

Impact of Covid-19 on Sectors of Indian Economy and Business Survival Strategies

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ABSTRACT

The entire world is in the clutch of Coronavirus. The dissemination of the virus is so colossal that it compelled the World Health Organisation (WHO) to declare it as pandemic. The outbreak of the virus has unprecedented implications on the global economy. Severe economic burden and grave consequences have to be borne by the Indian industries in this backdrop of declining economic situation due to coronavirus. Thus, this article is intended to study the repercussions of coronavirus on different sectors of Indian economy and to highlight the reasons for which India can be benefitted in the post pandemic period and mainly to specify the business survival strategies which is the key to overcome this tough situation.

Keywords— Coronavirus, Economy, India, Pandemic, Sectors, Strategy

I. INTRODUCTION

The outbreak of Novel Coronavirus disease is a grave menace to the entire world affecting millions of people. Besides being detrimental to human health, it also have negative repercussions on the global business world roiling the entire economic system and upending trade and commerce. The outburst of the diseases was first identified in Wuhan, china in December 2019. World Health Organizations (WHO) has been thoroughly monitoring and assessing its global hazards, thus declaring it as a Public Health Emergency of international concern on 30th January 2020. The virus started disseminating at an unprecedented rate in different countries across the globe compelling WHO to proclaim it as pandemic on 11th March 2020. Now the whole world is grappling with this unseeable pernicious enemy. Most of the countries are under lockdown and everything including normal life, social and economic conditions seem to be grinding to a halt.

In India, the first case of coronavirus disease was reported in Kerala on January 30, 2020. Multiple cases were than reported in different cities in India. Hence, the Government of India took necessary action by announcing lockdown in every corner of the country on 24th March 2020. The metropolises of Delhi, Mumbai, Ahmedabad, Kolkata, Chennai are densely populated which has given rise to a spurt in cases of covid-19 and these cities are the engines for growth and development

of Indian economy. The pandemic has led to socioeconomic disruption, inhibiting the growth of entire economic environment. Thus in this article, an attempt is made to identify the potential impacts of coronavirus on different sectors of Indian economy also highlighting the business strategies that are necessary for business sustainability to grapple with the present scenario.

II. OBJECTIVES OF THE STUDY

The whole business world is in the clutch of coronavirus. The impact of the virus being severe and swifter, the companies need to deal with this situation by framing proper strategies in order to survive this hard time. Therefore, the objectives of this study are:

- To highlight the impact of coronavirus on the different sectors of the Indian economy.
- To state the reasons for which India one of the emerging economies in the world can gain importance in the global market in the post-pandemic period.
- To specify the strategies that the Indian businesses should adopt in order to cope with the effects of coronavirus and to survive in this tough situation.

III. IMPACT OF CORONAVIRUS ON DIFFERENT SECTORS OF THE ECONOMY

Covid-19 has set foot in India and is heading the nation to major downturn. Coronavirus disease has become a world-changing event and is not only a humanitarian crisis but also economic and social crisis. Its impact on the business environment is worldwide and manifold. Due to the rapid spread of coronavirus, several entities are bound to limit their business operations leading to disruption in the economic activities of several industries that drives growth. The setback that is being encountered by the different sectors of the economy are highlighted below.

Primary Sector: Primary sector encompasses industries associated with extraction and production of raw materials. This sector provides employment to about 43.21% of the population in India and contributes about 16.1% of the Indian GDP. It supplies raw materials to

secondary sector and furnishes basic necessities of human life.

➤ *Agricultural industry:* In agricultural sector, due to travel restrictions for lockdown, there has been a dearth of agricultural workers which has resulted in drop in production. Also the pandemic lockdown period coincides with the harvesting season of 'Rabi' crop, but owing to paucity of labourers the crops unabatedly stays in the field. As the operations of the businesses like hotels, restaurants, sweet shops and tea shops are suspended, the market of raw materials which are used for these purpose has gone down leading to grievances of farmers. There is a significant fall in revenue of the tea based industries as they export a substantial part of their output which is now barred.

