

## **Fossil Fuel Price Hike: Extruding Shallow Saving and Income of Lower Income Strata- Impact on Common Man's Life**

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### **Abstract**

Global Pandemic disrupted human lives in all aspects, right from livelihood, sustenance, healthy living, psychological aspects and what not, every individual have their own stories to convey related to its adverse effect. In this article, the author had explored its impact on the economy with an overall influence on the livelihood with the indirect impact of the fuel rise which have impacted the distribution of all the products required for living. This is the direct adverse impact of the Pandemic Crisis and a majority of people. This shows that the Covid-19 had developed an inequality in population in which the life of informal labourer's, traders, and employees in different sectors who exert physical work lost income and become poorer while rich and the employees in the sectors where online work can be done managed the pandemic season unaffected. Multiple linear regression models are used in paper to explain the effect of different factors on informal trading, All the regression models are statistically significant, and they could explain 21 to 48.5% of the variance for the respective control variables.

**Keywords:** *Fossil Fuel, Covid – 19, Global pandemic*

## **Introduction**

The informal sector in India is the largest employment provider for lower educated and less skilled employees, next to the agriculture sector, engaged in self-employment in a wide range of segments, transportation, restaurants, street food vendors, tailoring, retailing, and so on. Indian economy remains as an outline for its large share of GDP in the informal sector, though the informality is reducing at a slower rate. They are working on a shallow profit or saving and fossil fuel is an inevitable part of life. The continuous increase of fuel is evacuation of earning of low-income strata of the population to poverty, uncertainty in life, malnutrition, growth in insurgent antisocial activities, unrest in families, school dropouts, immoral life, and insecurity in life. The fruits of development are skewed towards the rich and the rights for education, healthcare, healthy food, secure home, etc., are denied to the poor due to their incapability to pay.

COVID 19 has turned to be a global pandemic and disrupted the whole world due to lengthy lockdowns and this affected the food supply to rural and urban populations equally. The concept of 'breaking the chain' through isolation and social distancing has turned to be a solution for putting a semi-colon for the aggressive transmission along with personal hygiene and wearing of mask for personal care. The pandemic affected the population in different measures. Information Technology-based firms and the services which can substitute the traditional methods with online platforms managed their business without affecting their profit or employees or customers. But the jobs which need physical efforts were affected due to the strict measures to control the crowd. The businesses which were affected more include the retail industry, theatres, traveling, restaurants, etc. in which labour content is high (Ali & M.Kamraju, 2021). This in turn caused job work and income loss for the employees and entrepreneurs and this loss is highly irrevocable. In brief, there are two different extremes in this outcome, least affected and worst affected (ILO- Brief, 2020). Though the economic activities were normalized after the first spreading of the pandemic in March 2000 in India by the third and fourth quarter of the financial, the second wave had affected the market before it is recovered fully. The demand for essential products remains consistent, while the same for other products fell to an all-time low due to the income fall of the customers, fear of income loss in the coming years, fear of medical expenses if any health issues may be caused.

It is unfortunate to note that the Central Government turned a blind eye to the sufferings of the low-income families though it has the right to withdraw additional excise duties and surcharges levied on fuel prices. The increase in diesel price causes a price hike for essential products, leading to inflation. The potential to employ all the qualified youth is a real challenge for both the State and Central Governments and hence, it is their responsibility to create an environment for all to survive through self-employment. The fuel price hikes pushed agriculture expenses high.

The continuous hike in fuel price is another factor that influences normal life. 37.5% and 34.8% increase in petrol and diesel process increased the living expenses of people in traveling expenses and increase in commodity prices (Adhana & Kumar, 2018). This will delay the economic recovery of business and the prolonged loss, as well as financial commitments, may overweigh the firms so that recovery may become a great challenge. Any boosting packages declared by the Governments may boom a few formal sectors, but they may go as wind overhead for informal sectors. 59% of the petrol price (Rs 99.86 on July 21) and 53% of diesel price (Rs 89.36) is tax (Historic Petrol and Diesel Fuel Prices of 15 Years in India. 2003 to 2021 Record, 2021).

