



AN EMPIRICAL STUDY ON IMPACT OF COVID 19 ON THE BUSINESSES

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Abstract- The Fiscal year 2019-2020 was rather a peculiar year as this year saw significantly high and moderate growth in some sectors initially and during the last quarter, a lot of these same industries saw a sudden downfall. Most notable is the travel and tourism sector which had moderate growth during this year. It saw a considerable demand during the first 3 quarters. Although some part of the economies were suffering since the beginning of the year. Huge economies like India and US saw huge unemployment rates since the beginning of this year which got worse by the final quarter. The study titled “An empirical study on Impact of COVID 19 on the Businesses” has tried to investigate the difficulties faced by the business located in different countries including India. The study found that the businesses located not only in India but located in different countries have faced huge crisis with reduced operations and less profits compared to previous year and most of the people lost their jobs. The study also found that it will take a year or more for the economy to get back to normal.

Key Words: Business, COVID 19, Operations, Economy.

I. INTRODUCTION

At the dawn of 2019 the world was introduced to a new a kind of virus which was originated from Wuhan, China. Initially the world did not pay much attention to it. By mid-February the world was astounded to see an outbreak they never saw coming. Soon after, the WHO declared COVID-19 as a global pandemic. This declaration caused repercussion as many countries took stringent actions in order to avoid the spread of the virus. Adversely affected countries took necessary actions in order to lockdown their countries. Countries which weren't affected initially also took necessary steps so that the virus does not spread. Initially the actions taken by almost every country to mitigate the spread, was to stop air travel by closing down airports.

Since countries went into a sudden lockdown, businesses could not plan their strategies for the unforeseen change in the economy. If the lockdown continues, some companies may face bankruptcy or even dissolution. Some has tried to mitigate the effect, some have grown due to the lockdown and some can't take any actions until the economy reopens and has to find a way internally to save itself.

At the beginning of the outbreak, many countries grounded flights to and from China. This was the first step that the virus disrupted the global economy. This was aviation industries' first blow. Soon after the flights were at a halt, trade to and from china was also put on hold. Since China is a major player in the world economy, this was the first hit that global economies had. By the beginning of March, most of the European countries were shut-down as the virus spread at a very high rate. As the virus spread, many more countries were shut-down.

As the number of positive COVID-19 cases kept on increasing, these lockdowns also got extended. And as these lockdowns got extended, businesses struggled. Due to the fall of many sectors during this time, government was forced to introspect with problems caused by the lockdown. They reformed certain policies in order to give temporary relief for businesses. Although it may give temporary relief to certain sectors, for some, it would leave a scar and for some, none of these could impact their business until economy reopens. For example:- Aviation and tourism.

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As this was unprecedented, businesses wouldn't have any contingency plans because a global pandemic is something which is not a text book business risk. As lockdowns continue, partially or fully, business will not remain the same. There will be new strategies. There will be a rise of a completely new sector. Some of the old sectors for example:-the paper industry could go extinct during the post COVID era. Companies will start to evaluate every aspect of their strategy. They would start to make new protocols in order to survive a pandemic. Digital platforms will be the new normal for businesses.

How a business solves its issues in order to rejuvenate its functions and how it makes use of this unfortunate time, will vary upon businesses. In this paper, we are trying to find how this pandemic has affected businesses.

II. REVIEW OF LITERATURE

As we are going through unprecedented times caused by the COVID-19 pandemic, like us, even businesses have suffered due to the sudden change in the economy. A sudden change might disrupt the day to day functions of a business as well as some long term plans for certain businesses. In India, the previous fiscal year was very weak and the last quarter of the '19-'20 fiscal year saw an exponential downfall due to the pandemic.

The pandemic has affected almost every major organization. The most notable of these are the sectors which depend on face to face interaction with the end consumer and certain services. According to an article by Siddharth Rasthogi on blog.small.com, certain sectors such as textile, Automobile, non-food retail, aviation and construction will have a negative effect for an indefinite time based on how long the virus is going to stay. Taking that into account the aviation and automobile industry would have the most negative impact as their demand is low and they have high capital and debts. And without operations a lot of these companies would go bankrupt. The aviation industry has seen mass lay-off of employees in both flight crew and ground staff. According to SuhaLajoo, an employee at the Sharjah International Airport, "Air Arabia has so far terminated only cabin crew, around 35 of them." She continued, "salary-cuts are done for all employees, both ground staff and cabin crew" talking about the situation at Sharjah international airport. She also says, "The situation is worse for Dubai international airport staff and emirates airline due to their high resources."

