

Impact of Covid-19 Outbreak on Various Businesses in India

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Abstract: *The Covid-19 outbreak is a human tragedy, affecting hundreds of thousands of people. The virus has high transmission rate and proper vaccine has not been developed yet. The only possible way to contain the infection is social distancing and enforcement of lockdowns by government. These lockdowns have affected the nation-wide business. The paper studies the impact of this novel coronavirus on various businesses. To study the impact we have divided the various businesses in three zones, Green zone, Red Zone and White Zone. Green zone businesses are having opportunities to grow while red zone businesses are facing some adverse effect. White zone businesses are non-cyclical businesses. At the end of the paper we have some suggestions for the businesses.*

Key Words: covid-19, businesses, lockdowns, digitalisation.

1. INTRODUCTION:

Throughout history, a pandemic has had a negative impact on business across all levels. The 1918 influenza pandemic also called the Spanish flu had a devastating impact on the businesses across the US and Europe. Although the exact amount of the total loss remains unavailable, researchers estimated that the overall economic loss to US-based businesses revenue was in double digits percentage drop among others. The sectors impacted the worst were service providers and entertainment. In 2020, the coronavirus pandemic has created a similar ripple effect in the global economy, where the total loss from the impact is estimated to be \$1Tn.

In India, the impact of the coronavirus pandemic is not limited to a few sectors but is evident across all stakeholders of the economy. For instance, the venture capital activity in the Indian ecosystem has witnessed a slowdown as social distancing and self-isolation is hampering investor meetings. Similarly, a negative impact is evident across both the white-collar and the blue-collar sector.

The Government of India announced Janta Curfew on 22nd of March, 2020 which was followed by 21 days complete Lockdown from 25th March to 14th April, 2020. As the infection cases were rapidly increasing the government of India extended the 21 days lockdown to 40 days lockdown till 3rd May. In this Lockdown period some businesses have chances to grow while others are facing deep financial crises.

2. OBJECTIVE OF STUDY:

The motive of study is to underline the impact of Covid-19 outbreak on different type of businesses in India, to find out what type of businesses will grow and what type of businesses will face troubles in Covid-19 outbreak.

3. RESEARCH METHEDODOLOGY:

The present research is mainly based on secondary sources though some of the first-hand information has also been used. In order to analyse this information, qualitative approach has been adopted.

4. WHAT IS COVID-19? :

COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV.' The COVID-19 virus is a new virus linked to the same family of viruses as Severe Acute Respiratory Syndrome (SARS) and some types of common cold. The first case of someone suffering from Covid-19 can be traced back to 17 November, 2019 in Wuhan, China.

In India first case was confirmed on 30th January, 2020. The World Health Organization declared COVID-19 a pandemic on March 11, 2020, causing huge impact on people's lives, families and communities.

5. IMPACT ON BUSINESSES:

The government of India has enforced 40 days Lockdown and what will happen after this period is also uncertain. This factor will immensely affect the businesses across the country. In this period some businesses have an opportunity to grow while other businesses will crumble.

To study the impact of this crisis on businesses we will classify them in three categories. Which are as follow;

1. Businesses in Green Zone
2. Businesses in Red Zone
3. Businesses in White Zone

Businesses which will fall in Green zone category will grow in this crisis. Red zone category businesses will fall and will face difficulties and White zone businesses will face no or very little positive or negative impact.

5.1 Business in Green Zone:

The Green zone businesses have a big opportunity to make their product/service count. Most of the businesses in this zone have one thing in common “Digitalisation”. With Covid-19, it is a forced change for human being/society to adapt to a digital and contactless mechanism for business transactions between individuals or companies or Government or trade / remittances cross border (B2B, B2C, B2G, G2G etc.). The businesses which are adapting to this methodology are more likely to succeed in crisis of Covid-19. Some businesses are as follow:

- **Digital Entertainment Businesses:**

Digital Entertainment providers have the biggest opportunity to increase their earnings. Due to Lockdowns in effect, people are staying in their homes and searching something for entertainment. As digital media is one of the best sources for the entertainment, people will demand this greatly.