### **Effect of Fuel Price of Post Pandemic Market**

The increase in diesel price will push the commodity price. The affordability depends on the income of the customer. As the price of the essential products increases and income falls, the consumer will go for a cheaper substitute as he cannot compromise quantity. So, in brief, Giffen Paradox will be the effect that the customers will opt for local shops, local informal markets, unbranded and unlabelled products to reduce the cost (FRANCO, 2015). The coexistence of informal and formal markets has many advantages, though the contribution to the tax payment may nil by the informal products. But it will reduce the poverty in the lower strata of the income group to prevent the occurrence of 'food desert' (Rodier, Durif, & Ertz, 2017)

In effect, the commodities which are to be transported long distances will become expensive due to the transportation cost and then GST will further increase the price. It will develop differentiation in choosing the retail channel. The customers have a priority to meet the essential requirements of all dependents and they use priority-based rationing on spending, food, shelter, health, education of kids, and so on. Prolonged wage loss had driven many families to poverty or pushed them into a debt trap.

### **Construal Level Theory in Purchase Decision Making and Resource Bootstrapping in life**

Construal Level Theory (CLT) explained the psychological proximity towards a reality in which near ones are of 'low level' and distant ones are 'high level' by forming abstract mental construal of distal objects. Income constraints compel the customer for low-level psychological proximity, to fulfil the immediate need with what is available within the rationed portion of income though the high-level abstract is the expectation. Though the consumers dream of quality products and leisurely life, it will remain abstract while low-level psychological proximity of meeting immediate needs will be the priority. Construal level theory explains the compulsion of the consumers to shift their lifestyle from luxury to a constrained life which was unexpected. The reversing of the lifestyle and adjusting with the constraints cause psychological pressure as well. Kids lost the freedom to play with friends in playgrounds, family get-togethers, prayers in religious centres, leisure in traveling, and amusing parks. Here, the psychological distance moved from high proximity to low proximity of fulfilling immediate needs (Dhar & Kim, 2007). These mobility restrictions lead to the drastic fall in income of those engaged in tourism, religious services, and small traders linked to these sectors. The news spreading on omicron is a concern for all who depend on physical value additions.

This income constrain will have a multi-level effect on consumption. Consumers postpone or avoid the purchase of luxury products or assets like gold. The propensity to save and invest will decline as the surplus income is deprived of the increase in commodity prices. To meet the emergency in need, they opt for the products just to satisfy the need than the comfort of use and even opt for used products or cheap alternatives.

This lowering of use of utilities affects the market in an adverse way. The first category of business going to be affected is Malls and organized retailers in towns. Except for the commuters, travels for shopping will decrease due to the increase in fuel price. So, footfalls in organized shops will fall, especially for non-essential products. The increase in price due to the transportation costs will consume profit margin as the price of the products cannot be increased to maintain the affordability of the consumers. It will encourage consumption of locally produced products than branded products, especially in rural markets. Organized brick and mortar shops may have to face challenges from online formats in which the products are delivered at the doorstep and can avoid traveling.

In other words, the consumers will opt for a resource bootstrapping strategy in life to reduce expenses and even, local retailers to go for resource bootstrapping strategy in business as well to bring low priced products and locally procured products in their shops to meet the price expectations of the consumers, especially to avoid transportation.

During the lock-down period, informal grocery shops, vegetable shops, and peddlers had a significant role in maintaining the supply of products. In the literature review on retail sectors, a large portion explained the challenges of organized retail formats and growth of organized retailing in detail while the literature on challenges of the informal retail sector is less. The pandemic days demand the Governments for balanced strategies and policies to strengthen the informal sector as well. Informal trading is the largest. Policies to rejuvenate local trading are important to improve employment in the rural sector as the agriculture sector and local trading are highly interlinked. Instead of encouraging long supply chains, local supply chains under the control of local administration have to be encouraged so that the dependency on transportation can be reduced.

