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**RESEARCH ON THE IMPACTS OF COVID-19 ON
BUSINESS ON A NATIONAL**

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Abstract:

The Impact of this global pandemic on the economic sector on various Nation States, as well as on the International community as a whole has been grave and so, it is necessary to view this topic closely and with great speculation as to form a coherent solution. This paper includes the history of COVID-19, the impact on various sectors relating to business, statistical as well as theoretical information regarding the impact, as well as our hypothesis upon what may become a solution for the revival of Local Markets as well as the International Economic Community. Upon viewing the Impact of this widespread pandemic on a Micro level, we see that it has been quite disruptive in its wake. In India's Fourth quarter of its fiscal year, the growth of the country has gone down significantly and notably, India had also been witnessing a pre-pandemic slowdown. Along with this, small scale businesses have had to suffer quite a lot, while large scale businesses on the other hand, are much stable. Coming onto a broader point of view, there has been an unprecedented collapse in the first half of 2020 – an almost 13% decline in global GDP. Furthermore, the costs to the global economy are taken from support packages, through central banks and fiscal actions and are seen to be very significant and likely to have long-lasting and complex effects on management of sovereign and corporate debt. Lastly, apart from the major Social impacts of this pandemic, probable solutions have also been suggested in this paper, taking the Local Economic revival of the Markets into perspective.

Key words : COVID - 19, Research and solution, International level, economic revival of Markets.

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Introduction

Beginning from March 24, 2020, the Central Government imposed a nation-wide lock-down in our country, because of COVID-19, a communicable disease which has no vaccine to cure it till date, imposing guidelines characterized under the Disaster Management Act. COVID-19 is a wide spread pandemic effecting lives in all aspects be it health or wealth. It has adversely affected business, legal tech framework and green tech among other fields, not only nationally but also internationally. It is necessary to view this topic closely and with great speculation as to form a coherent solution to all the hurdles which have come forward regarding such fields as this is affecting the future of the nation, specifically economically. Taking this topic in its broad aspect, the impact of this global pandemic on the business sector could be viewed in both ways. Although it hasn't affected the large sectors in business significantly, the small businesses, however, have been greatly influenced. Business sector has varying health care risks, among other problems. Nearly half of the small scale industries which provide jobs are concentrated in a handful of industries, such as accommodation, food services, construction, retailing, health care and social assistance. Although it can be seen that, large scale industries are economically much progressive, however, due to the initiatives, like introducing “package schemes” by the government, small scale industries have come to flourish, as most of them are localized, however the impact on the economy has taken a toll due to this widespread disease, since investments, export, imports, trading, etc. have come to a halt. This paper intends to view the impacts of COVID-19 on all types of businesses, nationally and internationally and suggest significant solutions to stated facts and problems.

A BRIEF ABOUT COVID-19

Corona Virus Disease (COVID-19) is now dominating the lives of everyone, and its origin is constantly being rewritten. The first confirmed case has been traced back to November 17, 2019 in Hubei, China. On December 31st, 2019, the World Health Organization (WHO) was formally notified about a cluster of cases of pneumonia in Wuhan City, home to 11 million people and the cultural and economic hub of central China. By January 5th, 59 cases were known and none were fatal. Ten days later WHO was aware of 282 cases out of which 4 were in Japan, South Korea and Thailand. There were 6 deaths in Wuhan, 51 people were seriously ill and 12 were in critical situation. The virus responsible was isolated on January 7th and its genome shared on January 12th, 2020. The cause of severe acute respiratory syndrome that became known as COVID-19 was a novel Corona virus, SARS-CoV2. As of August 7th, 2020, more than 18.9 million cases have been reported across 188 countries and territories resulting in 712,000 deaths. However, more than 11.4 million people have recovered.³

³ https://en.wikipedia.org/wiki/Coronavirus_disease_2019#History

Phylogenetic analysis suggests that SARS-CoV2 originated in animals, probably bats, and was transmitted to other animals before crossing into humans at the Huanan wet market in Wuhan city. There are evidences that the intermediate vector may have been pangolin, a type of nocturnal anteater imported illegally for its flesh. It primarily spreads through droplets of saliva or discharge from the nose when an infected person coughs or sneezes. The droplets usually fall to the ground or onto the surfaces rather than traveling through air over long distances. Transmission may also occur through smaller droplets that are able to stay suspended in air for longer period of time. People may also be infected by touching a contaminated surface and then touching their face. It is most contagious in the first three days after the onset of symptoms although spread is possible before symptoms appear and from people who do not show any symptoms at all. The standard method of diagnosis is by real-time reverse polymerase chain reaction (rRT-PCR) from a nasopharyngeal swab. Generally, the management of complications of COVID-19 relies on supportive care and oxygen supplementation via non-invasive or mechanical ventilation. Although there are many ongoing clinical trials evaluating potential treatments, an exact and accurate vaccine is still awaited. All in all, COVID-19 presents an enormous global challenge that has required levels of intervention on a scale that is unprecedented.

