Impact of Lockdown on Indian Business

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Sectors in India

• Primary Sector includes agriculture, livestock, fishery, forestry and other allied activities.

• Secondary sector includes industries, construction, textiles, machineries and all allied industrial activity

• Tertiary sector includes service activities like communication, hotels, transports, finance and other related.
### Share of Three sectors in GDP - Table

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2018-19</th>
<th>1950-51</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>15.87%</td>
<td>51.81%</td>
</tr>
<tr>
<td>Secondary</td>
<td>29.73%</td>
<td>14.16%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>54.00%</td>
<td>33.25%</td>
</tr>
</tbody>
</table>
Share of Three sectors in GDP - Description

*While primary sector contributed to 51.81% in 1950-51, it decreased to 15.87% in 2018-19, registering the fact that many farmers quitted agriculture and its allied activities. It denotes the less dependence and pitiable condition of farming in India.

Note: But in this lockdown period, the agriculture sector saves the people with its produce....

*The contribution of industrial sector increased from 14.16% in 1950-51 to 29.73% in 2018-19 representing the greater focus on industries.

*Tertiary i-e., service sector holds the major share (more than 50%) in recent years in terms of its contribution to GDP.
Workers employed in three Sectors

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>48.9%</td>
</tr>
<tr>
<td>Industry</td>
<td>24.3%</td>
</tr>
<tr>
<td>Service</td>
<td>26.9%</td>
</tr>
</tbody>
</table>

The percentage of workers depending on agriculture decreases year by year and it was 48.9%. During independence, agriculture provides livelihood to 80% of people, in 2017-18 to less than 50% of population.

The proportion of workers involved in service sector gradually increases.
Relationship of Three sectors with Business

What is Business?

Any objective-oriented activity on regular basis with purpose of earning profit is business.

All the three sectorial activities can be turned up as business. Even, agricultural sectors now took up the avatar as business ex., agro-based industries.
Types of business entities

The General classification of types of business entities are:

a. Sole proprietorship
b. Partnership firm
c. Joint Stock Companies
d. Cooperatives

through which many sub-classifications goes on like SME, MSME, large enterprises etc.
Let's discuss about the impact of Lockdown on various business entities
What small biz employer/employees do in this lockdown?

- Owner of a Lathe shop in Tamilnadu for more than 20 years, has 4 employees working under him - Lockdown turned him to become a vegetable vendor selling vegetables door to door.

- Daily wage worker in a powerloom factory for the past 10 years - managed with his savings for 40 days in this lockdown - now wakes up at 3.30, purchase fruits and mushroom - sells in permitted areas till 1.00 pm.

- Similar is the case of many employer(e)s - becoming vegetable /fruits vendor - as this is the only viable activity in lockdown to earn their bread and butter.
Virus impact on unorganized workers

*As per Government record - around 3.91 lakh guest labourers works in various sectors in Tamilnadu

*But union claim around 30 lakh guest workers.

-The Guest workers in construction, transport are the most affected in this lockdown as many are not officially registered.....
Impact of Lockdown on MSME

Micro, Small and Medium Enterprises (MSME) are worst-hit entities in this lockdown.

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Manufacturing Sector*</th>
<th>Services Sector**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than 25 lakhs rupees</td>
<td>Less than 10 lakh rupees</td>
</tr>
<tr>
<td>Small</td>
<td>25 lakhs -5 crore rupees 5 crore - 10 crore rupees</td>
<td>10 lakhs - 2 crore rupees 2 crore - 5 crore rupees</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Refers to investment in Plant and Machinery

**Refers to investment in equipment
Impact of Lockdown on MSME... continued...

*India has the largest MSME next to China

*In India, UP has the largest MSME (14.2%), second by West Bengal (14%), third by Tamilnadu and Maharashtra (8% equally)

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>63.05 million</td>
</tr>
<tr>
<td>Small Medium</td>
<td>0.33 million</td>
</tr>
<tr>
<td></td>
<td>5000</td>
</tr>
</tbody>
</table>
Status of MSME in Lockdown

- Cottage, small scale and micro business are in bad shape in lockdown...