The businesses like Amazon Prime, Netflix, Hotstar, Voot etc. have found increase in their viewership. The traditional Television channels have to re-telecast their old episodes as the shooting of the new episodes are not possible.

Information and Broadcasting Minister Prakash Javadekar announced the Iconic teleserial *Ramayan* is to make a comeback to Dordarashan which generated 170 million plus viewer.

TV and digital platforms has been the one big beneficiary of the lockdown. Overall viewing has increased but that is accompanied by absence of fresh content. Monetisation has dropped substantially with advertisers scaling back on spends.

- **Telecommunications Businesses:**

Telecom businesses like Airtel, Jio, Vodafone etc. are also fall in green zone. To use any digital platform whether to work or entertain internet data is required. As the people are staying at homes and working from homes they will demand high data. This is where telecommunication companies can make their business.

The biggest challenge for the telecommunication companies is to handle the overwhelming traffic. Some areas or users are experiencing slow connection because of the high traffic. Companies have to deal with this users and areas.

- **Video Conferencing:**

Covid-19 outbreak has closed all the conference halls, meeting rooms and classrooms around the world. In this situation people now are meeting online. Lots of webinar are being arranged. Teachers are told by the institutions to take online classes. Important meetings and gatherings are taking place.

This is possible with the help of video conferencing apps and software. Softwares like Skype, Zoom, Google hangouts, Cisco Webex etc. are being used. So this gives the developers of these softwares a great opportunity to earn some profit.

- **Payment Service Provides:**

On 8th November, 2016 Indian Government announced banknote demonetisation. One of the motive behind this demonetisation was to make India a cashless economy. However after the new notes were available payment service providers faced decline in their growth.

Now, in the outbreak of Covid-19, people are looking to use Payment services like Paytm, PhonePe, Amazon Pay, Google Pay etc. So, these companies may find growth in their profit. Even after the outbreak is controlled, people think twice before going in to Cash transaction.

People are using more and more e-banking apps and softwares. This can be beneficiary for banks and also for the app/software developers. HDFC Bank has introduced Secure Banking during Covid-19 which gives tips to keep money safe from fraudsters. Other banks have also urged people to use digitalisation for their payments.

- **Blogging Business and online learning providers:**

Bloggers and e-learning providers have also found more and more traffic due to Lockdown. This gives them good opportunity to earn.

The coronavirus (Covid-19) outbreak is indirectly helping the Centre Government's vision of Digital India. As we have noticed all the businesses in green zones are using digital platform. It gives us good idea to use digitalization in this period of crisis.

5.2 Businesses in Red Zone:

Red zone businesses are seriously affected by the covid-19 outbreak. These are the businesses which cannot go digital and required human gathering. Some if these businesses are as follow:

- **Travel and Tourism Business:**

COVID-19 has impacted travel and tourism like no other event before in history. The outbreak of Covid-19 in vacations time in India will hurt this industry a lot. Almost all global destinations have imposed restrictions on travel since January 2020, including complete bans on all travel as they work to contain the pandemic. Once the outbreak is over, it could take up to 10 months for the industry to recover.

The sector employs 12.75% of the country's workforce. Covid-19 lockdown may cause 38 million job losses in this industry. With international and domestic travel closed, demand for turbine fuel will substantially decline. Outbound travel and inbound travel to India will be at an all-time low. The impact of this crisis is likely to be felt on both white and blue collar jobs.

- **Hotels and Restaurants Businesses:**

The lockdown to contain spread of Covid-19 in the country has had disastrous impact on the hotels and restaurants sector. The Indian hotels sector sailed smoothly into January 2020, after a record year in 2019. The country first started feeling the ripple effects of the global Covid-19 turmoil towards the end of February 2020, which worsened in the beginning of March. Occupancy across hotels in key cities declined rapidly and as per our estimates has declined by a staggering 45 percentage points compared to previous year. Such a steep decline in such a short period of time has never been witnessed by the sector. The overall occupancy in the branded hotels segment in 2020 is estimated to decline by 16.7 – 20.5 percentage points over 2019.