IMPACTED AREAS OF COVID-19

The entire world is in clutch of Corona Virus. The rapid spread of the virus compelled the World Health Organization (WHO) to declare it as a pandemic. The outbreak of the virus has unprecedented implications on the global economy. Severe economic burden and grave consequences have been borne by the Indian industries in the backdrop of the declining economic situation due to the virus. The COVID-19 times have been really tough for everyone in this world, be it in personal or professional life. Though almost each and every sector has been affected by the COVID-19 but the major impact has been on -

- Apparel & Textile
- Auto Sector
- Aviation & Tourism
- Building & Construction
- Financial
- Shipping and Non-Food Retail

1. Apparel & Textile :

This sector has severely been affected due to the lock-down because the factories are shut and the labour is sent back to their native villages. Therefore, bringing the factories back to their normal running will take a lot longer than people are assuming and also because it is connected to the transport facilities. Till the time transport won't run smoothly, the labour won't be able to make it to their respective work place and the factories won't run and the products will not be exported.

2. Auto Sector :

The COVID-19 has had a swift and severe impact on the globally integrated automotive industry. Consequences include a disruption in Chinese parts exports, large scale manufacturing interruptions across Europe, and the closure of assembly plants in the United States. This is placing intense pressure on an industry already coping with a downshift in global demand, and likely leading to increased merger & acquisition activity.

3. Aviation & Tourism :

This sector has also been hit adversely by this whole situation with both international and domestic flights cancelled on account of lock down. Industry experts highlight that the aviation sector globally incurs higher fixed costs and operates at very thin margins due to high competition from low-cost carriers (LCC). This sector has had serious liquidated crisis which will raise questions on their survival. Even after normalcy returns, it is expected that the sector will have a longer period of slow down due to travel restrictions and perhaps a behavioral change in public spending.

4. Shipping and Non-Food Retail :

Organized retailers are heavily impacted by the shutdown of malls and shopping complexes while the influence on essential goods retailers is less. Overall there has been a huge impact on this sector.

5. Building & Construction :

Construction and Engineering sector, which was already reeling with multiple challenges from lack of capital and credit avenues to insolvencies, multiple frauds and regulatory burden under the Environmental Laws and the Real Estate (Regulation and Development) Act, 2016 is now marred by the COVID-19 pandemic, with no likely relief in sight.

Due to the restrictions put in place by the government, all the construction activity and most of the business activity across the nation has halted. This is topped with further stretch of troubles for the sector like reverse migration and disruption of supply chains amongst others. Cumulatively, the above circumstances would cause hindrance in meeting the obligations under the construction and engineering contracts and would lead to multiple legal wrangles for the industry post lifting of the current restrictions.

6. Financial :

With COVID-19 pandemic leading to lower GDP growth for Financial Year 2020-21, the risk of a precipitous fall in loan growth is getting stronger. Besides, there is a fear that the banks and NBFCs may see a rise in NPAs as COVID-19 has hit businesses strongly as several small and medium-scale industries are on the cusp of collapsing.

BASIC ECONOMIC IMPACT OF COVID-19:

NATIONAL LEVEL

The economic impact of this largely spreading pandemic on a national level has been quite disruptive. In India's fourth quarter of its fiscal year, the growth of the country has gone down significantly and notably. India had also been witnessing a pre-pandemic slowdown. According to the World Bank, the current pandemic has "magnified pre-existing risks to India's economic outlook". It has officially been recorded that major companies in India such as Larsen & Toubro, Bharat Forge, Ultra Tech Cement, Grasim Industries, Aditya Birla Group, BHEL and Tata Motors have temporarily reduced operations. New startups in the country have fallen as funding has stopped and even stock markets in India recorded and posted their worst loss in history on March 23rd, 2020.⁴ According to a McKinsey Report, "up to 25 percent of MSMEs in India may default on debt under the emerging scenario of an extended lockdown — but each sector will face different challenges".⁵ Among such varying and growing problems, unemployment is also one of the major concerns of our diverse society. A significant drawback which has been seen largely due to the economic impact of COVID 19 is that unemployment has risen significantly making the percentage rise up-to 26% on a national level.⁶

Our economy, since India is still a developing country, depends majorly on the harmonious working cycle between various economic components existing within our society. Due to this drastic disruption in these

⁴ https://en.wikipedia.org/wiki/Economic_impact_of_the_COVID-19_pandemic_in_India

⁵ <http://huku.io/covid-19/coronavirus-impact-on-small-business-around-the-world/>

⁶ <https://www.nationalheraldindia.com/national/lockdown>

unexpected circumstances, some companies are still holding up their base and supporting the national economy, however, some have been affected so much so that they are on the verge of shutdown. According to an interview by Nestle, they have claimed that the impact of COVID-19 is not adverse ‘as such’ on the capital profits of the company, and have further explained that they are still in the process of evaluating the damage near their sites and have claimed, “The company has resumed operations at all of its manufacturing locations and distribution centers/ warehouses and scaling up continues in all areas of operations while adopting stringent safety practices and following standard operating procedures for social distancing,” Although Nestle is an MNC and is a large profit based company, we cannot ignore the fact that small scale businesses and various other MSMEs are the backbone of the said business structure of our country. It’s not a hidden fact that the social impact on the MSMEs have gone hand in hand with their financial statuses, leaving their standing in the economic society to uncertainty. These types of business are the most affected as their investments, be it domestic or internationally based, came to a sudden halt leaving them exposed to trade restrictions due to social distancing norms and transportation disruptions. Due to such uncertainty of the mere existence of these types of business, many people were let go despite various contemplated measures taken by the company.

