



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

COVID-19 and its impact on India

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Abstract

There is no doubt that COVID-19 will have a significant impact on the Indian economy.

The recovery of the underlying economy will be slow and it will take approximately 2 years for normality to return to all sectors. While the global economy may suffer as a result of government foreclosure, some sectors are expected to experience tremendous growth in the post-COVID era: FMCG, specialized B2C lenders, food retailers, and pharmaceutical companies for just name a few. The money will eventually win. Most companies that manage to survive financially in the Covid-19 era will have the ability to emerge victorious. In this paper they were analyze the some sectors after the announcement of lockdown.

Keywords: covid-19, Indian Economy, Lockdown, FMCG, Supply chain

Introduction

As of 12 March, only 29% of the active cases were in China and the remaining 71% were in other parts of the world. Active cases mean the infected people who are still being treated and not yet recovered. While the situation is improving in China, Covid-19 is leading to lockdowns in countries like Italy, South Korea and Iran. Due to spiralling numbers, the US and many countries in Europe are staring at a grim situation. German Chancellor Angela Merkel estimates that “Up to 70% of the country’s population could contract the Corona virus”. Industries at the forefront of the crisis are also using data in countless ways to inform their response to the crisis.

The impact of this on global economic growth is going to be huge. The organization for Economic Co-operation and Development (OECD) has halved the global GDP growth projection for 2020 due to Corona virus. The disease will obviously impact the Indian economy as well. “The current restrictions will impact most economic activities like travelling, consumption etc. Manufacturing will be impacted due to supply chain disruptions and this in turn will delay capacity additions and capex spending.” Says Brinda Jagirdar, Economist, SBI.

Statement of the Problem

Almost 162 countries are gradually being blocked and companies around the world are operating out of fear of an impending collapse of global business scenario. This situation, marked by slow economic growth in the previous year, especially in a developing country like India, leads to extremely volatile market conditions. Supermarket chains use sales data to help distributors identify and ship the most important items to their customers. Meanwhile, the sectors we trust to drive the wheels of the economy use data to inform their operations. Many international economies in India are becoming aware of the risk they face by relying too heavily on a single market. Businesses are more affecting because of covid-19.

Object of the study

- To know about the FMCG manufacturing after the announcement of lockdown
- To know the role of Retail supply chain after the announcement of lockdown
- To study the role of Medical supply chain after the announcement of lockdown
- To study the situation of travel companies both IRCTC and airline services after the announcement of lockdown
- To know about impact of lockdown announcement on Essential Commodity Services

Limitations

- It is based on the secondary data only.
- Due to time constraint the area will be covered to some extent.
- Limited sector's has been selected.

Review of Literature

1. According to PWC report, the interconnected and global nature of supply chains means that disruption in any region will have an impact on the supply chain of businesses located far away. Likewise, businesses around the world are feeling the impact of volatility on the prices of raw materials and products. Even if macro factors are stable, disruption in the businesses of individual suppliers can cause a disruption in the whole supply chain.
2. According to McKinsey and Company report, look at the data across India, it's clear that when urbanization rates in districts or in states cross the threshold of about 35 per cent, that's when we start seeing productivity benefits kick in. Higher GDP per capita because the dense cities and urban centre suddenly get better connected with the rest of the world and better connected to markets. Urbanization rate will cross this threshold for us as a country over the next 10 to 15 years.

Analysis

1. To know about the FMCG manufacturing after the announcement of lockdown

Leading FMCG players have either shut down or scaled down manufacturing operations, in line with the State governments implementing a lockdown due to the COVID-19 outbreak.

However, some industry executives, on conditions of anonymity, pointed out that there seems to be lack of clarity, and some ambiguity, in the implementation of the lockdown, especially with regard to manufacturing and distribution of essential products.

In a statement, Cola India said: "In compliance with the government directive, we at the Coca-Cola system in India have temporarily suspended production at our manufacturing facilities." The company said that at the same

time, to provide 'essential' beverages to consumers, it will operate its manufacturing facilities in very small numbers in compliance with local government regulations, as and when required.

In a BSE filing, Nestle India said: "In view of the lockdown..., the operations in some of the locations (manufacturing, distribution centres/warehouses, offices, and suppliers) are scaled down or suspended. As the company is into the manufacture and sale of food and beverage products, the company is in discussions with the authorities to continue operations in the factories/distribution centres where the operations have been suspended."

Industry sources said that local level authorities need to allow production and distribution of food and other essential times to maintain supplies when large parts of the country are under a lockdown.

Mayank Shah, Category Head, Parle Products, said: "We are currently working with 50% man power at certain plants, while some other plants are not operational in accordance with State and local government directives."

In a BSE filing, Godrej Consumer Products Ltd said: "The operations in several of our locations are scaled down or shut down. The operations at some of the company's overseas locations of the companies are also scaled down and will be operated as per the local guidelines."

An ITC spokesperson stated, "While it is extremely critical to ensure adoption of precautionary measures including hand hygiene, social distancing and isolation during this period, it is also important, that during such challenging times, essential products are made available to consumers in a safe and sustainable manner across the length and breadth of the country through continuity of supply. As various State governments issue notifications, we are in discussions with them to ensure that manufacture and distribution of essential products is streamlined."

2. To know the role of Retail supply chain after the announcement of lockdown

Curbs placed by local authorities hurting supply of essential products, say industry associations

Retailers and chemist associations have expressed concerns about the restrictions placed on the movement of their support staff-involved in the supply chain of groceries and medicines – by local authorities. With over 560 districts under a lockdown, they have urged the central and state governments to ensure the supply chain of essential products is maintained.