➤ *Mining industry:* The pandemic has curtailed the overall demand for metals and minerals which has trimmed down their prices. The mining entities has also experienced drastic drop in their share prices.

Secondary sector: The secondary sector provides employment to around 24.89% of the population in India and contributes about 29.6% of the Indian GDP. It embraces industries that produces and distributes finished goods or indulged in construction activities, thus providing support to both the primary and service sector.

➤ *Manufacturing industries:* Manufacturing industries are bearing the brunt of coronavirus as they had terminated their production at a short notice. The value of the inventories that are held up in the production centers or warehouse of these industries has gone down and the machineries are too lying idle for a long time. Major hindrance encountered by the industries are cash flow constraints and supply chain disruption.

- **Automobile industry:** With almost all plants shut and imports being sealed up, there is a steep decline in production and sales of the automobile companies impelling them to declare pay cuts. The situation will be awful even during post lockdown period due to fall in income levels.

- **Textile and Apparel industry:** This industry is workplace for over 45 million people in the country but temporary closure of production units has increased their hurdles leading to lay-offs. The termination of exports and imports have adverse impact on the spinning mills in India as the exports of fabric, yarn and other materials have disrupted.

- **Pharmaceutical and Chemical industries:** These industries highly count on import of bulk drugs and several raw materials from China. Due to import restrictions these industries are also impacted.

- **Electronic industry:** The finish products plus the raw materials used in this industry is mainly supplied by China. The spread of coronavirus have pushed down the production and sale of electronic goods and the supply chain is also interrupted.

- **Solar power industry:** Solar power project builders depend on Chinese imports. Around 80% of

solar modules and solar cell used in India are from Chinese manufacturers. Thus, the Indian solar project developers started confronting shortage of raw materials and have limited stocks.

➤ *Construction and engineering industries:* For construction and engineering industries, the physical presence of massive labour force is essential which is restrained during lockdown and the construction activities have also halted. Thus the industries are tormenting at the hands of ruthless coronavirus.

Service sector: About 31.9% of the Indian population is employed in service sector which contributes about 54.3% of the Indian GDP.

➤ *Tourism and hospitality industries:* Tourism and hospitality are the foremost industries to be severely affected amid coronavirus crisis and will also be rearmost one to behold resumption of activities. Lockdown has averted the inflow of tourists dealing a crippling blow to the tourism and hospitality industries.

➤ *Transportation segment:* The pandemic has put down this segment under massive financial strain. Airlines, cruise and road cargo operators has been struck hard because of border closure and travel restrictions. Some of the aviation companies are not even in the position to refund their customers those who had booked flights that were cancelled due to lockdown.

➤ *Healthcare segment:* According to FICCI, healthcare segment is at the epicenter of these worldwide pandemic ordeal. Certain public hospitals have witnessed increase in demand in the crisis period. The private hospitals have arisen to the occasion by providing the government with all the succour it requires.

➤ *IT segment:* IT segment is reeling under coronavirus crisis as there is immense dwindle in global deal activities as well as growth rate. They are downsizing their work force to tussle with the presence scenario.

➤ *BFSI segment:* Covid-19 has afflicted BFSI segment by causing upheaval to their business and annual reporting giving rise to their nonperforming loans. During this emergency situation, the operational and technical difficulties faced by the employees as well as the customers spotlighted the lack of agility in the banking and financial system.

➤ *Media and entertainment industry:* Coronavirus has compelled to postpone release of several movies, shootings have come to rest and the theatres cannot screen movies bringing about heavy loss to this industry.

➤ *Retail segment:* shutting down of shops and malls that do not sell necessity goods have brought forth degrowth in revenue and considerable job loss. Retail stores selling essential commodities have witnessed demand of the products exceeding supply engendering bare retail shelves.

