty school fees need to be paid regularly. Hence, urban and rural respondents agreed to have faced financial stress during the lockdown, with 86.0 MPS and 68.5 MPS, respectively. However, this stress remained moderate for urban and rural respondents post-lockdown (64.5 MPS and 54.5 MPS).

A few respondents also lost their jobs/employment. However, this number was higher among urban and rural respondents. A few urban respondents could not secure a job post-lockdown; rural respondents could engage in some jobs. Businesses of about one-fourth of the urban (27.0 MPS) and few rural (11.0 MPS) were closed during the lockdown period. Likewise, a small fraction of urban respondents could not reopen their businesses post-lockdown (3.0 MPS) for various reasons. Most respondents engaged in business and services reported a remarkable decline in footfall and financial transition across the urban and rural areas. It was evident as all nonessential services and companies were closed entirely during the lockdown and opened partially in a phased manner during lockdown and post-lockdown. Losses were higher for the urban respondents than for rural respondents. No business or loss of trade resulted in a loss of income.

Most of the urban respondents (lockdown - 94.0 MPS; post-lockdown - 73.5 MPS) and one-third of rural respondents (lockdown - 39.5 MPS; post-lockdown - 32.0 MPS) reported that COVID-19-related lockdown and post-lockdown restriction affected their ability to meet the regular expenses and financial obligations such as EMI of car and house, house rent, school fees, utility payments, etc. Due to work-from-home and online classes, electricity expenses and mobile/internet bills increased for most urban (lockdown - 72.5 MPS; post-lockdown - 89.5 MPS) and rural (lockdown -44.0 MPS; post-lockdown - 54.5 MPS) respondents. A good number of urban (lockdown - 52.5 MPS; post-lockdown - 36.5 MPS) and rural (lockdown - 38.5 MPS; post-lockdown - 29.5

MPS) respondents spent their long-term savings to mitigate the sudden loss in income. Many respondents did not have enough savings to meet the family expenses. To overcome the financial stress and meet the money requirements, urban (lockdown - 52.5 MPS; post-lockdown - 43.5 MPS) and rural (lockdown - 37.5 MPS; post-lockdown - 24.5 MPS) respondents borrowed money from relatives and friends.

Lockdown and subsequent restrictions on people and vehicle movement and uncertainty over lockdown duration created a labor shortage for agricultural activities and skilled labor for business. It resulted in a loss in agricultural and industrial production and sales of various commodities. Besides, within the district, state, and national levels, travel restrictions and border closure impacted raw material supply, reducing the production of different essential items and commodities. Respondents from the urban (lockdown - 83.0 MPS; post-lockdown - 67.5 MPS) and rural (lockdown - 79.5 MPS; post-lockdown- 53.5 MPS) settings observed panic buying and shortage in supply created a scarcity of essential items and made them expensive. The above finding is in agreement with the results reported by Vanlalramsanga *et.al* (2020), prawoto *et al.*(2020) and Milani (2021).

**Distribution of the respondents based on the effect of COVID-19 on economic aspects during lockdown and post lockdown**

To get an overview of the effect of COVID-19 on the financial aspects, the respondents were divided into three categories: extremely affected, moderately affected, and slightly/not affected, with weightage of 3, 2, and 1, respectively. This stratification has been prepared based on the percentage of COVID-19 effect on the respondents regarding economic aspects. The respondents were classified into three categories based on mean score and standard deviation ,and

**Table 2 : Distribution of the respondents based on the effect of COVID-19 on economic aspects during the lockdown and post-lockdown (n = 200)**

Sr. No.	Category	During lockdown		Post-lockdown	
		Urban	Rural	Urban	Rural
		<i>f</i>	<i>f</i>	<i>f</i>	<i>f</i>
1	<b>Extremely affected (&gt; 14.7)</b>	38	59	01	09
2	<b>Moderately affected (8 - 13)</b>	61	39	55	76
3	<b>Slightly affected (&lt; 7.8)</b>	01	02	44	15

Mean = 11.3

A glance at the data in Table 2 indicates that 38.00 percent of the rural and 59.00 percent of urban respondents were extremely affected financially during the lockdown. In comparison, 61.00 percent of the rural and 39.00 percent of the urban respondents were moderately affected. It means the lockdown severely impacted the urban residents. Besides,

data suggest that almost all respondents were affected financially during the lockdown. Once we looked into the post-lockdown data, a few rural and urban respondents agreed to be extremely affected. However, 55.00 percent of rural and 76.00 percent of urban respondents were moderately affected. It means the post-lockdown restrictions continue to impact

business opportunities and earnings. A large chunk of rural respondents, 44.00 percent, returned to the normal situation and resumed their businesses and work post-lockdown. Data reveal that everyone was affected during the lockdown, albeit by varying degrees. The COVID-19 Pandemic has severely affected people's livelihoods, particularly during lockdown and post-lockdown. Lockdown seriously shattered people financially, including loss of income, reduced purchasing capacity, expenditure patterns, and priorities. It is also clear that the lockdown poorly affected the economy of urban residents compared to the rural respondents. The above results confirm the finding of Chaudhary et al. (2020).

## CONCLUSION

Overall, it can be concluded that COVID-19 adversely affected the economic aspects of rural and urban communities during and post-lockdown. However, urban respondents' economic effects were greater than rural communities. Other social effects on respondents were higher during the lockdown, while the economy of the respondents was poorly affected post-lockdown. The pandemic exacerbated socioeconomic consequences such as social isolation, loneliness, stress, loss of earnings and jobs, close down of industries, etc. Thus, the government, policy planners, and other related institutions must address the issue and implement immediate relief measures for sufferers. In addition, better management by the government against the COVID-19 pandemic is essential to mitigate the social and economic crisis.

## IMPLICATIONS

The study's findings are helpful for the government and policymakers to take necessary steps to minimize the impact and pave the way for continuous improvement. Further, it is recommended that entrepreneurship programs and sustainable business models should be promoted for

economic development in the aftermath of this crisis.

## CONFLICT OF INTEREST

No conflict of interest among researchers.

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