COVID-19 PANDEMIC --- A GAME CHANGER FOR BUSINESS ENVIRONMENT

Dr. Prashant Vithal Kadam (Associate Professor in Economics) & Miss. Khushi Asopa (Student), BBA, Tecnia Institute of Advanced Studies New Delhi

Abstract

The covid-19 pandemic has had far reaching economic consequences beyond the spread of the disease itself and efforts to quarantine it. As SARS-COV-2 virus has spread around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the service sector. Estimates indicated that the virus reduced global economic growth in 2020 to an annualized rate of -3.4% to -7.6%, with a recovery of 4.2% to 5.6% projected for 2021. Global trade is estimated to have fallen by 5.3% in 2020, but is projected to grow by 8.0% in 2021. The impact of the pandemic on India has also been largely disruptive internally of economic activity as well as a loss of human lives. The covid-19 outbreak was triggered in December 2019 in the city of Wuhan, which is in the Hubei province of China. The virus continues to spread across the world. Although the epicenter of the outbreak was initially China, it has grasped almost each and every country. Amidst the significant public health risk covid-19 poses to the world, The World Health Organization (WHO) has declared a public Health emergency of international responses to the disease. The economic and social disruption caused by the pandemic is devastating: with millions of people at risk of falling into extreme poverty. The economic variables had come to a standstill, thereby compelling many countries to restructure its macroeconomic frameworks in line with the management of the pandemic so as to minimize its impact on the economy and its stakeholders in general. The paper has analyzed the trends of changes in the business environment post-covid-19 pandemic in terms of its impact on education, MSMEs and the hospitality sector at large. The study has stressed on the need for a holistic approach to manage the post pandemic crisis in a prudent manner with effective supply chain management, both at the national as well as at the international level.

Keywords: COVID-19, GDP, Macroeconomic framework, Education, MSMEs.
I. Introduction

The Covid-19 pandemic has affected the global economy in a most brutal manner by not only taking the lives of the millions of people, but also had its economic impact at micro as well as at the macro levels. The origin of Covid-19 is however still a debatable issue. Some claim its from China’s Wuhan Institute of Virology (WIV) or a natural source. Whatever may have been the source, it created its dominance by taking the lives of many people across the globe along with the economic losses to almost each and every country irrespective of their economic strengths across the globe. The pandemic exposed the hard reality of the health preparedness of both developed as well as developing countries. The global economy was contracted by 3.5 percent in 2020, a 7 percent loss relative to the 3.4 percent growth forecast back in October 2019. While virtually every country covered by the IMF posted negative growth in 2020 (IMF 2020), but it was much more severe on the poorest countries of the world. As per the IMF forecasts, by 2024, the World GDP will be 3 percent (6 percent for low-income countries (LICs) and the African GDP to be permanently between 1 to 4 percent lower than in the pre-COVID outlook, depending on the duration of the crisis. At a global scale, the fiscal support has reached nearly $16 trillion (around 15 percent of global GDP) in 2020. However, the capacity of countries to implement such measures varied significantly. Further, S&P Global Ratings slashed its GDP forecast for 2021-22 from 11% to 9.8%. These if not corrected can have adverse impact on the expected V – shaped recovery of the government. The IMF estimated that the global economy shrunk by 4.4% in 2020. The organization described the decline as the worst since the Great Depression of the 1930s. The educational sector changed its platform from online to online learning with its own inherent defects. The MMMEs suffered amidst the government support measures, though some diversified their operations to minimizes the losses. The hospitality industry became more techno savvy to boost the tourism amidst lockdowns and the spread of infections.

II. Review of Literature

Naveen Donthu and Anders Gustafsson (2020) analyzed the different issues on account of pandemic and its impact on different economic parameters such as tourism, education, GDP, its impact on employees and leadership etc.