### **Fuel Price and Consumption Pattern**

The continuous increase in fuel price affects the households to a higher degree as the public transport system in India cannot meet the demand of the public if they wish to shift transportation from personal vehicles to public transports. Transport solutions based on alternate energy sources also did not find adequate growth in India, especially electric vehicles. It is not possible for the common man to replace their vehicles in a short period with electric vehicles as well. Inadequate charging points, the limited distance that can be travelled in one charging, and even the lack of confidence level on electric vehicles are also bottlenecks in the transition to new transport solutions based on alternate energy sources. In brief, the continuous increase in petroleum products without developing an alternate transport solution weakens the recovery of the economy as the surplus of the households is depleted fast as the transportation is a non-substitutable need of citizens.

The informal transportation systems like auto-rickshaws, taxis, etc will be compelled to increase the rates while the income of the public is not increasing proportionally when the consumption is adversely affected. This will reduce the purchasing power of the common citizens. The increase in diesel price will affect the commodity price and even lead to inflation as well. The weak consumption pattern may lead to falling in production, and employment as well. The depletion of saving effect both investment as well as consumption negatively so that economic growth will be affected adversely (Alper, 2018).

### **The Consequence of Lower Consumption on Public**

The production under the poverty line had doubled in the last year from 60 million to 134 million due to pandemic-induced recession (Mahapatra, 2021). The poverty line set for lower-income nations by the World Bank is USD 3.20 per day (Rs 240 per day @ 1USD= Rs 74.79) (Silver & Gharib, 2017). The household income fall of all walks of life had affected their life, especially due to partial salary payments, loss in trading days, and fall in business (IANS, 2021). The economical shrinkage due to income fall affects society in many ways. The effects on the industry include,

1. The challenge for entrepreneurs includes the additional investments for restarting business and working capital needs. The probable losses due to the closure are another challenge if the stock is perishable or dependent on the storage environment or continuous observation is

needed. Restarting of a business depends on the re-investment and fund. If not restarted, the entrepreneur must bear the previous liabilities and losses while loss of job for the employees.

2. Underutilization of facilities and investments increases liability due to increasing cost of funds, commitments, and leads to the closure of the business if the return in the post COVID period is less than expenses. Expenses to maintain vehicles, warehouses, etc add to losses.
3. Loan repayments and other commitments become crucial if the recovery falls.
4. Loss of labor as they join the business where they get better wages.

#### The effects on families and individuals

1. Family expenses on essentials must be maintained and if the income falls, starvation and malnutrition will affect the health.
2. Medical expenses must be maintained, especially for the patients having diseases linked to the heart, kidney, nervous system, cancer, etc. Income fall cause discontinues of treatment of health will be deteriorated leading to death.
3. Discontinuity in education and higher education may lead to falling in employability and future labor needs in the future. It will affect the career of students who study in private institutions.
4. Dropdown in schooling and higher education may question the survival of private institutions and the employees.
5. Job loss or working days in sectors like manufacturing, hotels, restaurants, logistics, public transport, leads to engaging in extra income-generating to meet expenses.
6. Informal workers lost work and wages leading to starvation.
7. Aged citizens, children, and women who are dependents are vulnerable to starvation and malnutrition more compared to other individuals.

This shows that the COVID19 had developed an inequality in population in which the life of informal laborers, traders, and employees in different sectors who exert physical work lost income and become poorer while rich and the employees in the sectors where online work can be done managed the pandemic season unaffected. This inequality affects the household income and economy negatively (Keeley, 2015). It affects the life of individuals, increases in health issues due to stress and involvement in crime as well (Newburn, 2016), Addictions, family issues leading to suicides and murders, development of underworld activities, and terrorism as the individuals turn to unethical earnings, increase in child labor, human trafficking, human harassments, and flesh trade, illicit businesses, robbery, and theft, fraudulent activities, gambling, etc. will increase in society. The attacks on women in homes for dowry and then succeeding physical assaults, suicides, and murders became common news in columns now (Ajide, 2021).

This demands the need for policies to revamp the informal sector than providing small monetary supports to a few individuals or providing food kits. It may solve immediate hunger. But need a long-lasting solution.

