

Article No. 4

IMPACTS OF COVID-19 ON BUSINESS IN INDIA

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Abstract: *The COVID-19 outbreak is a sharp reminder that pandemics, like other rarely occurring catastrophes, have happened in the past and will continue to happen in the future. Even if we cannot prevent dangerous viruses from emerging, we should prepare to dampen their effects on society. The current outbreak has had severe economic consequences across the globe, and it does not look like any country will be unaffected. This not only has consequences for the economy; all of society is affected, which has led to dramatic changes in how businesses act, and consumers behave. This special issue is a global effort to address some of the pandemic-related issues affecting society. In total, there are 13 papers that cover different industry sectors (e.g., tourism, retail, food industry, vendors, higher education), changes in consumer behavior and businesses, ethical issues, and aspects related to employees and leaderships.*

Keywords: *COVID -19, Business in India, ITSector, Imports and Exports, Government Support, GDP*

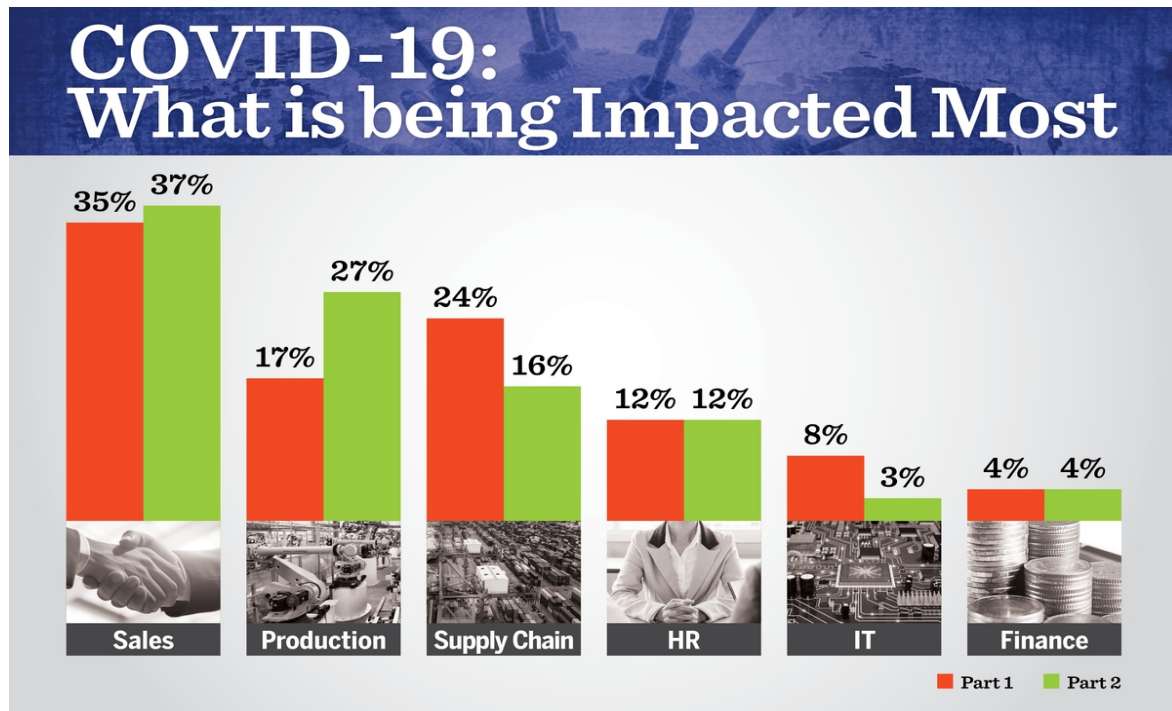
Introduction

The COVID-19 pandemic has affected virtually every aspect of life as we know it, and marketing is no different. Businesses are now forced to adopt and adapt to new marketing methods to survive. While some companies have been doing digital marketing for years, others are unsure how to use it successfully. Regardless of which group you find yourself in, every business could use some insight on how to survive during these trying times.

Businesses must navigate the financial and operational challenges of corona virus while rapidly addressing the needs of their people, customers, and suppliers. Many organizations are already taking “no regret” actions to emerge from the pandemic stronger. These leaders are facing the crisis with a spirit of reinvention—accelerating digital transformation, establishing variable cost structures, and implementing agile operations.