The world aviation sector is going to see an obscure future. Since the impact is long-term and indefinite, the industry might see the biggest financial crisis ever. The world travel tourism council estimates that the industry will face a crisis of USD 22 Billion in 2020, resulting in the loss of at least 50 million jobs.

The automobile industry may not have a similar impact as aviation, as there will be some operations which function from time to time that is, their after-sales department. Mr. Feroz an employee at an automobile company says that, business has been tough since the outbreak. Employee lay-offs and salary trimming are inevitable. He says that during the lockdown only after-sales department has been able to generate cash. He also mentions about the spending-cuts which was imperative because there are no cash generated through sales and the cash generated from after-sales are minimal and indefinite. He continues to say that the pricing model of the vehicles has stayed unchanged as a definite decision can be taken only when the economy reopens.

Since most Indian automobiles are manufactured in the country itself, the Indian automobile industry has a significant amount of exports. According to a research by Sunil Kumar, the automobile industry in India will face an 8-10% manufacturing contraction if China continues its lockdown.

Small businesses will also have a huge backlash because of the lockdown. Unlike the big companies, employee lay-offs and spending-cuts in order to save the company may not work for small business. A small business may have to shut down due to losses. As per the research survey conducted by the NIFB 76% of small businesses will have a negative impact and only 5% positive. And the only way these small businesses can revive is through proper government intervention such as tax relief, extending debt payback period, reducing interest rates etc.

MSME's will have a long term negative impact since their resources are minimal and have indefinite cashflow, if these lockdown restrictions continue. According to a report by Dun and Bradstreet, MSME's will have a long term negative effect in India as, MSME's contribute to 40% of the exports of the country and due to the lockdown, global exports are being affected. The report also says their liquidity might also get affected due to delayed payments.

Startups would struggle during this unfortunate time as it would be hard for them to pay off their debts and their struggle to gain power in the market would get harder. This unforeseen time would affect the new ideas and strategies they possess. According to a report by economictimes.indiatimes.com, in order to survive, start-ups can regularly check the feasibility of their business model and plan policies for the upcoming future. The article also suggests to, communicate with customers, maintain a healthy relationship with contracted parties, manage employees and to communicate with the team.

Since there will be a downfall on major sectors of the economy, there will be a major negative impact on world economies and it is inevitable. The economy is in imminent danger and there will be a slowdown. According to an article by Siddharth Rasthogi, the current slowdown will take at least 2 years for the economy to come back to normalcy.

The government of India has taken actions in order to relieve businesses of their financial difficulty, partially. The finance minister, Nirmala Sitharaman had earlier introduced tax reliefs for businesses which either delays or reduces their tax liability. Apart from the support given by the government, a business would have to take its own decisions in order to make sure it survives this unfortunate time. For some business, reformed government policies may not be enough to survive. It is essential for a business to reform its policies so as to mitigate the effect and the reforms should be manipulative and insightful. According to report by businessworld.in, in order to mitigate the effect, a business can evaluate the supply chain, planning and analysis of the current situation, relook it's strategies, reform remote working strategy and by managing costs.

As far as negative impacts of this crisis go, it is inevitable for some industries. But there are certain industries which doubled its growth during this pandemic. And most of the growth came from e-commerce, FMCG companies, pharmaceuticals and digital media. E-commerce saw an exponential growth in the previous quarter. As people work from home they prefer shopping online. And since the demand for the industry rose exponentially, the retail stores have had a hit. But some retail outlets used this as an opportunity and had the resilience to come into the digital platform in order to expand their operations. According to the findings by a group of researchers at the Putra business school in Malaysia, e-business will remain a dependant variable since the rise or downfall of the e-business platform will depend on the spread of COVID-19. Some sectors may try to take leverage of this opportunity.