#### **Macro and Micro Economic Effect of Evacuation of Wealth from Informal Sector**

The micro economic constrain is due to the depletion of personal and family income arising from price increase in essential products due the fuel price hike. This retards the development of fundamental unit of economy, called family. It affects economy in many ways, both now and then. The present challenge is

in fall in consumption, the cutting edge of economic growth. Economic contraction due to fuel price followed after COVID 19 lockdown crippled the informal sector with unemployment and low productivity, leading to starvation and hunger death. This is the fertile situation for the crime growth, a real challenge to society and economy and the contamination of administration with crime cannot be cleaned easily, a new situation of social instability.

The increase in dropouts in rural areas in education is another challenge to manage the future talent supply. Macroeconomic effect is also arising from low consumption leading to a recession, a fall in GDP. The governments are not ready to reduce their share in fuel tax to meet the administrative expenses It reduces the entry of new firms, investment from households, creation of new jobs etc.

Myopic wealth utilization to gain selfish motives by the political leaders is the challenge here. Investing on infrastructure instead of implementing short term economic boosting strategies and policies like withdrawal of additional excise duties, fund supply to boost productivity, etc. The cascading effect of fuel price was not absorbed by the economic system though the benefits of fall of crude oil price in international market was offset with increase in taxes and duties, which could have been a reserve to maintain the price steady while price in international price increase. But the uncontrolled price increase in fuel price push the cost of living high , but the needs cannot be compromised up to an extent. This diminishes the saving and reduce house hold investments and entry of small family business, a solution to reduce the unemployment and poverty in low income strata.

### **Research Methodology**

This study was conducted among informal retail shops, auto rikshaw drivers, informal self-employed business, and labours. This research is conducted in two stages, interview method and data collection method. The respondents who showed reluctance to fill questionnaires were interviewed and others filled questionnaire. 190 respondents were interviewed, and 300 respondents filled the questionnaire. Percentage analysis is used to analyse the interview response and multiple linear regression model is used to analyse the questionnaire response. The data was collected on a 11-point scale for the response in the questionnaire. Cronbach alpha was more than 0.695 in all cases and consistency was tested using kappa (more than 0.530) and data adequacy using KMO factor in factor analysis (more than 0.620). This study is conducted in Bengaluru, Karnataka state in between September 14, 2020 to June 30, 2021.

Multiple linear regression models are apt in dragonizing the effect of fuel price on income for survival (dependent variables) while independent variables taken viz., working days availed, fuel price, market response, investment on business, confidence of recovery and effect of government intervention. The number of working days is a measure of employment generation as the need of labours modulate with the fluctuation in market demand. The sequential effect of 'COVID 19' lock downs itself weakened the informal economy due to loss in business and working days and the recovery from the slow down further delayed by the fuel price. This reduced the fall in working days as it is the product of number of employees and number of working days. The fuel price increased the cost of business which further reduced market response and investment. The optimism in recovery and government intervention motivates the informal sector to scale up its business. But the government intervention in reducing the fuel price taxes is not adequate enough to boost informal trade.

## Analysis and Discussion

**Table 1: Response Profile**

Categorising variable	Sub variables	Interview method (Qualitative Data)		Questionnaire Method (Quantitative Method)	
Gender	Male	79	41.5%	156	50.3%
	Female	76	40.0%	154	49.7%
	Transgenders	35	18.5%	0	0
Age in years	<20	32	16.8%	68	21.8%
	20-40	42	22.1%	81	26.1%
	40-60	48	25.2%	69	22.2%
	60 <	58	30.5%	92	29.9%
Trade based	trader	41	21.6%	90	29%
	Auto driver	49	25.8%	81	26.1%
	Taxi driver	39	20.5%	74	23.8%
	Self employed	31	16.4%	49	15.8%
	labour	30	15.7%	15	4.8%

### Summary of Responses in Qualitative Analysis

#### **Gender**

**Gents:** The response of gents worried about their job and income losses and their difficulty in finding funds for their addictions like alcoholism, smoking etc... Due to the closure of market, the informal jobs had come down. The withdrawal symptoms of the addicts are creating behavioural issues at home.