IV. WHY INDIA WILL BE BENEFITED?

The pandemic outbreak has got in the way of Indian economy, but the foremost opportunity that India will get is the reliability crisis for China. The world seems to attenuate their dependency on China. Some countries even have expressed their opinions regarding desisting their trading relationship with China. Coronavirus can wind up being the final curtain on the leading role played by China in the global market since it is the world's largest manufacturing hub. China's discomfort can turn into India's comfort as the turmoil caused by coronavirus that has originated in China could set the stage for more foreign investments in India which is one of the emerging economies in the world. The countries those are putting aside China can place India in that position. The reasons for which India can grab the place of China can be jot down as follows:

- ❖ India is the second largest country in terms of population, so the domestic demand in India is very high. It also has a huge market.
- ❖ In India the average age is 29 years, so there is a presence of huge youth population in India. Therefore, the availability of workforce is high. The labour is also cheap here.
- ❖ India is the world's fifth largest economy according to nominal GDP and third largest in terms of purchasing power parity.
- ❖ India has the fourth largest rail transportation network and third largest road network which can facilitate easy transportation of goods.
- ❖ India is the second largest English speaking nation in the world.
- ❖ Indian products are more reliable than Chinese products.
- ❖ India has a cheap digital communication network and is one of the largest and swiftly-evolving markets for the digital users. With more than 56 crores internet subscribers, India has the second highest number of internet user population in the planet.
- ❖ The government of India had launched certain programs like Skill India, Digital India, Make in India and Smart cities to foster economic growth which have created a business friendly environment in the nation.
- ❖ The basic amenities that are essential to carry out a business is much affordable in India, either it be infrastructural investment, labour cost, transportation expenses, food or internet.
- ❖ Besides all this, in India, the judiciary system is an independent body.

V. BUSINESS SURVIVAL STRATEGIES

Getting the better of this pandemic crisis and its aftermath is imperative at this time. The business world need to bite the bullet of coronavirus catastrophe and should come to grips with it by means of proper business

strategies. Near-term persistence is the only scheme for survival of certain entities while the rest are peering through the fog of ambiguity, finding the way to position themselves after the crisis flames out and things get back to normal. What the scenario will be in near future is unknown, so we need to take into account the lessons of the past and ponder productively and adroitly about the future. To surmount the current situation is hard nut to crack mainly for the secondary and service sectors. They will either subsist, struggle, strive or shut down hinged on their financial capability, management technique and leadership style. To survive in this pandemic period, the organizations should adopt certain strategies to transform panic into constructive and proactive action.

➤ Firstly, every organisation need to understand the present external environment, for which they need to conduct PESTEL (Political, Economic, Social, Technological, ecological and Legal) analysis. Analyzing political environment will provide information about the administrative decisions and measures taken by both the central and state governments. This will help the business to avail the benefits provided by the government which may soothe their business operations in this turmoil. For instance, government has extended the due dates for filling return, reduced the TDS rate, also provided 3 months moratorium on loan repayment and so on. Appraising economic environment will throw light on the present economic situation of the country, purchasing power of the consumer, change in their taste and preferences, volatility in demand and supply, etc. Social aspects will give information about the demand of the society. At present, social distancing, safety measures, disinfection has become very relevant. Technology related changes need to be properly assessed to ride on the technological wave by upgrading and innovating products otherwise the business can lose market. At present, this has become a very important issue which every business need to consider first. Current ecological condition is also important to know as certain changes has taken place due to complete lockdown of most of the countries around the planet. Legal environment should also be properly analyzed in order to know the legality of the business. For instance, government has announced that retail price of 200ml of sanitizer can be maximum Rs. 100 only.

