

EFFECT OF COVID-19 ON INDUSTRIAL SECTOR

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Abstract

In the history of whole world December 2019 was in the news of broke out of corona virus in the Wuhan city of China ,it was named as Covid-19.It was the unexpected situation which totally disturbed the total economy of all our the world. Covid-19 resulted to the continuous lock down of all the economic activities except the emergencies services and necessary products. This created a severe downfall in the economy.Many people who are engaged in different business areas were distressed. The flow of income to Government sector and Private sector resulted in serious down fall. In this case when especially industrial sector is focused, all kind of government and private industries are stopped its functioning in the period of corona virus except pharma industries and essential commodities, so all the industries have experienced a distressed situation. In present paper, an attempt is made to show the crisis in the industrial sector during the period of clock down.

Keywords: Covid-19, Industrial Sector, Distressed, Impact, Lockdown

INTRODUCTION :

Corona virus is the deadly virus which has rapidly spread all over the world within few days from China. Corona virus spreads from one person to other person in many ways, keeping in view of this situation, to make people aware and stop spreading of this dangerous virus , almost all the countries took the decision of lock down of all the activities. So, that people may 'stay at home and stay safe'. Indian Government took this decision in the early stage of spreading of virus without the loss of citizens due to Covid-19.All the people of the country supported the Government and co-operated with the Government for successful continuation of lockdown for 68 days. But this lock down period has resulted in slow down of economy with the decrease in the income of the economy, many sectors were affected with this stand still of the economic activities. Coronavirus has disrupted the demand and supply chain across the country and with this disruption, it can be seen that the tourism, hospitality, transport and ,entertainment sectors are among the worst affected sectors and are facing the maximum impact of the current crisis. Closing of cinema theatres and declining footfall in shopping complexes has affected the retail sector by impacting the consumption of both essential and discretionary items. As the consumption of any product or services goes down, it leads to an impact on the workforce. In the current scenario, with all the retailers closing down their services, the jobs of the employees are at a huge risk.

Objectives of the study:

1. To study the effect of covid-19 on Industrial sector
2. To shown the impact in different industries .

IMPACT ON MANUFACTURING INDUSTRY :

The lockdown has put a lot of strain on the manufacturing industry, which contributes almost 20% of the GDP. Of this, 50% is contributed by the auto industry. Even prior to the lockdown, the auto industry was not in a great shape, with sales down by more than 15% and production cuts of the order of 5 to 10% or more. In the unorganised industry, the situation was much worse, as the uncertainty would impact smaller organizations with lesser retentive power, due to their lower profitability.

Manufacturing industry has been hit in many ways due to the Corona effect. To begin with, lower production, due to lower offtake. This takes a little longer to manifest itself, as, some distributors, sensing an opportunity to earn profits in a developing shortage situation, tend to carry on with the sales, but with an extended schedule

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of deferred payments. Longer credit days are given by the producer, who is keen on continuing with operations, before a complete shutdown. More and more employees stopped coming in to work, due to government directives, thereby reducing the scale of operations, with consequent effect on quality, cost, and production volumes. Over a period, this adverse effects the turnover, has been down to a trickle. The uncertainties in the logistics lead to a cascading effect, transporters struggle to not only place vehicles for loading, they also are under pressure to adjust their quotes for carrying goods, as they also face lower attendance, with their operational risks increasing steeply. The slower rate of banking operations, shorter working hours, jammed and overloaded communications lines lead to delayed money transactions, thereby elevating monetary risks. The suppliers to large producers started feeling the pinch, and start to disengage, and play safe, in order to protect their interests, because their capacity to bear risks is much lower than their big customers. Finally, due to all these interruptions, the end user also started postponing non-essential purchases, and disengages from the consuming processes, by postponing their demands.

Given the fact that the major manufacturing industries have a PAT to Sales turn over ratios (profitability ratio) in the high single or the low double digits. Hence, a company should strategically plan to at least save its sales, and, at the last resort, grow revenues. Having said that, what about the profit.

Those companies which have been operating with excellent operational parameters, like, high quality, high productivity, well trained workmen, well maintained machines, etc., will take off faster than the others. Thus, for well managed companies, the period after lockdown could be an opportunity, while, for others, it could be an uphill struggle. Coming back to the profitability picture, companies will have to work to recover about 3 to 4 % of their PAT/ Sales. Which could be done by three types of strategies.

Cost reduction strategy: if a company's labour cost is about 20 % of its sales, then, if employees take a payout for the rest of the year, of say, 10% on an average with senior employees taking a higher percentage, then the cost reduction on this account alone will increase the profitability by 0.2% per annum. However, if they take a payout of an average 30%, then the 0.2% will go upto 0.6% per annum. This is no doubt, a major sacrifice, but the option could be job losses. Overall, the balance period of the financial year, of 2020 – 2021, is likely to be difficult, but manufacturing companies can salvage their positions and build for the future.