Several hotels in India are offering some of their rooms for free or at heavily subsidized rates to healthcare professionals while also utilizing their kitchens to prepare meals for the needy. However, the massive impact of covid-19 on the hotel industry has put the sustainability of these initiatives in doubt as hotels struggle to overcome the crisis amid strict government restrictions and strong emphasis on social distancing.

- **Shopping malls and Multiplexes Business:**

As governments announce measures to counter the coronavirus outbreak, malls, retailers, multiplexes and filmmakers could see business slow down, at least in the short-term. Social distancing to prevent catching the novel coronavirus (COVID-19) will keep movie watchers at home, hitting revenues of these multiplexes. In less than a month, shares of multiplex companies, PVR Ltd and Inox Leisure Ltd, have declined by about 40%.

According to ICRA report Coronavirus lockdowns to impact 45% of rated mall portfolio. Mall operators stand to lose 20-25% of annual revenue. Mall closures may lead to near-term disruption to consumption and revenue with the coronavirus issue likely to linger till at least Q1FY21 (April-June 2020).

- **Sports and Sports Related Businesses:**

The COVID-19 pandemic has upended all areas of life and sports is no exception. Social distancing measures, brought in to limit the spread of coronavirus, have had a significant effect on sporting fixtures. Every aspect of sport has been affected, from the athletes themselves to media coverage. The small businesses that take places around the stadium during the game will make lots of people unemployed.

- **Import-Export Businesses:**

The rapid spread of coronavirus and its crippling effect on economies across the globe is set to keep Indian import- exports subdued in the near term. 29 of 30 item each in export and import baskets contract, pointing to severity of impact. During FY20, contraction in India's exports and imports left a trade deficit of \$152.9 billion. India's coal import in March stood at 15.74 million tonne, down 27.5 %t over last year, due to restrictions imposed at various ports in the wake of coronavirus outbreak in the country. India's merchandise exports slumped by a record 34.6% in March while imports declined 28.7% as countries sealed their borders to combat the covid-19 outbreak. In February, merchandise exports had rebounded 2.9% after falling for six months in a row.

- **Local Businesses:**

Local businesses like salon, general provisional stores, beauty parlors, gift shops, books stores, vehicle mechanics etc. are facing challenging effect of covid-19 outbreak. Due to very small amount of investment, these

businesses cannot go online. Governments are required to provide some financial help to these industries as they are the backbone of the economy.

- **Construction Businesses:**

Engineering and Construction (E&C) industry in the country has come to a standstill as the nationwide lockdown to combat Covid-19 pandemic kicked in, triggering concerns that the companies would see revenues being hurt and may even incur losses on some projects. Typically, the January-March quarter is crucial for most construction companies as it accounts for 30-40% of their annual revenue. It is also the time when a bulk of orders has finalized, industry insiders said. For a sector already under stress due to poor financial health of many companies and dwindling orders, this is more bad news.

- **Automobile Businesses:**

The Coronavirus Pandemic has been affecting the livelihoods of almost everyone that we know and it hasn't spared the Indian automobile industry either. The Coronavirus lockdown has been having a severe impact on the Indian automotive industry and the March sales numbers reflect that. Vehicle sales in India have fallen to almost half in March. It is estimated that there will be an overall revenue impact of at least \$1.5 -2.0 billion per month across the industry. Even after the lock down is open up, further decline in passenger vehicles demand is expected with discretionary spend taking a backseat.

- **Mining Businesses:**

Mining is heavily dependent on the availability of manpower/labour who undertakes the groundwork; with operations being scaled back, many such migrant labour and workforce have retreated to their home base. Odisha one of the nation's major mining states with reserves of and production in important minerals such as iron ore, manganese ore, chrome ore, bauxite and coal, imposed lockdown in the entire State on 24.03.2020 due to COVID-19. This may interrupt operation in 21 mines in the state.