➤ Then the enterprises should conduct internal analysis to appraise their current position. They should properly know their core competent area, availability of resources and manpower and their capabilities. However, during this turbulent period, the senior officials of the company should assume utmost responsibility of managing and directing the organisation. More powers should be bestowed upon the CEO and CFO by the Board so that they do not confront impediment while taking urgent decisions in the period of crisis. During this unprecedented time, the executive directors of the company including the CEO and CFO should play the role of crisis managers and guide the organisation

towards better performance. They should be efficient in organizing the available resources properly to accomplish their present objective. As well as, they need to identify the critical uncertainties and must take a lead in designing contingency plans and developing plausible scenarios so as to overcome the crisis situation.

➤ On basis on internal and external analysis, the entities should use SWOT analysis to correctly identify its strength, weaknesses, opportunities and threats. Strength recounts what an enterprise excels at and in what it is unique compared to its competitors. Whether it has skilled workforce, better knowhow or technology, loyal customer base, adequate capital, strong brand image, better equipment, ideal location and so on. Weaknesses will help an organisation to identify its internal weakness or what it lacks such as inadequate capital, high debt pressure, shortage of skilled workers, weak brand, resource limitations, inadequate supply chain, etc. These inhibit an entity from operating at its optimum level so the organisation must develop these areas to remain competitive. Opportunities indicates the auspicious external factors which might give rise to certain competitive advantages for an enterprise. Thus, opportunities need to be properly determined as it will help an organisation to expand its business. Based on the current scenario, the demand for new products can be identified. For example, demand can rise for safety-enhancing products like sanitizer, masks, disinfectants, hand washes, gloves, etc. Threats refer to all those external factors that poses a risk to the entity or its likelihood of growth and prosperity. Therefore, the threats that has arisen due to the pandemic outbreak should be discerned. The change in customer behavior, new competitors, supply chain disruption, change in regulatory environment, etc. should be assessed. Companies need to minimize its threats by using its strengths and should try to eliminate its weaknesses by utilizing the opportunities identified.

➤ The ability to absorb a shock and deal with it i.e. resiliency is the key to survive in the crisis and vital for long-term prosperity. Resilience capabilities of the entities must be reinforced to respond to the aftermath of unforeseen events. They need to have the capability to plan for and adjust to any change through forecasting, safeguarding, responsive capability and reviving and recovering strategy. Entities need to delineate its crucial functions and emphasize those which are critical to be carried out during crisis. Firms should recognize what their vulnerabilities are and how can they prepare themselves to remain in business.

➤ Firms need to rethink their business model, concentrate on their core business area, revive their strategies, rework their plans and policies, try to explore new markets, embrace new sales channel and find more opportunities to grow. Companies should focus on zero base budgeting by starting from zero and including only those expenditures which are essential to withstand the current situation.

➤ Business should ensure agility in their operations, strategies, etc. so that they can respond swiftly and efficiently to any threats or opportunities whether it be from external or internal environment.

➤ Technology is one of the vital aspect which the companies need to focus on. At present, every business should concentrate on digitalization since social distancing is a prime issue today. This plight seems to provide a glimpse of the future scenario where digital would become the heart of every interaction and communication. Crisis periods often act as catalyst for new technological developments and innovations. Digital technology can help the companies to alleviate the effect of coronavirus. From on-premises systems, the entities need to switch over to hybrid cloud services. Customer experience should be enhanced by using technology, financial and operational based software need to be upgraded, a more pliable and dynamic work environment need to be created. Artificial intelligence should be adopted by the business to attenuate the effect of this catastrophe.

➤ Digitalization gives rise to several cybercrimes so additional consideration should be given to cybersecurity.

➤ Earnest attention need to be given on marketing which is one of the key function of the business. Entities should try to embrace digital marketing technology since offline shopping is likely to be replaced by online shopping. Customer behaviour and habits have been affected by the pandemic thus online-shopping is expected to experience a notable surge in post-lockdown period. Therefore, ecommerce should be emphasized.

➤ Digital communication should also be encouraged.