- Difficulty in paying rent, electricity bill, EMI (Equated Monthly Installment), regular employees salary etc.

- Lockdown - uncertainty prevails among MSME. Some firms get raw materials from other parts of country, Moving of Guest workers from other states to their native post-covid - may put MSME in labour shortage...
Covid-19 impact on large-scale industries

*Many large-scale manufacturing entities have halted their productivity in the second week of March 2020."
The eight core sector industries that account for more than 40% of IIP (Index of Industrial Production) has sharply declined in March 2020 - showing negative trend... except coal sector that too shows increase of 4%.

Source: Times Business, May 1 2020
COVID-19 Impact on Reliance Industries’

Always profit showing Reliance Industries (RIL) - largest private sector in India - recorded 37.2% fall in net profit in the last quarter of 2019-20.

Revenue slightly dipped by 2.5% to Rs.1.51 lakh crore compared with Rs.1.55 lakh crore last year.
Blue, White, Pink, collar job-workers

Blue Collar job-workers:
Those worker who works physically are termed as blue-collar workers. Ex: Factory laborers, Miners, Sanitation (janitors, cleaners, recycler), Plumbers, Fishermen, electrician.

Pink Collar job-workers:
Women workers are known as Pink collar workers.

White collar Job-workers:
Those worker who works do mentally are white collar job workers. They are professional, managerial, or administrative workers. They should have college degree or higher. They usually sit in office and work without much physical strain.
Blue, White, Pink, collar job-workers.... continued

Lock down has great impact on blue-collared workers than on white-collared.

Since white-collared are regular employee of a company - employers are providing them with salary.

But for daily-wage workers who mostly are blue-collared workers and depends on monthly, daily wages - are struggling for food and starving...
Work from Home - Covid 19 impact on IT sector

*Many software, IT companies have instructed their employees to work from home in this lockdown period....

so, the workflow in IT sector have not affected in any ways......

*Experts states that many big IT companies may continue with the concept of WFH in future also as a measure to cut their office costs like water, electricity, room space etc...
Work from Home - Covid 19 impact on IT sector....continued....

India estimated office space was 758 million sq.ft in December 2019... If atleast 10% is emptied, it will release 76 million sq.ft of space...In which 50,000 houses of 1500 sq.ft can be constructed...

WFH -the strategy created by coronavirus will lead to less demand for office space as it will become norm across most businesses...
Lockdown on Tourism Sector

➢ Tourism is one of the worst-hit industry in India

► Federation of Associations in Indian Tourism & Hospitality (FAITH) estimates the Indian tourism sector doubled its loss guidance to Rs 10 lakh crore on account of the impact of COVID-19 pandemic.

► Tourism industry normally employs 12.75% of country’s workforce. It cause 38 million job losses.

► The sector may 2-3 years for revival.
Covid-19 on Restaurants

Restaurants - both standalone and attached with lodges - are also hit by Covid-19.

The restaurant industry, with an annual turnover of over Rs 4 lakh crore and direct employee base of over seven million, is in a fighting a grim battle for its basic survival amidst the Covid-19 outbreak, the association said.

According to an estimate by retail consultancy Anarock, the top eight cities of India have 126 malls.

Bakery, cake and snacks shops either run at small level or at malls are hit.
Pandemic on Automobile Industry

➢ For the first time in history of automobile industry, ‘nil’ sales was registered in the first month of 2020-21.

➢ Companies making cars, SUVs, two-wheelers, commercial vehicles like Maruthi Suzuki, Hyundai, Mahindra, Tata Motors, Toyota, Hero, Ashok Leyland, Honda registered zero delivery.
Pandemic on Automobile Industry...Continued....

➢ There has been loss of production and sales opportunity worth thousands of crores of rupees....

➢ The revival of auto industry is possible only when the entire chain involved in business, component makers, dealers, manufacturing brands - open in unison.

➢ Long shutdown has shattered the financial strength of auto sector and the companies are fending for money to pay its staff.