The appearance of corona virus recently represents the most difficult pandemic that caused big impact on various economic sectors worldwide. Governments have been enforcing different approaches to minimize the effect of COVID 19 on the public health through lockdown procedures, restrictions on the movement of individuals, and practicing social distancing. These actions have affected most of the businesses as the purchase behaviors of consumers changed drastically which caused significant implication on profitability and the effectiveness of marketing practices. COVID-19 has affected marketing strategies and actions of different organizations, such as corporate social responsibility (CSR), consumption pattern, advertising, marketing communication program, and supply chain.

CSR is one of the main pillars for shaping brand image and determining business success. The pandemic of Covid-19 provided organizations with great opportunities for active engagement with their strategies concerning CSR and programs.



The economic impact of COVID-19 in India will vary by sector.

Scenario 2 (lockdown continues until mid-May 2020): Potential impact on key sectors

	Output change Q1 FY 2021 vs Q4 FY 2020, ¹ %	GDP share, %	Bank credit FY 2019, % ³	Employment FY 2018, millions
Airlines and hotels	-70 to -75	2	1 ⁵	8 ⁷
Auto and advanced industries	-50 to -60	2	1	-
Construction and real estate	-50	8	11	54
Textiles	-50	2	3	-
Freight and logistics	-40 to -45	8	2 ⁶	22 ⁶
Metals and mining	-35 to -40	7	7	-
Oil and gas	-20 to -25	2	2	-
Power	-20 to -25	2	9	3 ⁶
Consumer and retail	-20 to -25	11	11	47
Chemicals	-15 to -20	2	1	-
Agriculture	-15 ²	15	18	205
IT services	-10 to -15	5	0	4
Pharmaceuticals	-10 to -15	1	1	-
Telecommunications	0 to -5	2	2	1 ⁹
Total		67³	69	402¹⁰

Note: GDP share, bank credit, and employment estimates are rounded up.
¹Pre-COVID-19 Q4 FY 2020 estimates used; output compression dynamically revised with new inputs. ²Q1 FY 2021 vs Q1 FY 2020, given seasonality.
³Remaining sector share of GDP mapped to related NAS sectors; separate assumptions made for sectors such as community, social, and personal services.
⁴100% = non-retail bank. ⁵Only hotels, restaurants, and entertainment. ⁶Includes airlines. ⁷Only hotels and restaurants. ⁸Includes power and other utilities.
⁹Includes media and entertainment. ¹⁰Does not include employment in financial services, public administration, other professional services, education, healthcare, and others.
Source: Expert interviews; Indian Ministry of Statistics & Programme Implementation; National Account Statistics; PLFS 2018; RBI; press search; McKinsey survey of >600 senior executives in 100 companies operating across a variety of sectors in India; McKinsey analysis

McKinsey & Company

According to Data Published by FICCI ‘Federation of Indian Chambers of Commerce and Industry

About 53 percent of Indian businesses say the Coronavirus pandemic has impacted their business operations even from the early stages. Almost three-fourth (73 percent) of the

businesses in a FICCI survey indicate big reductions in orders. Of these, almost 50 percent indicate over 20 percent decrease in the orders.

The survey was conducted among FICCI member companies and associations between March 15-19 among a total of 317 companies. Of these, 35 percent of respondents indicate an increase in inventory levels, while another 50 percent point that their inventory levels have risen by 15 percent and more.

Overall, 20 percent said that they were 'very highly' impacted, 33 percent 'highly' and another 33 percent companies were 'moderately' affected.

The Covid-19 pandemic also impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow. A fall of 20 percent or more in cash flow was reported by more than 40 percent respondents. About 63 percent said their supply chains were affected, and that they are closely monitoring the situation and expect the impact of the pandemic on supply chain to worsen further. While 47.3 percent said they are experiencing less than 4 weeks delay in sourcing raw materials, 31.08 percent companies face delay in sourcing by 4-6 weeks. For 14.86 percent, the delay is 6-8 weeks and for 6.76 percent, the sourcing delay is over 8 weeks.

The survey also says almost 40 percent firms have put in place stringent checks on people entering their offices and disinfection. Nearly 30 percent organizations have already put in place Work-from-Home policies for their employees. Almost four-fifth of the respondents feel that the situation would come under control by six-months.

Literature Review: -

Most multilateral agencies and credit rating agencies have therefore revised their 2020 and 2021 growth projections for India keeping in view the negative impact of coronavirus-induced travel restrictions, supply chain disruptions, subdued consumption, and investment levels on the growth of both Business and the Indian economy.

Fitch Ratings - Fitch has also cut its forecast for India's economic growth to 4.9% for 2019-20 from 5.1% projected earlier.

Moody - Moody's Investors Service has revised down its growth forecast for India to 5.3% for 2020 from its earlier estimate of 5.4% made in February.