In a letter to Prime Minister Narendra Modi, the All India Organization of Chemists and Druggists (AIOCD) said: "Retail chemists, wholesalers, C&F (carrying and forwarding agents) of drugs and medicines have their own supply chain ecosystems. It is reported from various locations that local police is objecting to the movement of support staff such as pharmacists, chemists, wholesale firm owners, loading and unloading labour and transport drivers engaged at pharmacies medicine distributors, pharma companies and C&F."

The letter, which has been sent to various ministries, too said the situation has been further aggravated as courier and transport firms engaged in medicine distribution are being asked to shut down.

Unless an immediate intervention is made, by issuing a clear advisory to the home ministries of all the states, the entire supply chain will be paralysed and for no reason the availability(of drugs) will be adversely impacted," said the AIOCD which represents 8.5 lakh members.

3. To study the role of Medical supply chain after the announcement of lockdown

The Indian Chamber of Commerce has urged the government to exclude some of the raw material suppliers from the purview of lockdown to ensure production for units manufacturing essential commodities.

Many food items such as milk, edible oil, processed foods, medicines, tooth paste, soaps depend on raw materials and packaging materials, besides transportation of these items from the manufacturing units to the various distribution centres.

The Government has already identified a list of jobs and services deemed 'essential' that are excluded from lockdown over the next few weeks.

ICC has appealed to the Government to prepare the 'support products and services list' of non-essentials to ensure availability of essentials.

In fact, ICC said many non-essential inputs and services are integral part of the manufacturing process of essential products.

The government should prepare a list of non-essential services and products that are exempted from the lockdown to ensure that there is no shortage of essential commodities in the market, said Rajeev Singh, Director-General, Indian Chamber of Commerce.

It is important to keep these items and services easily available as the right kind of packaging is key to hygiene and availability of quality food products. Else, unsafe food products may find their way into the markets, he said.

4. To study the role of both IRCTC and airline services after the announcement of lockdown

The industry is facing an existential crisis today," CII National Chairman Tourism Committee, Dipak Haksar said. He said that overall "we estimate around 4-5 crore job losses of people who are directly or indirectly related to the tourism sector".

"Occupancies in hotels have come to single digit and recoveries not expected in the near future. The industry expects to lose over 2 crore jobs and revenue loss could be of 60-70% this year. The tourism industry is gasping for oxygen and we urge the government to pronounce immediate sectoral relief for the industry," Haksar said.

According to IRCTC officials quoted in a PTI report, the train services of IRCTC Varanasi-Indore Kashi Mahakal Express, IRCTC Lucknow-New Delhi Tejas Express as well IRCTC Ahmedabad-Mumbai Tejas Express have now been suspended till April 30, 2020.

Earlier, the ticket booking for the three IRCTC operated trains were suspended the time between 15- 25 during April 2020 due to the COVID-19 lockdown crisis. However, now, the three trains will not be operated till April 30, 2020 and the booking has been stopped due to the rising Coronavirus cases day after day. As the trains will not be operated till April 30, 2020, all the railway passengers who had booked tickets during this particular period, will receive full refund on their tickets, added the IRCTC official.

The fact that the flights operate at 50% of their capacity will mean that airlines will have to increase ticket prices considerably. Basic tickets between Delhi and Mumbai could start at Rs 8,000 to compensate airlines for operating at half the capacity of their planes.

Given the sharp drop in demand forecast from the Asia Pacific Aviation Center, there could be a surplus of 200 to 250 aircraft in India, many of which should be returned to their lessors. The civil aviation sector as a whole may be similar to what it was at least five years ago, when fewer planes flew over the Indian skies.

Lower capacity will also mean that our airports experiencing space limitations, particularly in Delhi and Mumbai, may see some of their terminals closed, such as Delhi Terminal 2.

But the most important variable remains the condition of the airlines once the COVID-19 pandemic has ended. Without a robust government stimulus package, some airlines may not survive the impact of the coronavirus.

5. To study the impact of lockdown announcement on Essential Commodity Services

The Group of Ministers discussed the supply of the essential goods to parts of the country.

“It was noted that essential commodities were available in sufficient quantities and no shortages were reported from anywhere in the country. Also, all supplies are being smoothly transported to parts of the country,” a second source told The Print.

1.25 million Trucks with national permit only about 200,000 are on road during the 21-day nationwide lockdown to control the coronavirus pandemic.

Transporters are finding it difficult to streamline the supply chain of essential goods with only 15 per cent of trucks plying on the road amid the 21-day nationwide lockdown to control the coronavirus pandemic, the All India Motor Transport Congress (AIMTC) has said.

AIMTC, the apex body of transporters in the country, both cargo and passenger, represents around 10 million truckers and 5.5 million tourist buses and operators.

"We have approximately 1.25 million trucks with national permit. But during the period of lockdown, only 200,000 to 250,000 trucks with national permits are on road," news agency ANI quoted AIMTC President Kultaran Singh Atwal as saying.

Due to surging demand for essential non-discretionary goods, retailers are facing network-wide shortages. To combat this retailers are working closely with companies across their supplier bases.

For the most important products, daily meetings are being held with strategic suppliers to work through the options for securing an adequate supply of essential high-demand items. This is the first and foremost priority for those in the food, drug and mass (FDM) categories, to secure a fast and reliable supply.

Conclusion

Every day, the world is waking up to the growing number of cases and unprecedented reports of government efforts to keep citizens safe and stem economic impacts, efforts that depends on access to reliable and quality data. Most of the sectors severely affected due to this covid-19. Try to accept this situation and protective measures will helpful to fight this pandemic. Ease of doing business in the distressed situation helps them to return back to new normal situation. Union Ministry of Health and Family Welfare Secretary Lav Agarwal said, “We have to learn to live with the virus. All precautions have to be taken to protect on self from the disease”.

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