➢ Auto industry is expecting massive support from the Government for its revival.
Impact of Lockdown on Entertainment sector

- **Cine Malls, Multiplex Theaters:**
  
  The number of single screens in India has been steadily declining—from 7,031 in 2016 to 6,327 in 2019. Now, due to the COVID-19 nationwide lockdown, it is a battle for survival - FICCI-EY media and entertainment report 2020

- Cinema industry may face 20-25% loss of annual revenue

- **Multiplex Association Of India** has requested for financial support in the form of interest-free loans, exemptions from various taxes, like GST, Show tax, LBTs and Property taxes.

- **Sports, Recreation,**
Covid - 19 - Impact on E-tailers

E-tailers like Amazon, flipkart too faces decreased sales in this pandemic.

Even after Government signal in green and orange zone for e-tailing, their sales drop since their warehouses are located in red zones... obviously pushing the sales down..

The chart shows the Amazon’s global loss of Rs.398 million US dollar for the quarter Jan to March 2020...
Lockdown effect on Banking Sector

➢ Banks is the only agency through which the Government injects money circulation into the economy.

➢ Banks to witness spike in credit costs, non-performing assets in 2020. The country are likely to witness a spike in their non-performing assets ratio by 1.9 per cent and credit cost ratios by 130 basis point in 2020, following the economic slowdown on account of COVID-19 crisis.

➢ Though not directly, Banks face a second-order hit compared with the corporate and household sectors. Since the business sector face financial crisis, non-ability in repayment of bank loans may mount to NPA in the forthcoming years.

➢ Already banks are in trouble caused by loan default of more than Rs.68,000 crores rupees.
Wilful Loan Defaulters of Banks for Rs. 68,607 crores

RBI had revealed the 50 top wilful defaulters along with their current loan status till February 16 2020. Indian banks have technically written off an amount of Rs 68,607 crores.

The top 15 businessmen are:

1) Vijay Mallya  
2) Mehul Chokshi  
3) Neerav Modi  
4) Nishan Modi  
5) PUBESH PAIDIA  
6) Ashish  
7) Sunny Kallara  
8) Aarti Kallara  
9) Sanjay Kallara  
10) Varsha Kallara  
11) Sudheer Kallara  
12) Jithin Mehta  
13) Umesh Parikh  
14) Kamlesh Parikh  
15) Nilesh Parikh
Impact of Lockdown on Healthcare sector

If we classify this sector as Government and Private -

- Government hospitals and doctors are working day and night to treat corona patients,
  where as private clinics and hospitals with 100/200 beds remains idle... 10/20 surgical operations came to halt...

- Pharmaceutical industry lost 12,000 crore business in this one and half month.

Convincing fact: Lockdown in healthcare sector affects the private hospitals and pharmaceutical companies - fearing corona many patients have turned up to hospitals, still seems to be good...
Pandemic impact on Gold

Akshaya Tritiya - an auspicious day to purchase Gold - this year just saw sales to 2%-3% this April 2020.

Some Gold sellers attempt to sell Gold online seeks ‘nil’ result in India....

Bank of America Securities analysis estimates that an ounce of gold will be worth dollar 3000 next year. Then, price of gold will be Rs.8000 per gram pushing one sovereign to Rs.64,000.
Measures to Resilient Business Post Covid - 19
Story for Resilience after Lockdown

Once, Lord Indra got upset with Farmers, he announced there will be no rain for 12 years & you won’t be able to produce crops. Farmers begged for clemency from Lord Indra, who then said, Rain will be possible only if Lord Shiva plays his Damru. But he secretly requested Lord Shiva not to agree to these Farmers & when Farmers reached Lord Shiva he repeated the same thing that he will play Damru after 12 years. Disappointed Farmers decided to wait till 12 years. But one Farmer regularly was digging, treating & putting manure in the soil & sowing the seeds even with no crop emerging. Other Farmers were making fun of that Farmer. After 3 years all Farmers asked that Farmer why are you wasting your time n energy when you know that rains will not come before 12 years. He replied “I know that crop won’t come out but I’m doing it as a matter of “practice”. After 12 years I will forget the process of growing crops and working in the field so I must keep it doing so that I’m fit to produce the crop the moment there is rain after 12 years.
Story for Resilience after Lockdown...continued...