Alexander W. Bartik, Marianne Bertrand and others (2020) evaluated the impact of coronavirus disease 2019 (COVID-19) on small businesses, in terms of a survey of more than 5,800 small businesses between March 28 and April 4, 2020. The study found that though the expectation from the government relief was high, but at the same time many anticipated problems with accessing the program, in terms of bureaucratic hassles establishing eligibility.
Abid Hasan (2020) analyzed the impact in terms of the survey of the Federation of Indian Chambers of Commerce & Industry (FICCI) and was of the view that the pandemic had its direct impact on demand and supply of goods and services which adversely affected the cash inflows thereby affecting the payments for loans, taxes etc.

Almut Balleer, and Peter Zorn (2020) analysed the price setting behaviors in terms of demand and supply during the pandemic. They held that there is a need for a stabilization program to manage the crisis emerging from covid-19.

Abid Hasan Khan, Mst Sadia Sultana and others (2020) explored the impact of COVID-19 on the mental health and wellbeing among Bangladeshi students. They found that the covid-19 had an adverse psychological impact in terms of anxiety, stress, fear of infection etc. There was a need for proactive measures from concerned authorities to cope up with such mental stress.

Remko van Hoek (2020) analysed the supply chain risks and disruptions amidst covid-19 in terms of seven companies. The study found that these companies were forced for new sources of supply to mitigate the risks in the supply chain.

The research of the effect of pandemic on the economy of different nations has been still going on with lots of surveys and case studies trying to emphasize on specific sectors and sub-sectors. The study has been rather a dynamic one as the pandemic has been still in operation, with its new variants in one or the other form.

III. Methodology of the study

This study is mainly based on the secondary data. These data are collected from various websites, journals, and newspaper articles. The study is descriptive and conceptual in nature.

IV. Covid 19 and the educational sector

Education plays an important role in determining the quality of human capital. Every nation spends a lots in building adequate infrastructure for improving its human resource from the root level till it becomes an asset rather than a liability. The education sector in India was allotted Rs 93,224 crore for 2021, with Rs 54,873 crore for school education and literacy and Rs 38,350 crore for the higher education sector. It was around 3.5% of GDP. Unlike India, Norway spent on education as a percentage of GDP was 6.4% followed by New Zealand at 6.3%, the United Kingdom at 6.2%, and the United States at 6.1 percent. The emergence of covid-19 however posed serious challenges to the educational sector across the globe. As per UNESCO almost 1.5
billion children of 173 countries had to face school closures. The anxiety and fear of infection forced many children to stay home. The educational sector and its different stakeholders also were affected with the phobia of corona virus and its spread. There was no option, but to embrace online learning overnight within a short span of time. It should be noted that even prior to the pandemic, technology adoption in education was at its, with global edtech investments reaching US$18.66 billion in 2019 and the overall market for online education projected to reach $350 Billion by 2025. There has been tremendous rise in its applications since COVID-19. Many online learning firms now even has started offering free access to their services; e.g., BYJUS. Since announcing free live classes on its Think and Learn app, BYJU’s has seen a 200% increase in the number of new students using its product. With the onset of the Tencent classroom in china, it resulted in the largest “online movement” in the history of education with approximately 730,000, or 81% of K-12 students, attending classes via the Tencent K-12 Online School in Wuhan. There are many such techno-savvy firms which have been coming with innovative gadgets to meet the increased demand for online platforms. There have seen many universities who have reaped maximum benefits through online learnings. Zhejiang University managed to get more than 5,000 courses online just two weeks into the transition using “DingTalk ZJU”. The Imperial College London started offering a course on the science of coronavirus, which is now the most enrolled class launched in 2020 on Coursera. However, there are serious challenges to the learning through online.

The lack of reliable internet access has exposed the hard realities in widening the gaps in digital learnings. For example, as per OECD, whilst 95% of students in Switzerland, Norway, and Austria have a computer to use for their schoolwork, but only 34% in Indonesia had access to such a technology. This was coupled with the problem of poverty thereby acting as a handicap for many students in terms of its affordability as data network is not free. Further, there were technological issues relating to the e-learning products. For example, 'Blackboard' a popular e-learning product is limited to its environment. In other words, it is restricted to discussions, updates, information updates, notices and other messages from a single vendor only and restricts student engagement due to its unique features, limiting the academic staff and the students to the borders of the environment. Many other products have these kind of challenges related to manufacturer policies and other similar technological issues. This is a major challenge in the adoption and the popularity of e-learning product