International Level

Coming towards a broader view of how this widespread pandemic has affected international trading and various businesses as a whole, we can see that according to the most recent estimates in the June 10 OECD Economic Outlook suggest an unprecedented collapse in the first half of 2020 – almost 13% decline in global GDP⁷. Moreover, the costs to the global economy from support packages, through central banks and fiscal actions, are very significant and likely to have long-lasting and complex effects on management of sovereign and corporate debt.



Figure 1. An unprecedented output collapse is occurring in the first half of 2020

⁷ <http://www.oecd.org/coronavirus/policy-responses/covid-19-and-international-trade-issues-and-actions-494da2fa/>

Projected change in GDP at constant prices between 2019 Q4 and 2020 Q2 (per cent)

However, the main concern regarding the impact of this disease on an international platform is keeping trade flowing, which requires high amount of co-operation and trust among companies belonging to different Nation States. Taking the supply of essentials as an example, we would see that various countries shall not impose export restrictions, and that imports do not pose health risks. This is a particular challenge at a time of trade tensions, where the international trading system was already subjected to an increased number of new restrictions and distortions, ranging from tariff increases among major traders, and coming down to significant government support in key sectors. Now, the efforts at dialogue to manage and prevent tensions through ongoing negotiations are complicated by mobility restrictions, however, in the context of the severe economic strain from COVID-19, it is more important than ever to avoid escalation of the current trade tensions.

SOCIAL IMPACT OF COVID-19

Like the devastating impact of this global pandemic on the private sector of the world has been recognized, the social impact relating to this private sector has been seen to be of a cognizable amount as well. Due to the internationally promoted lockdown of nation states as a whole, many small-scale businessmen were forced to close temporarily leaving them highly exposed to an uncertain social standing. Basically, this pandemic has not only affected businesses around the world but has affected the society as a whole as well. Since there is still no certainty about this disease being left as a speck of history, the behavior and the needs of the people and society has changed, and due to this drastic change, the demands of people are different and have become variable in nature. From a company standpoint, socio-economic impact can be wide-ranging. Taking a broad point of view, there is, for example, the internal impact within the company, such as addressing staff's needs and prioritizing well-being, and another can be categorized as meeting with the corporate requirements such as like the requirements of the stakeholders of the company, ranging from suppliers to consumers. Research shows, according to Ukibc, that, "pressure has been increasing on companies to do more than just return a profit. The brightest talent wants to work in settings that they feel are having a positive social impact, and brands are increasingly working to align themselves with these views".⁸

These socio-economic changes has made it quite possible to see the acceleration of new business practices, like working from home and holding meetings and events online, and promoting the importance of digital infrastructure and online learning. Now we are seeing a chain of different approaches by these companies to support their sustenance, and this just might be seen as the new normal for such promotions in the future,

⁸ <https://www.ukibc.com/socio-economic-impact-covid19/>

which might also progressively be positive for the society as a whole.

SOLUTIONS TO FIGHT THE ADVERSE EFFECTS OF COVID-19

As research has shown, this pandemic is a globally spread chain of panic and the far-fetched measures taken by governments of every nation state has impacted the economy of the world and also economy of every nation state. The situation affects almost every enterprise, regardless of whether it caters to the local economy or the global community as a whole. However, regardless of all the problems listed, it is rightly said by someone that every problem has a valid solution, and so, this globally widespread problem has a few solutions as well.

Taking our Local economy into consideration first, steps such as:

- Resuming business in permissible zones.
- Continuing with fiscal stimulus packages till the economy rebounds.
- Focusing on labor intensive sectors and navigating the incentives to support agriculture.
- Giving monetary and logistic support to MSMEs
- Health sector, Transportation sector along with imports and exports should be given priority.
- Special incentives should be given to startups.

If some of these measures are followed on a local level for not only our country but other nation states as well, the economy would surely boost up and would stabilize on national as well as on International fronts.

CONCLUSION

So far, we have come to know that COVID-19 is a globally widespread pandemic which has affected various nations around the world, and is also the reason for the imposing of nationwide lockdown in India which started on 24th March, 2020. During this pandemic, the world economy and local trade and the business sector have been greatly affected, and the monetary status of some countries and the businesses have depleted on a great level. Various industrial sectors such as textile, construction, tourism, etc. have been greatly affected, which consequently affects the global market and nations' economy. Although the small-scale industries have suffered greatly more than big MNCs, there are some solutions provided which would help boost not only the national economy but also help support the MSMEs so that they can contribute in uplifting the economy of the country and have their own space in the market.

In conclusion, although this Pandemic came unexpectedly and shook the very core of national economy as well as international economy, taking simple steps towards upliftment and not rushing into anything haphazardly is the key for revival of both the economies altogether.