Impact on Covid-19 on Commercial Activities – A Study

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Abstract

This paper attempts to study how **companies can seek business revival** Other key dimensions for assessing whether recovery packages can "build back better" include alignment with long-term emission reduction goals, factoring in resilience to climate impacts, slowing biodiversity loss and increasing circularity of supply chains. In practice, well-designed recovery policies can cover several of these dimensions at once, such as catalysing the shift towards accessibility-based mobility systems, and investing in low-carbon and decentralised electricity systems.Governments' first priorities in tackling the COVID-19 pandemic have been to overcome the health emergency and to implement rapid economic rescue measures, the latter mostly aimed at providing essential liquidity and protecting livelihoods in the face of abrupt losses of income. As the health crisis gradually abates in some countries, attention is now turning to preparing stimulus measures for triggering economic recovery. This policy brief examines how these stimulus packages can create a recovery that "builds back better", i.e. not only getting economies and livelihoods back on their feet quickly, but also safeguarding prosperity for the longer term. This means triggering investments and societal changes that will both reduce the likelihood of future shocks and improve our resilience to those shocks when they do occur, whether from disease or environmental degradation.

Key words: **COVID-19**; economic crisis; health; liquidity; protecting livelihoods;

Introduction

There are many factors that governments must weigh in putting together their stimulus package: immediate needs, local institutional capacity, market conditions, borrowing headroom, and the legacy of past infrastructure investment decisions. Other criteria to assess for stimulus interventions or investments include their potential for job creation, the lead time involved in breaking ground on the project, whether government funds might help mobilize private finance to further support a project, and the impact on the country's long-term carbon trajectory. Factoring in sustainability in the broadest sense means also including longer-term criteria: decarbonization, long-lasting resilience and adaptive capacity, the impact on physical, natural and human capital, among others. To provide this more granular guidance for policymakers, we have developed a draft of a sustainability checklist (to be refined in the coming months) that government ministries can use to assess or rank stimulus proposals.

The checklist essentially raises questions that governments should consider to assess projects and zero in on the most promising. Many governments already have sophisticated decision protocols in place, so this should be seen as complementary guidance, part of our contribution to the ongoing discussions on sustainable recovery pathways. This checklist draws heavily on analyses of the 2008 economic crisis and, in particular, considers whether complementary policy or institutional changes are required to ensure that projects are shovel-ready. One of the key lessons of the 2008-09 programs was how failure to enact basic market reforms or supportive policies places many green projects at a disadvantage to incumbent technologies or did not have the momentum to disrupt long-standing development approaches. This checklist can be applied to any list of projects or policies, from cash transfers to direct investments in new infrastructure, that are proposed as part of a stimulus package. It can be applied to existing project lists – for instance from national development plans, transport or water master plans, or Nationally Determined Contributions under the Paris Agreement – or to new proposals created specifically for the post-COVID stimulus. It covers two timescales: short-term needs to deliver as many jobs, income, and economic demand as quickly as possible, and the longer-term need to deliver sustainable growth and prosperity.

The government's e-Marketplace (GeM) has been set up to raise MSMEs' share in government procurement in goods and services. Beyond online purchases, a strong and constructive engagement in the social media will prove an advantage for the involvement of consumers and stakeholders. A digitally activated internal environment should also be built, which enables remote work or homework without hampering data protection or employee productivity. There is a need to incorporate new-age technological advances in MSMEs. Technology adoption can help MSMEs improve process efficiency, reduce cost, information visibility and enhance worker safety. MSMEs may also foster product and process developments by collaborating with technology leaders, that is, research institutions, tech start-ups and students. Partnerships may be another avenue for MSMEs. It may collaborate with existing foreign players to penetrate the Indian market or develop a low-cost production base. Work in three shifts and ensure social distancing at workplace to restart an industry that suffered after the COVID-19 pandemic. The ILO proposed that governmental efforts should address worker health and safety, economic stimulus and income and employment support (ILO, 2019). Online banking enables MSMEs to conduct business transactions without the need for physical contact. This enables organisations to reduce transaction expenses while also speeding up the transaction process. Learning from the current crises, it is important to chalk up an appropriate crisis management strategy that can address both immediate and long-term consequences.

Objective:

This paper intends to explore and analyze the situation of **companies** facing crisis post pandemic, with their survival **strategies** for **businesses** during and post **COVID-19**.

5. **Returning to "business as usual" will not deliver a sustained long-term economic recovery that also improves well-being and reduces inequality.** With massive stimulus packages starting to be unveiled around the world, governments, businesses and societies as a whole have both a responsibility and self-interest to not only look for near-term measures to shore-up livelihoods and employment, but also to take a step back and reflect on the political and economic driving forces leading to the current crisis.