The COVID-19 breakout has left the entire world shaken and stirred. Due to the lockdown several businesses and industries have taken a hit in terms of revenue and employment. Despite several measures undertaken by the government to improve the MSMEs' condition, there seems no respite due to this unprecedented contingency. Even before the onset of this pandemic, the global economy was confronting turbulence on account of disruptions in trade and diminished growth. The situation has now been aggravated by the demand, supply and liquidity shocks that COVID-19 has imposed. Once the pandemic is controlled, the shape and speed of the recovery in the US and China will be key factors, determining the nature and traction of global economic recovery.

It is expected that the course of economic recovery in India will be smoother and faster than many other countries. While securing the population of the country has played a major role in these times and several safety measures have been taken by the government by complete lockdowns and restricted movement in the country. We also need to think about sustaining businesses and the livelihood of people. Apart from providing robust safety nets for the vulnerable, ensuring job continuity and job creation is key. Here's how each sector has been impacted by the noble COVID-19

COVID-19 impact on automobile

Vehicle sales in India fell to almost half in March from a year earlier, as the nationwide lockdown imposed to check the spread of the coronavirus pandemic brought production as well as dispatches to a standstill. Manufactures dispatched just over a million vehicles to dealerships last month, a 45% decline from a year earlier. According to data released by industry body Society of India Automobile Manufacturers (SIAM), passenger vehicle sales declined 51% to 143,014 units last month. While sales of commercial vehicles crashed 88% to 13,027 units, those of two-wheelers fell 40% to 866,849 units.

COVID-19 impact on financial institutions

The Government of India and RBI has introduced various economic and fiscal stimulus measures to tide over the COVID-19 crisis. To navigate through these unprecedented times the BFSI needs to focus on liquidity, credit

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risk, well-being of its employees along with the quality of financial reporting and disclosures. Banks profitability would be under pressure due to the following factors:

- Reduced offtake of loans under recessionary market conditions and cautious customer outlook
- Increased delinquencies post the moratorium period
- Fall in transaction banking income due to lower cross border trade

COVID-19 Impact on the pharmaceutical industry

The demand and supply of pharmaceutical products in India has increased rapidly, given the medical emergency. Though India is one of the top formulation drug exporters in the world, the domestic pharma industry relies heavily on import of bulk drugs. As per reports, India imported around Rs 24,900 crore worth of bulk drugs in FY19, accounting for approximately 40 per cent of the overall domestic consumption. With India's API (Active pharmaceutical ingredient), imports from China averaging almost 70 per cent of its consumption by value, importers are at the risk of supply disruptions and unexpected price fluctuations. For many critical antibiotics and antipyretics, dependency on imports from China is close to 100 per cent. Due to continuous lockdowns, distributors are also facing transportation issues for supplying medicines in other states. Government exempted private laboratories from the lockdown to ensure that movement of lab technicians and transportation of samples, along with opening of temporary collection centres, should not face any hurdles.

COVID-19 impact on electronics

China is a major supplier both for the final product as well as the raw material used in electronics industry. India's electronics industry is fearing supply disruptions, production reduction, impact on product prices due to heavy dependence on electronics component supply-directly and indirectly-and local manufacturing. The spread of coronavirus could have pushed down the sales of top electronic companies and smart phone makers which have major supplies to India. 2020 could see India falling back to the 9 per cent level as an unstable economy would hurt demand gravely.

COVID-19 impact on Tourism

The aviation sector has also been impacted by the spread of coronavirus. The outbreak has forced domestic carriers to cancel and temporarily suspend flights operating from India. Coming off a high-performance base in 2019, the COVID-19 outbreak and the containment measures introduced by the Centre have resulted in a severe drop in foreign and domestic travel, across both the tourism and business traveler segments. A recent by JLL India estimates that at least 30 per cent of hotel and hospitality industry revenue could be impacted if the situation does not improve. With more than 60 per cent of organised hotels in India already shut and several others operational with single-digit occupancies, recovery will be gradual.

COVID-19 impact on textile

Indian Textiles and Apparels (T&A) industry, accounts for approximately 4% of the global T&A market. The T&A industry is one of the largest and the most important sectors for the Indian economy in terms of output, foreign exchange earnings and employment. The industry contributes approximately 7% to industrial output in value terms, 2% to the GDP and 15% to the country's export earnings. Due to countrywide lockdown, however, the industry is grappling with major hurdles in; labour force and employment, import and export of raw materials and finished garments, cash flow, supply chain. It has shown impact on consumer sentiment on the higher side, due to closure of the market and mall also to maintaining social distancing, safety and health. The extent of the outbreak and lockdown would impact the length of the recovery cycle. However, to minimize the impact the Confederation of Indian Textile Industry (CITI) has requested the government to immediately announce a relief package for the textile and apparel sector to mitigate the crisis being faced by the capital and labor-intensive textile Industry, post the coronavirus spread.

COVID-19 impact on logistics

Even before the imposition of the lockdowns and the spread of COVID-19 across the world, the severe

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disruptions in China were having a ripple effect on global trade flows. Most companies across the globe had been working to make their supply chains leaner. Citing operational constraints, country's largest ecommerce marketplaces suspended their logistics services for sellers on respective platforms. Also, according to the Retailers Association of India (RAI), the supply chain of about 25,000-30,000 supermarkets have so far been impacted due to the lockdown announced. The complete lockdown of other businesses and supporting services, has also aggravated the situation. Due to complete shutdown of public transport facilities, workers required for handling and transportation of essential commodities and supplies, now need to commute to their workplace on foot. For those living in the margins in the informal sector, the same is very exhausting, leading to lower productivity.

