

Impact of Lockdown on Small Businesses in India

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ABSTRACT

Out of all the economic crises occurred in the last decades, Coronavirus is one of the most harmful incidents. The report represents all the possible evaluations of the impact of lockdown on local businesses. The condition during this pandemic is obvious to be substandard and the ambition to grow and develop is become pointless, then what will be the outcome of this research? And even why does such a report is constructing whose result is already known? The simple answer is "expectations", the report will evaluate comparative conditions of local business and will provide the different expectations regarding the new strategies, new growth pattern, new business models, innovations and many more things which will help the businesses to revitalize their economic as well as social conditions. It is become important for businesses to revise their strategies for sustainable growth. The report will show all possible impact in a proper structure, importance of businesses in the economy and different influences of lockdown. Comparing the before lockdown and after lockdown conditions. All possible and related data are Analyzed with structured outcomes and results. Analyzing the data results and the business strategies concerning expectations to form the picture which will help in formulating the future prediction regarding economic growth as the most important component of the economy is "business". Therefore the future growth supposition is paramount.

Keywords – Sustainable Growth, lockdown, Covid -19, SME.

I INTRODUCTION

Out of all the economic crises occurred in the last decades, coronavirus is one of the most harmful incidents. It not only affects the demand side of the economy but also the supply side of the economy. Covid-19 is the biggest challenge face since World War 2. coronavirus causes distress to the global economy. For the country like India which is still developing, this pandemic situation may result in scandalous outcomes. Local businesses are one of the important pillars of the economy. With the pandemic, local businesses are affected adversely. To bring back the growth in the economy it is necessary to sustain the small business in the economy especially for a developing country like India. The lockdown attempted in India is the largest of its kind and this lockdown result in chaos and suffering among Indian citizens. Majority of the day to day needs and requirements of people is fulfilled by the local small businesses. Due to the lockdown customers, as well as sellers, are not ready to facilitate exchange, and with the government restrictions, the majority of the shops remains closed for a long while. Now, it is very important to understand the problems faced by local businesses in India. It's foremost to see what is the situation before and after the coronavirus crisis.

So the first objective of the study is to determine the comparative condition of local businesses before and after lockdown.

Small scale businesses are facing harmful impacts due to

- (a) Covid-19
- (b) social distancing
- (c) Nationwide lockdown.

No one is ready to go outside and facilitate exchange because of the fear of coronavirus. Neither customer is ready to buy product physically nor producers ready to sell physically. And if the producers are

ready to sell online, customers are not ready to buy it. The government allows the essential products to sell in the market but keeping in mind the physical distancing. Customers are standing in rows with 2 feet gap. Sellers are not able to sell things properly. The nationwide lockdown causes small scale, day to day businesses to shut down. They are daily wage earners, their livelihood depends upon the money they earn daily. With the limited concession given by the government, small businesses can start again. They have to rebuild the business plans and strategies because the economic condition is not the same as before and it will change frequently with time. They have to focus on how they will manage and operate their business and how and where they will invest the money provided by the Indian government. Hence the next objective for the study is to identify the common business plan and strategies adopted by the small scale businesses.

The more adverse effect is faced by startups they are already low on cash and employees and now the lockdown put them in huge losses. Not only startups but also the daily wage earners like auto drivers, car drivers etc, are facing miserable problems. India's startups are facing a constant decline in the growth path due to business disturbance caused by the pandemic. Almost 90% of startups are resulting in a decline in their revenue. Around 30-40% are either temporarily halting their operations or thinking to close down. B2C startups are the one who is adversely affected and around 60% facing close because their revenue came down to zero. This is the time for all such businesses to review their plans and strategy for growth and find as much as possible factors which helps them to restructure and regenerate. Hence, the next objective of the study is to assess the factors which help the startups to rebuild and restructure their business. Continue lockdown is constantly affecting the consumer consumption pattern. Except for the necessities, the consumption

cycle is broken. Consumers in the country could not able to buy different products. consumption is the most important pillar of the economy and the most important variable for growth, but unfortunately with nationwide lockdown consumption cycle is stopped hence investments stopped which affect the capital of the country, production halt which directly reduce the income of the workers and wages of the Labors, therefore, growth stagnated and the economy turns into the depression. Hence the next objective for my study is to assess the strategies which restart the consumption cycle in the economy. Indian local businesses are the key to the growth or we can say they are the fertilizer for plants. As fertilizers help the plant to grow and develop fast and effectively similarly local businesses help the different states of a country to grow and develop effectively, as mentioned before, all the necessities are exchanged by local businesses. But with nationwide lockdown, it becomes impossible.

II OBJECTIVES & METHODOLOGY

- (a) **Rationale behind the topic** - businesses are the most primary need for the economy during this pandemic and to know the situation and expectations about the condition it will become necessary to do research. I choose my research topic about impact of lockdown on local businesses in India because I'm interested to know the situation of businesses during this pandemic. Indian economy is continuously declining and will run down soon. to rebuild the economy foremost thing needed is money (capital) and the only way to get more and more capital is to sustain the businesses
- (b) **Objectives for the study:**
- (i) to determine the comparative condition of local businesses before and after lockdown.
 - (ii) to identify the common business plan and strategies adopted by the small scale businesses.
 - (iii) to assess the factors which help the startups to rebuild and restructure their business.
 - (iv) to assess the strategies which restart the consumption cycle in the economy.
- (c) **Research methodology** - In order to gain a better insight into the possibilities to know the actual influences of lockdown on local businesses, secondary data is collected from various legitimate databases and accordingly the results and findings prepared. the method used for the research is both quantitative and qualitative as both of them are equally important for research like this. to compare the conditions of businesses at two different periods the identical data is used but based on two distinct intervals. moreover, graphs, pictures and other figures all are secondary sources.