S&P Global Ratings – S&P has lowered India's economic growth forecast to 5.2% for 2020 as against 5.7% projected earlier.

Barclays – Barclays has lowered India's economic growth forecast to 5.6% for 2020 as against 6.5% projected earlier.

The trade impact of the corona virus epidemic for India is estimated to be about 348 million dollars in Economy and around 150 million dollars and the country figures

among the top 15 business and economically most affected as slowdown of manufacturing in China disrupts world trade, according to a UN report.

A survey by FICCI (2020) found that most industry respondents did not foresee positive demand account during the entire fiscal year. Demand side impact on corporate world, tourism, hospitality, and aviation is among the worst affected sectors that are facing the maximum brunt of the present crisis.

CII identifies some policy / regulatory measures, which would help ease doing business in the wake of the outbreak of the COVID-19 pandemic and minimize the adverse effects on the health of the industry and economy.

1. Enhance Validity of licenses / approvals / NoCs
2. Easy & quick disbursal of pending dues
3. Provide speedy clearances
4. Relaxation / dispensation of labour law compliances
5. Contribution to PF & ESI funds
6. Facilitate ease of doing business for MSMEs
7. Facilitate trading across borders
8. Ease licensing requirement for production of Sanitizer

The COVID-19 pandemic has exposed great flaws in the current business models. The theory of business enables organizations to rethink their three elemental assumptions when the business environment becomes chaotic., the global COVID-19 pandemic is a passive entity because organizations have no influence on its appearance or spread; nevertheless, they must act accordingly and rethink (or rebuild) their business models.

The Indian retail industry was worth US\$790 billion in FY 2019. It accounts for over 10 per cent of the country's GDP and around 8 per cent of employment. In the past few years, online retail has seen a very rapid growth and the market projections had indicated a 30 per cent growth in online retail in 2020 (National Investment Promotion and Facilitation Agency, 2020). A month-long shutdown for retail will affect the Quarter 2 revenues. In the retail sector, the suppressed demand tends to revive very fast, and this will enable the sector to recover the losses once the lockdown is lifted. Online retail was operational in some parts of the country during the lockdown period, and this will help in offsetting some of the losses for the industry.

Objective

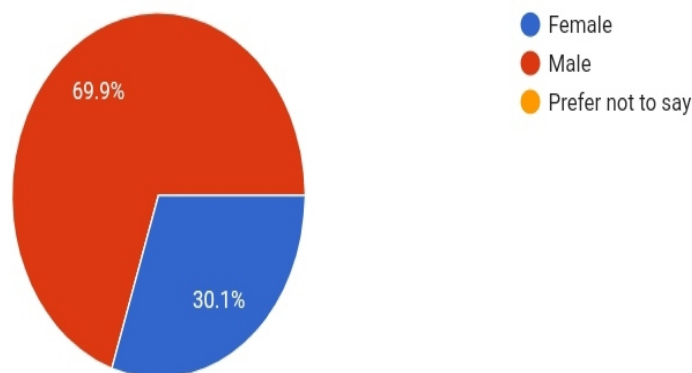
1. To understand impact of Covid-19 on overall Indian Business
2. To understand impact of Covid-19 on different sectors
3. To find out the challenges for different sectors in Indian Business.
4. The objective of this study is to understand the opinion from the business fraternity regarding the downside risks to the Indian Business model on the backdrop of outbreak and spreading of this virus.
5. Our study also reveals that distributors are struggling to operate their businesses due to low sales volume, and that some of them have either shut down their operations or are in the process of shutting down.
6. The objective of this study explores the impacts of the COVID-19 pandemic, as well as strategies for dealing with those impacts, in the corporate industry in India.

Data analysis & result: -

1: - We can see that both the genders are involved in business.

GENDER

136 responses

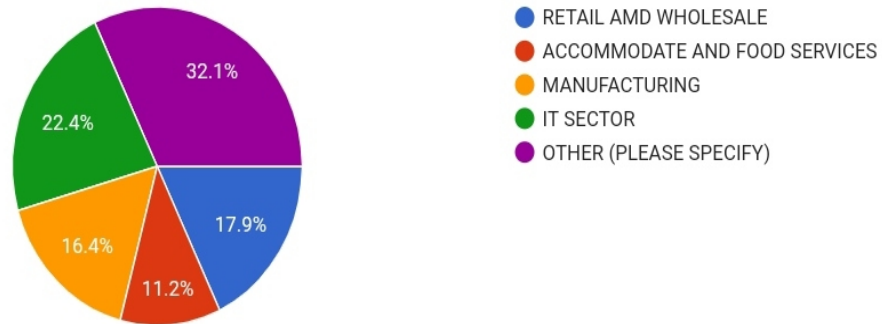


Interpretation: The above table indicates that majority of the respondents are involved in the business

2: - Lots of industry in India

WHAT IS YOUR INDUSTRY?