COVID-19 impact on retail

Clothing, dining out and grocery retail industry will take about a year to recover, said top industry associations - Retailers Association of India (RAI), National Restaurant Association of India (NRAI) and The Clothing Manufacturers Association of India (CMAI). In a webinar, organised by Trust for Retailers & Retail Associates of India (TRRAIN), the three associations jointly anticipated a 25-30% impact on business with multiplier effect on subsidiary industries and lasting job losses. A survival plan is the need of the hour, they said. Selling piled-up inventory as soon as malls and stores reopen followed by increasing the number of units produced per machine at the factories would be key to recovery for apparel manufacturers in post COVID era. Apparel manufacturing industry has 12 million employees with 7 million in the domestic sector while retail as an industry has 46 million employees out of which 6 million are in modern retail. Currently, retailers selling discretionary products from apparel to lifestyle are neither allowed to open stores nor sell online.

COVID-19 impact on hospitality

India's hotel and hospitality industry's occupancy has declined sharply in the first quarter of 2020, as the COVID-19 outbreak impacts various segments of the sector, according to a report by JLL India. "In the third week of March 2020, at an, all India level, the hotels' sector witnessed a decline of more than 65 per cent in occupancy levels as compared to the same period of the previous year. As travel restrictions around the world intensified further, second and third quarters of 2020 are likely to be similarly impacted," according to the report. The report estimates that at least 30 per cent of hotel and hospitality industry revenue could be impacted if the situation doesn't improve by the end of June 2020. With more than 60 per cent of organised hotels in India already shut and several others operational with single-digit occupancies, recovery will be gradual.

COVID-19 impact on events and entertainment

Of the 60 million staff, 10 million have been directly impacted, and their livelihood is at risk as all major national events are postponed or cancelled due to the COVID-19 pandemic. The pandemic has led to cancellations of conferences, both public and private, national/international meetings, incentives, conferencing, exhibitions (MICE) events, choking the lifeline of the industry. The industry is unable to pay the staff salaries, taxes, banks. Besides the 10 million it employs directly, the events and entertainment industry indirectly provides jobs to another 50 million through allied sectors like food and beverages, hospitality, tourism, advertising and marketing industry.

Major results on Impact of Covid-19

- A significant 53 per cent of Indian businesses indicate the marked impact of the COVID-19 pandemic on business operations even at early stages.
- The pandemic has significantly impacted the cash flow at organizations with almost 80 percent reporting a decrease in cash flow.
- The pandemic has had a major impact on the supply chains as more than 60 per cent respondents indicate that their supply chains were affected. The companies also highlighted that they are closely monitoring the situation and expect the impact of the pandemic on the supply chain to worsen further.

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- Organizations have brought in a renewed focus on hygiene aspects concerning the pandemic. Almost 40 per cent have put in place stringent checks on people entering their offices and disinfection. Nearly 30 per cent organizations have already put in place Work-from-Home policies for their employees.
- Nearly 42 per cent of the respondents feel that it could take upto 3 months for normal conditions to return.
- Above points stated mostly the negative impact of the lockdown, but we would miss out something if we do not acknowledge the growth of digital infused technological gain. With the advent of the lockdown most of the sector shifted their functioning online the MNC are utilizing their work from home option to carry on an uninterrupted work.

While these trends were already in the baby steps, they were forced to hit the fast-forward button. The digital world got such a push that the small retail sectors like the Bricks and Mortar stores are also using apps like Pay TM and other digital channels. The education sector is now completely based on the digital platforms the colleges and universities are conducting their routine classes being in the comfort of their home with various online platforms such as google classrooms, zoom, etc. they are also introducing new software to their curriculums such as digital campus where the students can access their college library, fee payments, online exams etc. This present crisis has highlighted the importance of investing in technologies like cloud data and cyber security, self-service capabilities and e-governance.

Measures announced by the central Government

The Atmanirbhar Bharat Abhiyan scheme (self-reliant India scheme) was announced in four tranches by the Union Finance Minister Nirmala Sitharaman in May 2020 to minimise the imports.

The economic stimulus relief package announced by the government is touted to be worth Rs.20 Lakh crores. This includes the already announced Rs 1.70 lakh crore relief package, as the PMGKY, for the poor to overcome difficulties caused by the coronavirus pandemic and the lockdown imposed to check its spread. The [Government of India](#) has announced a variety of measures to tackle the situation, from [food security](#) and extra funds for healthcare, to sector related incentives and tax deadline extension.

CONCLUSION

Economy needs people as much as people needs economy ,investments have come down to loss of faith by investors, though there is growth of demand. lower investments is due to the lack of confidence in the government and related institutions .Lower investments will further slowdown the economy recovery needs reforms , we have to restart our growth journey keeping our people at the forefront country should be courageous to list out failures instead of fooling the public with its non-existence achievements .Most of the Analysts believe that any recovery will take 2 years or more.

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