6. **Despite encouraging signs from governments, businesses and citizens, recovery plans have so far mostly fallen short.** Many governments have recognised the need and opportunity of a sustainable recovery. For example, in April 2019, the G20 Finance Ministers agreed to "commit to support an environmentally sustainable and inclusive recovery" (G20, 2019[6]). Encouragingly, an international poll covering developed and developing countries also suggests that a majority of citizens see a focus on environmental issues as a continued priority as we emerge from the COVID-19 crisis (IPSOS MORI, 2019[7]). The fragilities exposed by the pandemic may act to underline the reasons that environmental issues were

becoming top political priorities around the world before COVID-19 struck. In 2019, millions of people, spearheaded by youth, protested in the streets for climate action, leading to several governments officially declaring a “climate emergency”. Biodiversity loss and the ongoing mass species extinction were also gaining headlines around the world, and the visible crisis engulfing the world’s oceans had become a front-line political issue in several countries. As recently as January 2019, climate change and biodiversity loss topped the World Economic Forum’s list of global risks (World Economic Forum, 2019[8]). The social and economic case for a sustainable, resilient recovery is very clear. Despite this, economic recovery measures proposed so far have mostly scored poorly on environmental metrics, with unsustainable support outstripping sustainable measures in many countries (Vivid Economics, 2019[9]). While there is significant support for “green” technologies and industries, in particular in European countries, in many cases this is outweighed by ongoing support for “brown” activities that may lock-in emissions intensive pathways.

Governmental framework

Governments seeking to apply this framework may wish to use it in two phases.

First, it can be used as a quick cut, “yes-no-maybe” assessment identifying the “worst offenders.” The goal is to ensure that governments don’t invest in projects that are attractive for their stimulus characteristics but detrimental over the long term.

In a second phase, the proposed indicators can help decision makers prioritize among any remaining projects, identifying “best in class” projects that deliver multiple benefits to society.

Policymakers have a lot on their plate right now, and economic recovery plans cannot move faster than efforts addressing the current health crisis. But as governments shift their focus to recovery, the choices that countries make will define what tomorrow looks like and whether we are better able to manage future global crises. This checklist will hopefully make these decisions a bit easier.

The MSMEs sector plays a substantial role in stimulating the growth of the Indian economy. Prior to the COVID-19 turmoil, this sector is experiencing sluggish growth due to multitude of challenges like lack of financial support, absence of proper infrastructural facility, non-availability of advanced technology, etc. But the problems have been provoked more by the process of demonetisation (2016) and Goods & Services Tax (2017). As most of the MSMEs have a rural unskilled labour base, smaller problems have a larger influence on these units, and such a health crisis puts their potentiality and sustainability to further distress.

COVID-19 has changed the operational environment for MSMEs. The strictest lockdown to decontaminate the spread of the COVID-19 crisis resulted in the biggest shock for the MSMEs sector, particularly for the smallest firms. The sudden announcement to pursue all protocols of COVID-19 emergency in the process of production gives rise to supply chain problems like raw material import for cross-state and cross country boarder, panic migration of labour force to their native places, procurement of perishable products, monetary crunch, etc., generate unemployment, consumer fear element, the demand side problems, price rise, malfunctioning, reduced profit, etc.

The MSMEs sector experiences its worst situation as 55% loss in employment, production falling from an average of 75% of capacity to just 11%, about 17.2% of their annual sales loss, delay in raw material received, less possibility of paying wage, more labour shortage and lost the access to credit. Overall, 70% of firms report that they will not survive the crisis beyond the next 3 months if the lockdown continues, and the smallest one might collapse in 1 month (Ghosh, 2019; Rathore, 2019; WTO, 2019).

As per the survey of 5,000 MSMEs by the All India Manufacturers Organisation, The Hindu reported that 71% of firms are not able to pay salaries to their employees. At present, in India around 25% of firms will face closing if the lockdown goes ahead of 4 weeks, while 43% will face closing if lockdown extends further than 8 weeks (The Hindu, 2019). Unfortunately, the lockdown period continues with certain relaxation, which will intensify the situation to worsen than imagination.