134 responses

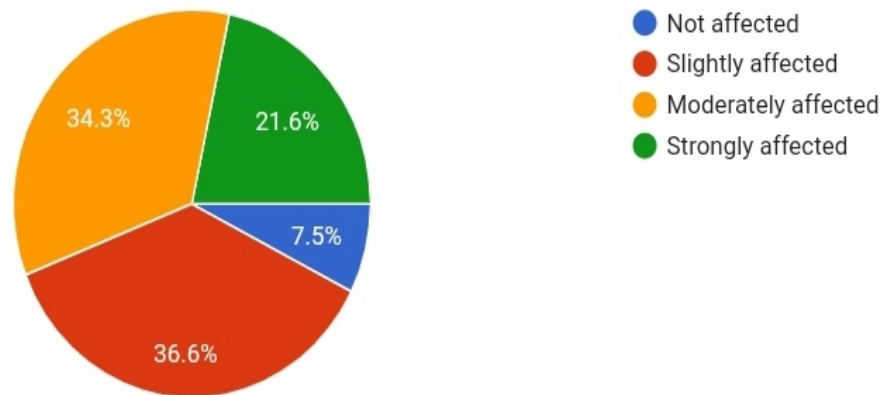


interpretation: The above table indicates that majority of the respondents involved in the different types of business.

3: - How business get affected by COVID-19

How have your business operations been affected by the COVID-19?

134 responses

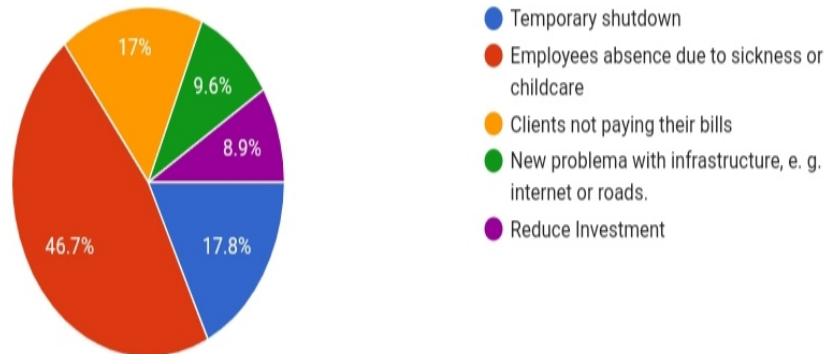


Interpretation: The above table indicates that majority of the respondents shows that how their business operations has been affected by COVID-19.

4: - How COVID-19 impact the business

Has the COVID-19 impact your business in any of the following ways?

135 responses

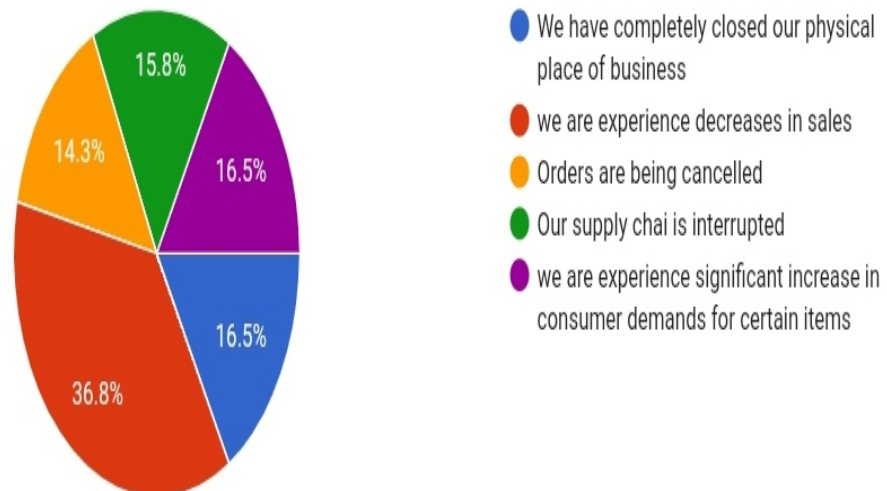


Interpretation: The above table indicates that majority of the respondents were come to show how COVID-19 impact business in the following ways.

5: - In which way business operations impacted by the COVID-19.

How are your business's operations being impacted by COVID -19 ?