V. COVID-19 Pandemic and MSMEs

The Covid-19 pandemic shock resulted in a planet-wide economic slowdown, affecting trade, investment, growth and employment. It greatly contributed to the fall in the world trade in 2020 in the range of 13 – 32%. However as per the new estimates of the WTO, the volume of world merchandise trade is expected to increase by 8.0% in 2021 after having fallen in the later part by 5.3% in 2020. This has however affected the MSMEs not only in India, but also globally. The government’s approach in treating MSMEs in one basket however
has mismatched the stimulus packages provided to these units to cope up the losses on account of pandemic. In India it is considered as second largest employment generator after agriculture. The estimated number of MSMEs in India is 63 million and employs 110 million individuals. It adds about 29% to the GDP of India. The economic ramifications of the pandemic quickly became apparent, and small and medium sized enterprises (SMEs) have been on the front lines. With workers and customers staying indoors, and supply chains tested by shutdowns, the small companies that provide 70% of jobs in countries around the world and about half of economic activity have been put under stress. Small companies tend to be vulnerable during an economic crisis, in part because they have fewer resources with which to adapt to a changing context. The ITC COVID-19 Business Impact Survey gathered evidence on how the pandemic affected 4,467 companies in 132 countries. Analysis of this data, collected from 21 April–2 June 2020, shows that the pandemic has strongly affected 55% of respondents. Nearly two-thirds of micro and small firms reported that the crisis strongly affected their business operations, compared with about 40% of large companies. One-fifth of SMEs said they risked shutting down permanently within three months. Women-led firms operate in many of the industry’s most immediately affected by the crisis, such as accommodation and food as well as retail and wholesale. Even when the distribution of gender across sectors is taken into account, the differences persist, with 64% of women-led firms declaring their business operations as strongly affected, compared with 52% of men-led companies.

Further in one of the ADBI working paper series on 8 countries (Viet Nam, Malaysia, Bangladesh, India, Pakistan, Indonesia, the Lao PDR, and Mongolia) showed the impact of pandemic on MSMEs, in terms of employment, sales revenue, and cash flow. These eight countries’ differed in terms of the number of infection cases and the number of deaths relative to the population and the severity of the containment measures as well as the income levels and economic and political institutions. Though many of these firms adopted advanced digital technologies including artificial intelligence (AI), the internet of things (IOT), and platform development to increase or maintain their sales, but there was hardly any positive correlation between e-commerce and sales or between e-commerce and cash flow management for some firms. But it had a negative correlation with employment.

In India, the disruptions caused by the Covid-19 pandemic have impacted MSMEs earnings by 20-50%, micro and small enterprises faced the maximum heat, mainly due to liquidity crunch. Enterprises working in essential commodity business were better off in terms of interrupted but predictable cash flows. Some enterprises innovated their ways by shifting focus from non-essential commodities towards essential commodities; like production of hand sanitizer and toiletries, PPE kits, reusable masks, etc. and are able to survive in tough times. MSMEs present in remote areas also faced lots of difficulties due to interrupted supply chain systems and intrastate lockdown provisions.

It is not only the enterprise which faced challenges; even consumers are left with lower disposable income. Many enterprises laid-off their workers because of inability to pay salaries, vacated their offices due to
incurred expenses and halted their production due to stopped demand. Ambiguity in future trade and bounce back of new normal is keeping financial institutions at bay for extending any new financial lending or cover potential risk. This all-round uncertainty needed a push by government, to boost market confidence and bring back regular cash flow in economy. As per the ITC COVID-19 business survey, tax waivers, temporary tax relief and financial programmes would be the most helpful government measures.

Ministry of MSME is taking steps towards making these enterprises global and improve the overall business environment, by making it more conducive and transparent for all stakeholders. The sector also hold answer to critical questions like unemployment, local economy development, fiscal deficit, trade balance, financial sector development, SDG alignment and so on. Private sector engagement in various bottlenecks of value chain and supply chain system is critical for success of various policies announced by the government. Since a large number of people will stand to lose their jobs especially in the retail, hospitality, travel, construction sector, the government can consider giving incentives for employers to keep the workers, while the coronavirus problem tides over. (Hasan, 2020)

Enterprises of any size in India is facing issues related to procurement of raw material, credit need, market linkages, quality, standardization, pricing, business turn-around time, lobbying and many more. New steps taken by government are expected to act as a catalyst for the sector, not only to come out of pandemic related shocks but also to get ready for brighter future.

