



## Impact of COVID-19 on Indian Agriculture and Rural Economy

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### Introduction

The COVID-19 pandemic is the greatest global humanitarian challenge the world has faced since World War II. India's effort to combat COVID-19 virus was praised over the globe. However, the lockdown came with an economic cost and cascading impact on all the sections of society. The Covid-19 induced lockdown in India was a huge economic shock. COVID-19 pandemic stalled the economy with complete closure imposed on enterprises across all sectors. Even though agricultural activities were exempted, in the initial phases of the lockdown the agriculture value chain also faced large-scale disruptions. This had a serious detrimental effect on the rural Indian economy. The aim of this article is to highlight the impact of COVID-19 on the Indian agricultural system and rural economy, as well as some potential strategies for post-pandemic recovery.

### Impact on Production

At All-India level, agriculture production in almost half (47%) of all districts was adversely affected by the impact of COVID-19. Magnitude wise, agriculture production (-2.7%) had not been adversely impacted significantly, mainly due to the fact that harvesting of rabi crops like wheat was almost complete by the end of April 2020. However, production in allied sector had declined significantly, especially in poultry sector (-19.5%), followed by fisheries sector (-13.6%) and Sheep/Goat/Pig (S/G/P) sector (-8.5%). Similarly, production in dairy (-6.6%) and horticulture (-5.7%) sub-sector also reduced, owing to reduced demand for these products and disruption in their supply chain.



## **Impact on Farm Gate Prices**

Farm gate prices had not declined significantly in crop sector (-2.2%). However, prices in allied sectors had declined in the range of 2% to 18%. This decline was highest in poultry sector (-17.8%), followed by horticulture (-7.6%), dairy (-5.6%), fisheries (-4.8%) and S/G/P (-2.9%) sectors respectively, mainly due to supply disruption caused by restriction on movement of vehicles. On the whole, 54% of all Indian districts witnessed adverse impact on farm gate prices of agricultural produce.

## **Impact on Availability of Agricultural Inputs**

Due to restrictions imposed on movement of men and material and closure of shops, availability of Agri inputs viz. seeds (-9.2%), fertilizers (-11.2%), pesticides (-9.8%), fodder (-10.8%), etc. declined in the range of 9 to 11 per cent. At all-India level, 58% of all districts were adversely affected in terms of availability of inputs.

## **Impact on Prices of Agricultural Inputs**

Due to disruption in supply chain owing to restrictions on movement of vehicles and closure of shops and markets, prices of agri inputs viz. seeds (8.8%), fertilizers (10.0%), pesticides (9.0%), fodder (11.6%), increased in the range of 9 to 12 per cent. At all-India level, 54% of all districts witnessed an increase in prices of agri inputs, possibly due to its non-availability.

## **Impact on Agriculture Marketing**

Even though local procurement centres were opened by various State Governments under their jurisdiction, yet restrictions on movement of vehicles had adversely impacted about 74 per cent of Indian districts in smooth operation of agriculture marketing through mandis. The impact on operation of rural haats was more severe, with 87 per cent of haats being adversely affected. This was mainly due to a complete ban on opening of rural haats by the local authorities in majority of the districts in the country.

## **Impact on Banking Services**

As far as banking services are concerned, access to credit through term lending and KCC was adversely impacted in about 89 per cent and 59 per cent of districts, respectively. As regards to recovery, 94 per cent of districts were reported to have been adversely affected by the pandemic and consequent lockdown. However, a positive feature that emerged was that 63 per cent of districts reported an increase in digital transactions by the customers during the lockdown period.



## **Impact on Microfinance Activities and FPO/FC**

At an all-India level, microfinance activities were adversely impacted in 95 per cent of Indian districts and the business activities of NBFC-MFIs were adversely affected in 88 per cent of districts. Similarly, adverse impact was reported in activities of FPOs and Farmers Clubs promoted by NABARD. However, many SHGs and FPOs seized upon the opportunity of making face mask and sanitizers as also direct selling of vegetables/fruits to the customers, thereby helping the local community and administration as also increasing their business.

## **Impact on MSME Sector**

MSME sector was the worst hit sector by the COVID pandemic in terms of impact on price level of raw materials, employment, production level, consumer demand and disruptions in supply chains. Decline in production level and employment was reported in 97 per cent and 96 per cent of Indian districts, respectively. Similarly, adverse impact was reported on consumer demand (85% districts) and cash flow (80% districts) of MSME sector thereby increasing hardship of the people at large.

## **Policy Implications/Suggested Action Points**

Some policy implications are suggested to reverse the effects of COVID-19 on Indian agricultural sectors and rural economy. These are as following -

- Due to decline in agriculture and allied sector production, income support may be provided to farmers in general and particularly those engaged in poultry and fisheries sector. In this connection, enhancing the income support through PM-KISAN could be a good option.
- Due to poor recovery, interest waiver for agricultural term loans for at least one year maybe provided by Banks.
- Microfinance activities to be reactivated through injection of more liquidity to NBFCs.
- MSME sector to be supported through credit support (working capital) at concessional rate and interest subvention schemes and waiver of interest for at least two quarters for existing loans could be a good option.
- Opportunities for mask making, sanitizers, direct delivery of food grains, vegetables, fruits may be enmeshed by SHGs and FPOs.
- Launching awareness camps and disseminating information on coping/dealing with COVID-19 or similar such emergencies by SHGs, FPOs and FCs in rural areas.
- Expanding digital infrastructure for online trading of agricultural goods.
- Utilization of MNREGS for covering more labourers, including the migrant workers who have returned from bigger cities can help improve their income.



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