➤ One of the serious impact of Coronavirus is disruption of supply chain which need to be stabilized. The entities that are mainly depended on other countries for raw materials will face more hurdles. The organizations require to devise their future supply chain designs and should diversify their supply channels from geographical standpoint in order to attenuate supply-side risk. The entities can also make an effort to localize at least a certain part of their supply channel. This will augment investment in local industries of India and will be a shot in the arm for Indian economy which is in distress now. For instance, in relation to pharmaceutical industry, the Indian government has taken the decision to promote bulk drug parks and manufacturing of active pharmaceuticals ingredients and critical key starting materials in the country. This will help to restore the supply chain disruption in pharmaceutical segment.

➤ Business must re-assess their stocking strategies in light of the risk associated with the supply chain, volatility in demand and supply, liquidity and perishability.

➤ Increase in unemployment level due to job loss of several employees and measures like pay cuts have reduced the purchasing power of the people. They can

curtail down their cost related to luxury items to buy necessary items. So, the demand for luxury items may fall and necessity goods may increase. Therefore, firms can prioritize necessary goods and safety-ensuring products. Even in this circumstances, certain enterprises have experienced a rise in their demand and created new job opportunities. These are internet or broadband service providers, online media and entertainment companies including social media, e learning, digital payment, pharmaceuticals, disinfectants, financial technology, medical equipment, etc.

➤ Entities should focus on their core customer segments and need to predict their behavioural changes due to coronavirus. Certainly, the consumption pattern will change for the crisis. So, the firms should rebuild their customer base and maintain contact with the key customers to strengthen loyalty and get their support.

➤ Entities should ensure that adequate amount of liquidity is there to weather the crisis. They need to evaluate their financial condition in each scenario and should take necessary measures like reducing cost, accounts receivables and payables optimization, divestments, merger and acquisitions and so on to stabilize the enterprise in every scenario. Cash flows must be properly managed to ensure that liquidity problems do not harm the employees and outsourced labourers.

➤ Highly leveraged entities will be more affected than the unleveraged one. High leveraged entities facing difficulties can obtain for certain temporary relief in their contractual obligations.

➤ Companies need to figure out the availability of workforce as there may be unavailability of outsourced and migrant labourers for certain period of time. Companies should also ensure labour health and safety in the workplace for carrying out the operational activities properly.

➤ Lastly, to keep the business buoyant in course of challenging period, a robust business continuity and disaster management plan is required. Every business should have such plan to cope with the difficulties and uncertainties that may arise anytime during the course of business. Such framework outlines the strategies and planning processes which are required for fabricating prior mechanisms and procedures that will enable an enterprise to respond in the critical period in such a way that crucial activities and operations can be continued within projected level of disruption. Business continuity plan should incorporate certain matters. Firstly,

assessment of risk to identify the potential loss to the business during the crisis. Secondly, mitigating risk through eliminating loopholes and lacunas and safeguarding business operations and assets. Thirdly, the plan should properly and precisely specify the business continuity strategies that should be adopted during the crisis period. A planning team need to be build up clearly specifying their roles and responsibilities. Lastly, for proper implementation of the plan, training session need to be carried out of the involved professionals. This will help the enterprises to carry out their normal business operations during crisis period with marginal disruption.

VI. CONCLUSION

The entire world is in the grip of vicious coronavirus. The pandemic outbreak has sparked a global health emergency along with social and economic crisis unleashing unprecedented collapse of the economic activities and business operations. It has severe repercussions on the global business world. Therefore, this study has put forward the potential effects of coronavirus on the different sectors of Indian economy and the reasons for which India one of the emerging economies in the world can be benefitted in this crisis period. Moreover, the study highlights the survival strategies that are essential for a business to cope with the present situation. However, during this current pandemic scenario, every enterprise should brace for the uncertainties and challenges that are cropping up due to coronavirus. They need to be proactive and should build up strategies to combat the effect of coronavirus in order to sustain during this tough time. They need to apprehend probable impending changes in business environment and should identify the opportunities in order to strive and thrive.

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