**Ladies:** One of the prime informal jobs is house-hold works and cleaning jobs in offices. The lockdown restricted the entry of domestic workers to flats and residential areas caused the income loss. In many families, the ladies are the bread winners. This led to poverty in their homes

**Transgenders:** The traffic regulations and fall in crowd in streets reduced their income as their collection through begging fell drastically. Social differentiation prevents them getting any other works. This affects their income.

#### **Age Based Response**

##### **Below 20 years**

The respondents of 20 years are dependents, and their main worries are on their career. Difficulties in online learning, fall in recruitment and job openings, fall in income of parents to support studies and their siblings are their concerns. Though the income fell, neither the educational institutions reduced their fees nor any policies to support poor students who avail education in private schools and colleges. Minority based scholarships and merit scholarships do not cover a large portion of students.

##### **20-40 years**

This age groups are bread winners of the families and market closure reduced their income sources. This increased psychological stress as they have to bear the needs of the family, especially, education expenses and essential expenses.

### **40 to 60 years and more than 60 years**

There is a similarity in their responses. They worry about health issues, medical expenses for present ailments and fear of contacting disease.

### **Trade Based Response**

**Informal traders:** Though the lockdown affected the business, grocery retailers and vegetable vendors, peddlers etc could do business along with medical shops. The sales of retailers of non-essential products reduced and they avoided their employees and managed self. This increased unemployment in informal trades. Increase in fuel expenses increased the cost of transportation by 40% and it is affecting profit of business as price cannot be increased proportionally. This demotivates them in running business. They avail loan from local financiers at a higher rate of interest and difficulty to avail loans in time due to the lack of collateral further worsens the financial viability of these businesses.

### **Auto drivers**

The explanations given by them was based on statistics of fuel prize increase. Auto fare is set at Rs 13 per kilometre in normal day time. When the lockdown started, the petrol prize was Rs 72 per litre and as on June 30,2021, it is Rs 100, 38% increase while the price difference in Diesel is Rs 23 corresponding to 34.8%. The average mileage for auto rikshaw is 20-22 kilometres and increase in cost fuel is Rs 1.4 per kilometre though per kilometre meter charges is still at Rs 13. This cause 10-15% loss per kilometre. This also cause conflict the customers if excess charges are asked. After taking other expenses like wages of driver, interest, and repayment etc., the profitability is less. The auto drivers linked to Ola and Uber manage to meet their income while others face tough time

### **Taxi Drivers**

Taxi drivers also have same response of auto drivers except the in the cases of taxies linked with Uber or Auto. The fares are increased by the Uber and Auto by 90% and the sharing of 20-80% with drivers could manage their income (Karnataka: Ola and Uber fares increase by up to 92%, 2021). But the taxi charges per kilometre is Rs 18 per kilometre in Karnataka for non-A/c cabs while Rs 24 per kilometre for A/c cabs as per the Government notification. (Karnataka government revises fares for taxis, 2021). The increase in fuel increased the cost of running by Rs 1.5 to 2 per kilometre. Price of petrol Rs 103.6 and diesel is Rs 94.7 as on July 7, 2021.

A few drivers have heavy duty license as well and they expressed their concern on fuel charges hit their business, especially single truck owners. 16 T trucks have an average mileage of 4 kilometres, that is Rs 23.75 per kilometre or Rs 1.48 per ton per kilometre. It was Rs 64 per litre or Re 1 per Ton per kilometre as on March 7,2020. 48% increase in running expense. In the case of medium have mileage of 7 kilometre per diesel and the fuel cost has increased from Rs 1.38 per ton per litre to 1.98 per ton per litre in one year, 42% increase in one year. This reduces the business and overheads do not decrease.

### **Self-Employed**

Business had drastically reduced for the trades other than the essential products, like workshops, tailoring, etc. and they find difficulty in facing routines expenses like electricity bill or rent. The local transport cost increased by 38% in the last one year.

## Informal Labour

Informal labour is linked with other sectors like logistics, trading etc and the negative growth in business have a cascaded expenses on informal labour. In May 2021 itself 15 million job lost is reported and the cumulative fall in employment since January 2021 is 25.3 million. It reveals the shock on common man in India (Vyas, 2021).