133 responses

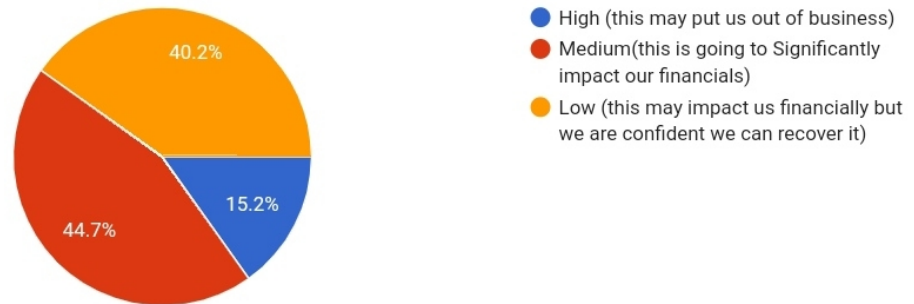


Interpretation: The above table indicates that how business being impacted by COVID-19

6: - At which level COVID-19 affected your business

At this point in time, what levels of impact do you expect this to have on your business?

132 responses

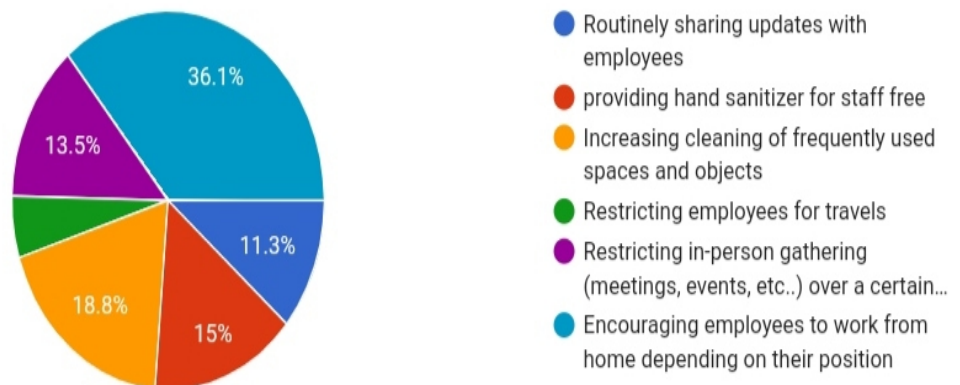


Interpretation: The above table indicates that majority at which level COVID-19 affected business in India.

7: - What precautions taken to spread the COVID-19 in workplace

As concerns grow over the spread of COVID-19, what is your business doing to address employees and customers concerns and mitigate risk?

133 responses



Interpretation: The above table indicates that what Precautions taken to spread the COVID-19 in Workplace.

FINDINGS

1: - India's GDP has been on a consistent decline after peaking out at 7.9 in Q4 of FY 2018 to 4.5 in Q2 of FY 2020.

2: - This will negatively affect production in almost all industries. Gradually the shock will spread to manufacturing, mining, agriculture, public administration, construction – all sectors of the economy. This will adversely affect investment, employment, income, and consumption, pulling down the aggregate growth rate of the economy.

3: - Making the current situation a learning opportunity, this is the time India can work on capturing potentially 40% of their competitor's market share by looking at indigenous production of goods, furthering the country's Make in India campaign.

4: - According to a joint report by the International Labour Organization (ILO) and the Asian Development Bank (ADB). "For India, the report estimates job loss for 4.1 million youth.

5: - Youth (15-24 years) will be hit harder than adults (25 and older) in the immediate crisis and risk bearing higher longer-term economic and social costs, said the ADB report

Conclusion: -

In India, this has not yet started in a systematic manner and needs to be prioritized alongside steps to deal with this crisis. The impact of COVID-19 on India's business is going to be huge. The impact is particularly severe on trade, manufacturing and the MSME sector which contribute substantially to India's employment and growth. The results show that, in the short term, the impacts of COVID-19 pandemic include more expired products, shortage of working capital and hence difficulty in carrying out operational expenses, delay in opening LCs, and closures of distributors' operations. The impacts will no doubt continue for a more extended period, and in the medium-to-long term, those impacts are likely to include a reduction in ROI, job cuts in the industry, negative relationships with traders, a restructuring of supply chains focusing on online trade, and an overall decrease of the industry's contribution to GDP. The research also reveals several strategies that can be adopted to minimize the impacts. As the COVID-19 crisis continues to expand, manufacturers will likely face challenges on numerous fronts. Manufacturers will also need to look beyond their own economic viability.

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