Government Responses to Support MSMEs

The government of India has taken serious measures to revive the MSMEs during the COVID-19 pandemic. The government has announced the Emergency Credit Line Guarantee Scheme, which is the biggest fiscal component of the ₹20 lakh crore Aatmanirbhar Bharat Abhiyan package, in May. The main purpose of the package is to enhance businesses with a major focus on the MSMEs sector. The initiatives are as follows:

- MSMEs have been redefined based on both investment limits and turnover size. Enlarged investment limit for micro units in the manufacturing sector from ₹25 lakh and in service sector ₹10 lakh, which is now 1 crore, for small units in the manufacturing sector from ₹25 lakh to ₹5 crore and in service sector ₹10 lakh to ₹2 crore, but it is now 10 crore, and for medium units in the manufacturing sector from ₹5 crore to ₹10 crore and in service sector ₹2 crore to ₹5 crore and now it is ₹50 crore of both manufacturing and services sectors. Introduced additional criteria of turnover for micro, it is ₹5 crore, for small ₹50 crore, and for medium it is ₹100 crore for both manufacturing and services in investment and turnover.
- RBI also took some initiatives like decrease the repo rate; as a result, the bank can lend at a cheaper rate, giving some help to the MSMEs sector. In Mumbai, the State Bank of India has targeted to allocate ₹700 crore to MSMEs.
- The government announced a collateral-free automatic loan worth ₹3 lakh crore and did not repay for 12 months to support the struggling MSMEs sector. This will help ₹45 lakh MSMEs units across the country in restarting business activity and safeguarding jobs. For the strained MSMEs, the government will provide ₹20,000 crore subordinated debt. A fund is created for the MSMEs sector that will be injecting ₹50,000 crore equity.
- To compete and supply in government tenders, the global tenders will be banned for government procurement up to ₹200 crore that will support 'Make in India' and going towards Self-reliant India. The government of India and central public sector undertakings (CPSEs) will honour all dues to MSMEs within 45 days.
- As a replacement for trade fairs and exhibitions, there has been started e-market linkage for MSMEs. Fintech will enhance transaction-based lending using the data generated by the e-market for the MSMEs that were currently facing the problem of marketing and liquidity due to COVID-19.

- The government has decided to provide PF and EPF support for both businesses and workers by providing a liquidity relief of ₹6,750 crore to reduce the business's financial stress. The PF contribution of employer and employee reduced from 12% to 10% for all official establishments under EPFO to increase the liquidity in the hands of the consumers as well as producers, but in the case of CPSEs and state PSUs, it will continue 12% as an employer contribution. Under this support of the government, around 6.5 lakh employers and 4.3 crore employees get benefited. Under PM Garib Kalyan Package, this benefit also applies to workers who are not eligible for 24% EPF support.

- Further, to increase more liquidity in the hands of the taxpayer government announced cutting the TDS rate by 25% for SMEs, NBFCs and TCS. Under direct tax measures, government decided that the income-tax return for FY 2019–2019 will be extended from 31st July 2019 and 31st October 2019 to 30th November 2019 and tax audit from 30th September 2019 to 31st October 2019. The government also announced that all pending refunds to charitable trusts and non-corporate businesses and professions, include proprietorship, partnership, LLP and co-operatives, shall be issued immediately.

Conclusion

We have proposed a variety of policy initiatives to assist MSMEs in alleviating their hardships. There is a need for MSMEs to access their financial status and security. Given that most firms are experiencing financial difficulties, the government should consider granting loans to these businesses to help them in the current crisis. Low-interest loans with long-term repayments can be offered. Additionally, the credit limit for MSMEs must be increased. Loan repayments might also be deferred to reduce the burden. Entrepreneurs should expect consistent good cash flows from the government. MSMEs payment delay should be addressed. The budgets, projected inflows of money, expected risks and obligations, etc., should be taken into account with the finance department to create a fresh 3/6-month action plan. Reliable and accurate information about government financial relief package and support provided by trade organisations are necessary before preparing and executing a financial strategy. MSMEs have to rethink their strategy for goods, differentiators, distribution models, quality of products, etc. MSMEs should perform an inspection of their operations in order to develop a strategy for post-COVID-19 operations. While consumers' discretionary spending is evident, there is also a pronounced shift in consumer tastes that can be leveraged. There is a need to create a strong digital ecosystem. New innovations are transforming business. New technologies are connecting buyers and suppliers across more locations and activities, opening opportunities for MSMEs.Businesses around the world have to collaborate with competitors in order to survive the coronavirus pandemic. However, the outbreak of the rate of cooperation among competing firms came as a result of the crisis that has been affecting the global economy. Government has been posed with responsibility in participating in coopetition activities in order to obtain an equilibrium in economic and health objectives (Crick and Crick, 2019; Gbolagade, 2019). Coopetition combines “competition” and “cooperation” into one idea. When competition is looked upon in this direction, competitors will often make profit with one another in a strategic way The outburst of COVID-19 has not only distressed the economic and social activities of Indian economy but also the world economy as a whole. Out of different economic activities, the micro, small and medium Enterprises affected a lot. This pandemic is an exceptional shock for businesses. It is evident that there is a high degree of significant positive correlation among the variables.

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