The FMCG sector saw a huge demand in the market that some firms suffered lack of supply caused by the sudden surge. Many FMCG firms saw a hike in their profits in this quarter. According to a report by The Hindu, Nestle India said it holds a "strong cash position" and in in a "comfortable liquidity position" to meet its financial commitments. Due to the surge of prevention and finding a cure for the virus, the pharmaceutical industry has had a notable growth in the past quarter. As long as this pandemic continues, this growth will keep on increasing. As people are in their houses', digital media platforms such Netflix, Amazon Prime, Disney+ has seen good growth compared to other sectors. Most of the digital media companies reduced their prices so that more people join their service. The end of this pandemic could result in an increase in demand of digital media and their services. This pandemic may see fall of some industries and may give birth to a few. Since every business outcome is indefinite during this pandemic, it is necessary to propagate new business theories and principles. Businesses will start to promote new strategies in order to survive. And reform or remove pre COVID-19 strategies. The business world might see new strategies as the new normal.

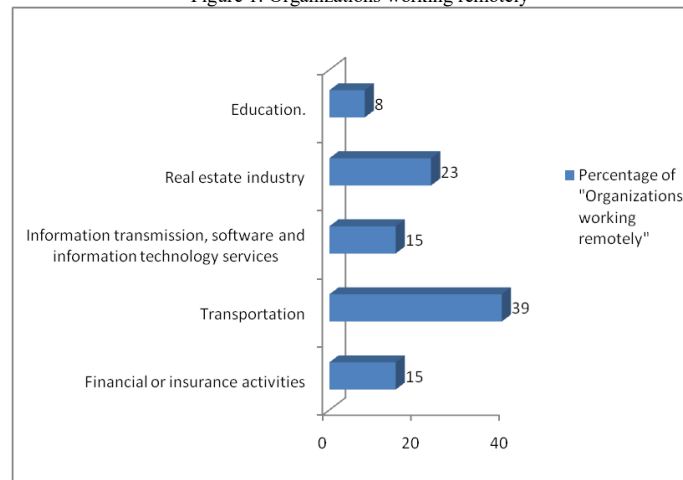
III. OBJECTIVES OF THE STUDY

1. To study the operations of business during the pandemic.
2. To investigate the difficulties faced by the businesses.

Research Methodology: Primary data has been collected through Questionnaire from 34 respondents who are the heads of the business and educational institutions operating their business in different countries to know about their operations and difficulties faced by them during COVID 19, in the month of June.