## Data Analysis

Multiple linear regression models are used in paper to explain the effect of different factors on informal trading,

**Table 2. Multiple linear regression results**

Control variable	R	R <sup>2</sup>	F value	Significance level	Hypothesis Accepted
Informal traders	0.586	0.339	2.871	.008	H <sub>1</sub>
Auto drivers	0.533	0.284	8.867	.000	H <sub>1</sub>
Taxi drivers	0.524	0.275	3.878	.000	H <sub>1</sub>
Self employed	0.697	0.485	9.711	.000	H <sub>1</sub>
Informal labour	0.459	0.210	2.926	.004	H <sub>1</sub>

All the regression models are statistically significant, and they could explain 21 to 48.5% of the variance for the respective control variables.

The data is collected using an 11-point scale in which *the income for survival* is taken as the dependent variables and the independent variables taken are, working days availed, fuel price, market response, confidence of recovery, investment on business, and effect of government intervention.

## Regression Equations

(Income for survival)  $_{\text{Informal traders}} = 2.36 - .12^* (\text{working days availed}) - .29^* (\text{fuel charges}) - .08^* (\text{market response}) + .53 (\text{confidence of recovery}) - .12^* (\text{investment}) + .03^* (\text{government intervention}) + e$

(Income for survival)  $_{\text{auto drivers}} = 1.12 - .09^* (\text{working days availed}) - .59^* (\text{fuel charges}) - .06^* (\text{market response}) + .39 (\text{confidence of recovery}) + .12^* (\text{investment}) - .03^* (\text{government intervention}) + e$

(Income for survival)  $_{\text{taxi/truck drivers}} = 1.23 - .16^* (\text{working days availed}) - .61^* (\text{fuel charges}) + .06^* (\text{market response}) + .42 (\text{confidence of recovery}) - .12^* (\text{investment}) - .12^* (\text{government intervention}) + e$

(Income for survival)  $_{\text{self-employed}} = -.16^* (\text{working days availed}) - .31^* (\text{fuel charges}) + .12^* (\text{market response}) + .42 (\text{confidence of recovery}) - .22^* (\text{investment}) - .12^* (\text{government intervention}) + e$

(Income for survival)  $_{\text{informal labours}} = 1.0 - .21^* (\text{working days availed}) - .14^* (\text{fuel charges}) - .16^* (\text{market response}) + .42 (\text{confidence of recovery}) - .12^* (\text{government intervention}) + e$

Multiple linear regression models shows that fuel price is loading negatively in the attempt to earn income for survival, especially for the workers related to automobile-based industry, especially logistics. But all the respondents have confidence in recovery of market.

## Discussion

The prime contribution to increases in fuel price is excise duty and Value added Taxes, the excise duty in petrol and diesel are respectively Rs.32.90 and Rs.31.38 since 2020. The VAT is 21.4% and 14.6% in 2020. The fall in crude oil price and then the fall in basic price of petrol and diesel was adjusted with the increase in excise duty and value added tax to maintain the consistency in petroleum products. But when the crude oil price had returned to its normal rates by 2021, unfortunately, the increased excise duty still continue in the same rate and the diesel and petrol prices are increasing.

In 2018, the excise duty of diesel and petrol were respectively Rs.13.83 and Rs 17.98 per litre and it was increased to Rs 31.80 per litre on diesel and Rs 32.90 per litre on petrol. In 2017 and 2018, the excise was cut by Rs 3.5 per litre and then increased by Rs 5 in the financial year 2019-20 and then in May 2020, it was increased by Rs 10 per litre on petrol and Rs 13 per litre on diesel (Tax collection on petrol, diesel up 459% in 7 years; LPG price doubled, 2021). It shows that 234% increase in excise duty on diesel and 147 % in two years, 2018 to 2020. 113% of diesel price and 148% of petrol price is tax (Excise and Value added Tax).

The increase in excise duty from Rs15.83 in 2019 to Rs. 31.83 is 101% while the increase in 19.83 to 32.95 is 83.4%. This increase was during this pandemic season in which the common man has lost his revenue. It will further influence the common life adversely as the expense shoot up in all the ways, from the food expenses, conveyance, agriculture expenses, small business etc. Fall in income reduce purchasing power.