VI. COVID – 19 and Hospitality/tourism Industry

The outbreak of the covid-19 has triggered an unprecedented crisis in the tourism economy, given the immediate and immense shock to the sector. As per the OECD estimates the COVID-19 impact resulted into 60% decline in international tourism in 2020. The impact of the crisis is being felt throughout the entire tourism ecosystem, and reopening and rebuilding destinations will require a joined up approach. The contribution of Tourism to India’s GDP is 9.2% respectively. It served approximately 43 million people in FY 18-19. Aviation and Tourism were the first industries that were hit significantly by the pandemic. These two industries have been dealing with severe cash flow issues since the start of the pandemic and are staring at a potential 38 million lay-offs, which translates to 70 per cent of the total workforce. The impact is going to fall on both, White and Blue collar jobs. According to IATO estimates, these industries may incur losses of about 85 billion Rupees due to travel restrictions. The Pandemic has also brought about a wave of innovation in the fields of contactless boarding and travel technologies. Tourism businesses and workers are benefiting from economy-wide stimulus packages, with many governments also introducing tourism specific measures. The Indian tourism industry has created about 87.5 million jobs, with 12.75% of total employment, thereby contributing INR 194 billion to India’s GDP (WTTC, 2018). Even today, the tourism sector has been trying to retrieve herself with the help of digital transformation and a move to a greener tourism system. The
development of vaccines has no doubt brought some hopes for the hospitality sector, but it’s still expected to be in its survival mode. The domestic tourism has started picking up, but the real pragmatism will be in terms of international tourism. This can be possible with effective global supply chain management and evidence-based solutions so travel restrictions can be safely lifted. There is a need to have a proper policy framework such as

- Restoring traveler confidence
- Supporting tourism businesses to adapt and survive
- Promoting domestic tourism and supporting safe return of international tourism
- Providing clear information to travelers and businesses, and limiting uncertainty (to the extent possible)
- Evolving response measures to maintain capacity in the sector and address gaps in supports
- Strengthening co-operation within and between countries
- Building more resilient, sustainable tourism with certain priorities such as

Tourism is at a line of confusions and the measures initiated by different countries to boost tourism today will have its long term implications in the years to come amidst fluctuating trends of the pandemic across the globe. Governments need to consider the longer-term implications of the crisis, while capitalizing on digitalization, supporting the low carbon transition, and promoting the structural transformation needed to build a stronger, more sustainable and resilient tourism economy. The UNWTO has been encouraging measures in line with health and safety protocols to promote safe, seamless travel and to restore confidence as key priorities for countries to support travel and tourism along with marketing and promotion campaigns to boost international and domestic tourism demand. At various international platforms, a need has been felt by most of the countries to adopt a green, resilient, and inclusive development (GRID) approach in boosting tourism in a post covid-19. The road to recovery for tourism and travel will require innovation and collaboration. Although the pandemic is far from over, we must also plan to build a better framework by taking into confidence the government, private sector, civil society and other partners – and prepare for changing business models and governance structures to meet new and different demand. Clearly communicating actions to rebuild investor and consumer confidence will be important in the short term. In the long term, strengthening sustainability and resilience, and sharing benefits more equitably will also be critical. Together these approaches can revitalize the global tourism sector, harnessing its market creating power to support economies, create jobs and drive development outcomes that put people and their communities first (Pangestu, 2021).

The pandemic has exposed the world preparedness in its lack of the basic required health infrastructure to tackle the same. The global economy has been on the track of slow recovery. However, the damage has already spilled its externalities, both positive as well as negative. There is a need for a more holistic approach and co-operative, coordinated approach among the countries to tackle the dilemma caused by the supply chain management failures.
VII. References