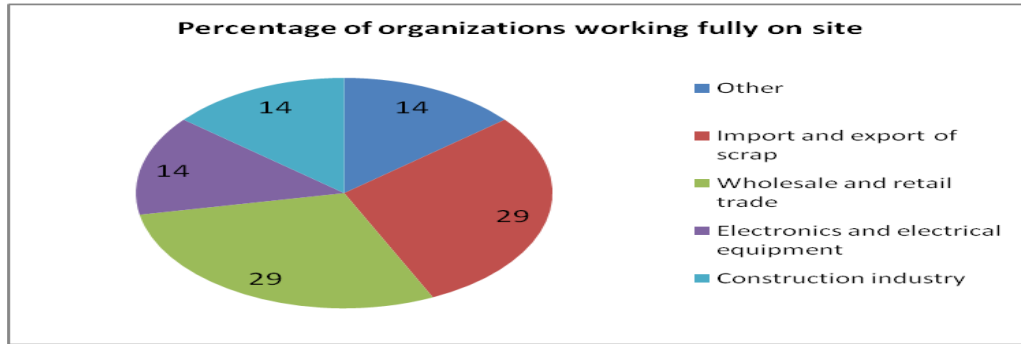
IV. DATA ANALYSIS AND FINDINGS

Figure 1: Organizations working remotely



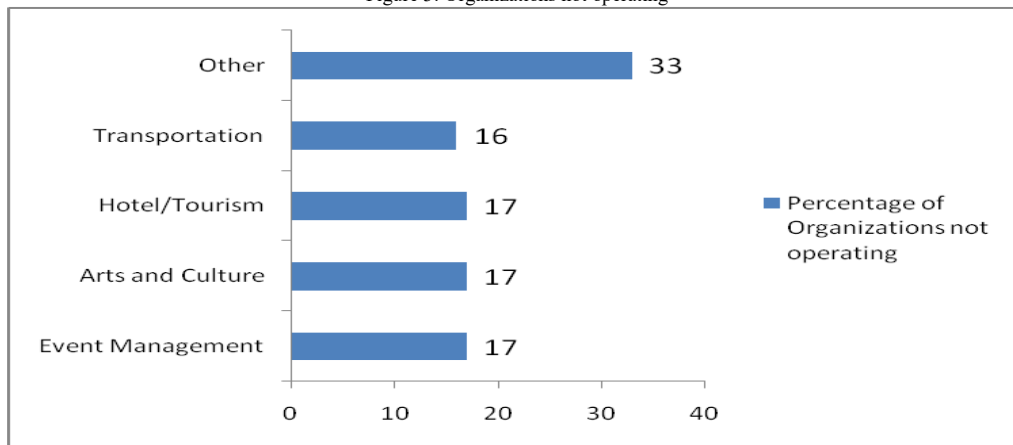
The Figure 1 reveals that among 13 sectors 8 % of educational institutions, 23% of real estate industry, 15% of information transmission, software and informational technology services, 39% of transportation and 15% of financial or insurance activities are working fully but remotely.

Figure 2: Organizations working fully on site



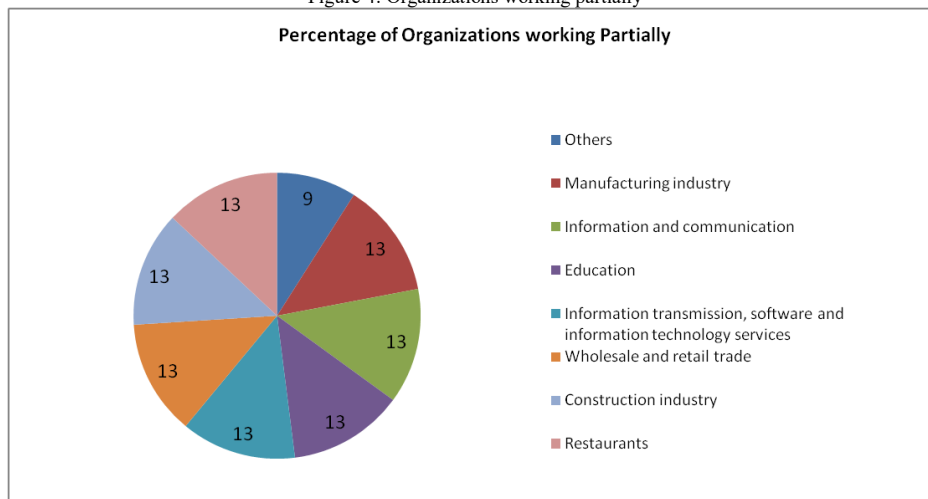
The Figure 2 reveals that among 7 sectors 29% of wholesale and retail trade business, 29% of scrap business, 14% of construction industry, 14% of electronics and electrical equipment business and 14% of business belonging to other category are working fully on site.

Figure 3: Organizations not operating



The Figure 3 reveals that among 6 sectors 17% of event management business, 17% of arts and culture, 17% of Hotel/Tourism, 16% of transportation and 33% of business belonging to other category are not at all operating.

Figure 4: Organizations working partially



The figure 4 reveals that among 8 sectors, 13% of manufacturing industry, information and communication, education, information transmission, software and information technology services, wholesale and retail trade, construction industry and restaurants are working partially.

Table 1: Number of workers working in the sector before Covid 19

Sectors	No. of workers
Arts and Culture	5
Construction industry	208
Education.	72
Electronics and electrical equipment	20
EVENT Management	50
Financial or insurance activities	200
Hotel/tourism	9
Information and communication	11
Information transmission, software and information technology services	700
Manufacturing industry	20
Real estate industry	15
restaurants	9
Scrap and import export of scrap	30
Transportation	229
Wholesale and retail trade	77
Other	61
Total number of workers	1716

Table 1 reveals that there were total 1716 workers working in all the sectors mentioned above in the table before covid, during pandemic in total 296 workers have lost their job and 3 workers of information and communication, located in Oman quit the job. Among 296 , 180 workers who lost their job were working in Transportation, 45 workers are from construction Industry, 25 from information transmission, software and IT Services, 17 from other sectors, 5 from education, 10 from electronics and electrical , 14 from import and export business of scrap.