The increasing unemployment will increase antisocial and illegal business in the society and increasing crime will destabilize the economy. The fall in purchasing power of money cause inflation and adversely affect all business. The cascaded taxation in petrol increases the cost of petrol by Rs 9 (see annexure). VAT is calculated after adding the dealer price for petrol and excise duty. Excise duty for petrol is Rs 32.9 and 30% is VAT for petrol now. VAT on excise duty itself cause 10-12% increase in price. Similarly, Rs 5.25 can be reduced in diesel price.

## Conclusion

Post COVID economy is alarming as the economical shrinkage of informal economy and immediate intervention of Governments is essential to bring back to functional. In this process, rural economy and informal sector has to be given priority as the prime employment providers in rural economy are, agriculture and informal trading. Any financial packages introduced by the governments will not benefit entire rural population. But, a decision to withdraw the increase in excise duties and value added Taxes and return to 2019 level for Diesel and petrol will boost the rural economy as every citizen will reduce his living cost at least by 10-25% (as the increase in fuel cost per kilometre is 25% to 48%). If the VAT is calculated on dealer price, the fuel price can be reduced by 5-15%. Value added Taxes is brought to reduce the cascaded tax to normalise the price. But the VAT on Excise duty of petroleum products has to be removed. Moreover, the VAT is high for petroleum products compared to other products.

If the State Governments can introduce a revival package up to 5 lacks based on investment business at low interest rate, it would be helpful to reduce the recovery period and the economy will turn to be normal. This will increase the consumption and the supply chain will become smooth.

A small revival package can be helpful for the women entrepreneurs also to promote their involvement and revitalise the informal economy. Informal economy is the incubation level for future big enterprises and the learning curve as well as experiential learning in the early stages of a business enable them to respond to the economic opportunities positively.

The challenges faced by the rural children in their mental and physical health, education, moral life, and involvement nation building can be solved only if the informal economy become strong so that house hold income increase and informal investment increases.

A large portion of labours and employees live in suburban and rural areas in any city and the public transports cannot manage the logistics pressure if the personal transportation is reduced. The present diesel price compels the public transports, especially transport corporations to increase the fares. The commuters already losing their saving in excess fuel expenses. This will increase the operational expenses of the firms as well. The self-employed in logistics and public transports cannot work in break even if the fuel price is not reduced.

All these will be possible if the fuel price is brought to affordable rates and the common man have surplus in hand. Hence it is an outcry of all to the Central Governments to bring the excise duties and Value added Taxes to 2019 rates.

### Conclusion

Syphoning of financial wealth from informal and rural economy has a long-term negative effect on economic growth. Not giving priority to the essential correction in economic policies to revive the fundamental consumption may lead to a big disruption in the later stage, which may not be repaired easily. The present situation may lead to the suffocated death of many informal rural trades that gives employment to many. Investment on infrastructure has to be done in the growth cycle of business cycle while economic productivity boosting strategies are important in recession.

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## Annexure

Deriving the cost from crude oil price (Modi, 2021)

Crude oil price on July 5, 2021	: USD 76.49/ barrel @ 1 USD = INR 74.29
Crude oil in Indian Rupees	: Rs 5682
Number of litres per barrel	: 159
Crude oil cost	: Rs 35.73 per litre
Crude oil processing charge	: Rs 4.39 per litre for petrol and Rs 6.13 for diesel

**Table 3. Analysis of the Crude oil charges**

<b>Expenses in Rs.</b>	<b>Diesel</b>	<b>Petrol</b>
Basic crude oil price	35.73	35.73
Processing expenses including logistics	6.13	4.39
Cost after processing	41.86	40.12
Excise duty	31.84 (76%)	32.9 (82%)
Retail commission	2.59	3.79
Fuel cost before VAT	76.29	76.81
VAT (30% petrol, 16.75% on diesel, and additional cess on diesel)	12.97	23.04
<b>Total</b>	<b>89.26</b>	<b>99.86</b>