- **Crude Oil Businesses:**

The on-going measures in India to arrest the spread of Covid-19 have severely dented the consumption of fuel in the country. With the growth in consumption of petroleum products falling to an abysmal, 0.21 per cent to 213,686 thousand tonne (TMT) in 2019-20. The growth in India's petroleum demand last fiscal has been the lowest in at least 10 years, data analysed by ETEnergyWorld up to 2009-2010 showed. In March 2020 alone consumption fell 18 per cent to 16,083 Thousand Tonne (TMT) as compared to the same month a year ago, fresh data sourced from the oil ministry showed.

- **Investment Businesses:**

Private equity and venture capital investments in India may decline up to 60 per cent in 2020 due to COVID-19 pandemic. Fund raising activity, which typically influences future investments, has also gone "cold", if one were to look at March's data of private equity (PE) and venture capital (VC) funds having raised only \$85 million. In the past few years, investment activity has been touching record highs, and grew 28 per cent to \$48 billion in 2019. However, there have been concerns on the same after the emergence of the pandemic, which is set to lead to an unprecedented impact on economic activity due to lockdowns and social distancing.

So, these were the businesses that are in red zone as they are facing troublesome effects of covid-19 crisis.

5.3 Businesses in White zones:

White zones businesses are those businesses which are not affected novel coronavirus (Covid-19). These businesses are non-cyclical. These are the businesses that do well during economic downturns. This is because these businesses have essential goods such as utilities. Luxury goods are nice to have, but consumers need utilities such as water, electricity and gas.

- **Essential Items Businesses:**

Businesses in the production or supply of the essential items are having no impact of covid-19 crisis. During the Lockdown, the government has declared that the essential items will be available for all.

So the companies that are selling soaps, shampoos, bakery and dairy products, packaged food and beverages, sugar & salt, tea and coffee etc. are in white zones.

- **Pharmaceutical Businesses:**

Drug makers, despite major reliance on China for key inputs, are unlikely to see any big impact on earnings due to Covid-19 disruptions. For them, sales may rise 7-30 per cent, except for Lupin and Cipla, while

profit growth may vary from company to company. The Indian Pharmaceutical Alliance (IPA), the lobby group that represents India's top 25 giants, has said the biggest companies are able to operate normally despite the crisis.

So these are the businesses which may go unscathed during the crisis. The businesses that provide raw-materials to these businesses are also unlikely to face any big impact.

6. Road Ahead:

Covid-19 outbreak is probably the worst phase of humanity in 21st century. In this part we will discuss how businesses can survive post covid-19 crises. Following are the few points that clarify the road ahead.

- **Adoption of New Technology and New Processes:**

One point is clear from the above study that as long as the coronavirus lingers traditional businesses cannot take place and the problem is that we don't know how long will it linger. So, in this time businesses will have to adopt new technology and processes to restart their businesses. Digitalization will be the key factor.

- **Improve Safety measures:**

Business leaders need to focus on the health and safety of employees, customers and the community. This public health crisis is posing a direct risk to lives, and businesses need to prioritize safety and health.

- **Increase Consumption:**

Every economy is based on consumption. Countries with higher consumption are unlikely to face any type of recession. Indian economy in last one year has witnessed slowdown and coronavirus outbreak will make it worst. The solution to this problem is consumption. India will have to put efforts to increase consumption post crisis.

- **Financial Help to Small and Medium Businesses:**

Small and medium businesses have been destroyed by this global pandemic. These businesses are the backbone of Indian economy. Government will provide some low interest loans to help these businesses restart.

- **Conserve Capital And Optimize Cost :**

Businesses need to conserve capital and optimize cost. These steps will help the business survive until such time that the economy starts to recover.

- **Geo-political Advantage:**

While globalization is here to stay, western economies and businesses will seek to reduce their reliance on China. Indian policy makers will have to create the needed policy support by cutting red tape and improving infrastructure. Indian businesses will have to be ready to capitalize on these new opportunities.

7. CONCLUSION:

As rightly quoted by Grenville Kleiser, "To every problem there is already a solution whether you know it or not." Covid-19 outbreak is big problem for every business related person around the globe. But with some new ideas and faster adoption businesses can build strength and can come back on track again.

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