Table 2: Respondents opinion regarding workers of industries infected by Covid 19.

		Industries				
		Fully but remotely (Tele working)	Fully on site	Not operating	Partially	Total
Infected Covid19	by No	11	4	5	7	27
	Yes	2	3	1	1	7
Total		13	7	6	8	34

Table 2 reveals that among 34 respondents of 34 different sectors, 7 respondents operating different industries reported that their workers were infected by Covid 19. All the respondents are of opinion that they are following adequate precautions in their workplace.

One worker from the construction industry, Saudi Arabia; Electronics and electrical equipment, UAE; Event management UAE, Financial and insurance activities UAE, Information transmission, software and information technology services, Saudi Arabia and 2 workers belonging to other industries in Oman have been infected by COVID 19.

The study also reveals that 1 Arts and Culture business operating in Muscat, 1 Construction industry operating in Saudi Arabia, 1 Educational institution operating in UAE;1 Electronics and electrical equipment operating in UAE; 1 financial or insurance activities operating in UAE; 1 hotel/tourism business operating in India ; 1 Information and communication operating in Oman and India; 1 Information transmission, software and information technology services operating in Saudi Arabia; 1 Information transmission, software and information technology services operating in UAE; 3 industries categorized as Others located in OMAN; 3 Real estate industries operating in UAE; 1 restaurant operating in India; 2 industries of Scrap and import export of scrap located in Oman; 1Transportation business located in INDIA; 5 Transportation business operating in Oman; 2 Wholesale and retail trade operating in India have changed their operations due to covid 19.

Among 34 sectors 29% of the industries faced very high financial problems, 21% of the industries did not face major financial problems and 50% of the industries faced medium financial problems.

50% of the industries are dependent on their own funds and 50% did not have sufficient funds to carry on the business. 76.5% opined that funding is not sufficient to carry on the business and 23.5% opined that fund is manageable to carry on the business.

26.4% opined that it will take 1 year to return their businesses to normal; 35.3 % opined that it will take 6 months , 38.3% are uncertain about the business returning to normal operations.

100% opined that they are facing difficulties to pay Staff wages and social security charges, Rent, Payments of invoices and other expenses.

Actions taken during pandemic: 23.5% opined that they delayed the goods delivery; 8.8% opined that there has been rise in the procurement prices; 8.8% outsourced orders; 20.6% reduced production; 26.5% are seeking new procurement channels.

11.8% faced with the disruption of logistics; 20.6% were not able to deliver the existing orders; 5.9% faced with financial problems; 2.9% faced travelling problems; 58.8% faced with reduction of orders.

100% opined that the profits of their business reduced due to pandemic and they also opined that the operations of their business have reduced due to pandemic.

18% of the businesses are carrying out their operations since 30 years; 15business are carrying out their business since 20 years; 68% of the businesses are carrying out their operations since 10 years. Despite of strong base and continuing operations since many years all these businesses are facing huge financial and other problems due to pandemic.

The study reveals that 23.5% of business is of large scale; 47.1% is of medium scale; 29.4% is of small scale business. 29.4% of the businesses are located in India; 8.8% are located in Muscat; 29.4% are located in Oman; 5.9% is located in Saudi Arabia; 26.5% is located in UAE.

73.5% of the respondents opined that cash was inadequate to run the business; 26.5% were of opinion that they could manage themselves to a certain extent.

With regard to the absence of the workers only 20.6% of the respondents opined that workers were absent due to illness, 50% of the workers were on leave due to lockdown and govt rules.

64.7% of the respondents opined that their operations disrupted due to disruption in supply of materials and goods and 94.1% of the respondents opined that the demand is very low and only 5.9% opined that the demand is average.

This Covid 19 has affected the business all over the world, reduction in the profits and due to the change in the business operations has led to the fall in worlds economy.

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