"Hearing his argument Goddess Parvati praised his version before Lord Shiva & said “You may also forget playing the Damru after 12 years!” The innocent Lord Shiva in his anxiety just tried to play the Damru, to check if he could....and hearing the sound of Damru immediately there was rain and the farmer who was regularly working in the field got his crop emerged immediately while others were disappointed. It is the practice which keeps on making you perfect. We become even diseased or old just because we don’t practice. Practice is the essence of quality survival. So, let lockdown lift after 2 weeks, 2 months or 2 years. Whatever trade or profession we are in, keep sharpening our skills, practice with what we have, upgrade our knowledge. Don’t wait for rain, that is the lock down to be lifted and then start something... focus on our skills today, upskill your self so that you are ready to meet the challanges.
So far, we have discussed the threats, difficulties of lockdown, now let us explore the opportunities and solutions to overcome lockdown issues.
India must save not just lives but enterprises, which provides livelihood

- Pronab Sen, former Chief Statistician

Economic Growth will turn negative in most major economies in 2020 including India, however quick recovery is likely in 2021.
Challenges before us:

How the recovery of business will be post covid-19?

Whether V - shaped or U-Shaped?
The following are the challenges, Indian economy has to face post-covid-19:

- workers’ woes
- Employment opportunities
- Recovery of self-employed persons
- Revival of small, medium business
- Generating investment from foreign countries
- Returning of Indians from foreign countries
- Healthcare
- Women’s safety etc....
Measures to meet challenges:

1. Re-boosting Agriculture through agro-based industries:

   Agro-based industries bridge the primary and secondary sectors. The estimates shows that a considerable proportion of workers may return back to agriculture post Covid - 19.

   Agriculture, instead of carrying out as it is, many industries can be opened up with agriculture output as raw-materials.

Government may provide incentive to MSME for starting agro-based industries.
Measures to meet challenges: continued...

2. Renewed Focus on E-Commerce - Automised Production

Post Covid - 19 may have long term impact on businesses. It takes more than a year for all sector to resume usually. From de-risking of supply chains to renewed focus on e-commerce, more automised production.....certainaly ‘a new norms’ will be introduced in various aspects of business in the post covid-19.

Talent management have great scope....
Measures to meet challenges: continued....

3. Covid Management - Injecting more liquidity to economy

- The Reserve Bank of India has to come forward to inject more cash in the hands of common man by adopting liberal credit policies. All the business sectors - right from Tiny, SME to large enterprises - should be provided with loan facility for rejuvenating their status.

- The young students after completing their degree has to be provided with loan facility without asking for any collateral security.

- This measures of RBI may increase money circulation in economy as the standard of living of people too will rise...
Role of Government in protecting Industries

- India has 65 million enterprises of which only 4 million are formally registered. The remaining unregistered enterprises provides bulk employment opportunities.

- Government has to save these enterprises after lockdown by providing subsidy, incentives, zero-percent loans and all other measures - else both enterprise and employees may die.

- Instructing industries to consider this lockdown period as ‘on duty’ and pay employees with full salary.
Role of Government in protecting Industries - continued

▶ To overcome shortage of Labour:

Many migrant workers from other parts of state have moved to their native. The ‘Ministry of Labour’ in collaboration with ‘Department of Higher Education’ can organise campus interview for recruiting final year students who are in dark side after completing their education. Thus the needs of both sector can be fulfilled.

▶ To overcome shortage of Inputs:

As a measure to promote agriculture, if any industry is in need of agricultural based raw-materials, Government can entrust the task to Department of Agriculture. Similarly, for industrial based raw materials, the help of SIPCOT, DIC situated within states can be utilized.
Every problem has solution in it

Thank you