III LITERATURE REVIEW

Khusgboo Mishra, "the impact of the lockdown on India's informal sector", this research paper shows the changes in revenue pattern and the income structure among many businesses during the lockdown. Specifically, the informal sector as the study also mentions about the importance and the position of this sector in the Indian economy .study shows that there is no cash in the economy reason being halting all kind of markets. Nationwide lockdown resulted in ceasing the sort of exchange in the market which directly end the supply of money in the economy or market. the main objective of the research is to conclude and analyse all kind of effect of lockdown on small vendors or on daily wage earners.

Amit Mudgill, "how will Indian lockdown play out for economy and market", the study represents 4 different scenarios for the situation of the domestic economy and market after lockdown. Also, the study shows that the local businesses are the most important to observe as the flow of cash in the market will tend to increase or decrease is based on the position and condition of the small businesses. the four different scenarios are bad, worse, better and the rise respectively. the main object of the study is to predict the economic and market situation on the bases of data and analysis.

Vikram Bahlekar, "Novel coronavirus pandemic-impact on the Indian economy, E-commerce, education and employment", the study shows the reasons for the birth of coronavirus in india, reasons for implementing lockdown in india. The study represents major sectors of the economy and the effects. this study also gave importance to the local businesses and small e-commerce sites. not only the market review but also the non-marketing sector such as education and all. The study also focuses on the employment rate and their earning which is constantly declining. The main objective of the study is to study the impact on economy, market, e-commerce, education and employment.

Prasanna Mohanty, "coronavirus lockdown- how serious could the impact be on Indian economy and GDP", the study analyses both the supply and demand side of the economy and represents many situations which may or may not occur. The study is quite biased towards the bad impact of lockdown and it shows that the GDP will decline at a very high rate. This decline will directly or indirectly impact the Indian market both internationally and domestically. The main objective is to show the impact and the effect of lockdown on GDP and market.

Divya Monga, "impact of covid-19 lockdown in India, managing workplace challenges", the study is based on the challenges faced by the employee as they have to work from home due to the lockdown. This study also focuses on the challenges faced by

unemployed people and those who are fired. The financial and social status of a firm is the most important because employees' stability will depend on the same. The main object for the study is to find

out the challenges faced by the employed, unemployed and fired people in India during the lockdown.

IV DATA ANALYSIS AND INTERPRETATION

It is quite clear that the growth declined and there is no doubt this will continue for long. To show the situation of India during this pandemic lets see the Indian GDP growth rate.

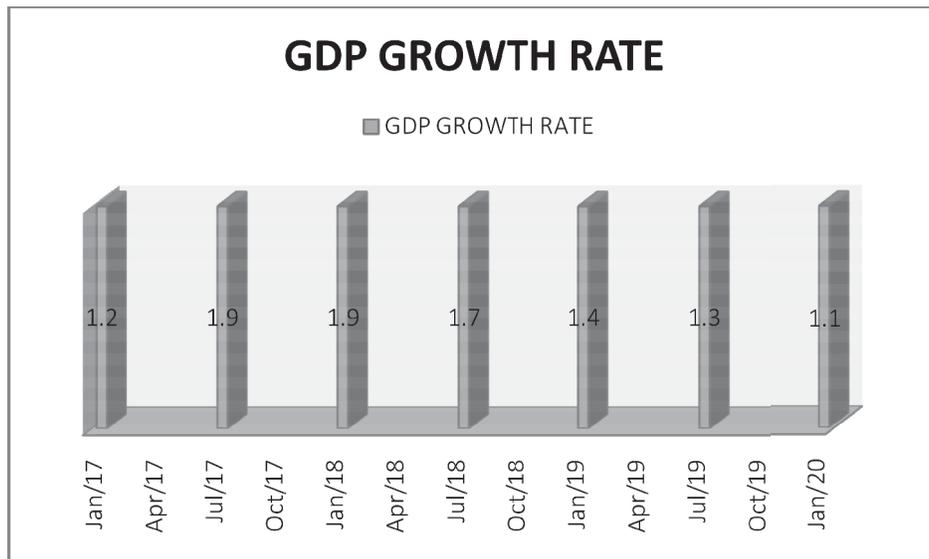


Fig. 1 GDP Growth Rate

GDP is the gross domestic product which is one of the most common factors to determine the growth in the economy. It is visible in the graph that the growth rate of Indian GDP is too low. In 2017 the GDP growth rate was nearly 1.9 which is quite impressive and secondly the rate was stable. But in 2020 is nearly 1. The current GDP is 4.9 per cent as against 6.8 per cent in 2018-19. On the other hand, the stability of GDP is totally uncertain.

India does not have any specific plan or strategy to overcome this damage and if they have, it is not officially revealed. Lockdown actually has a more adverse effect on the economy than coronavirus. Hence the decline in the GDP is more due to

lockdown and as lockdown removed it will again start healing.

V IMPACT ON INDIAN START-UPS AND MSMEs

Start-ups are the inauspicious one; they are already out of cash and employees and now the lockdown making it worse. MSMEs are the medium and small scale enterprises which need a good amount of investment to sustain. But the pandemic halted the money flow in the market and become trouble.

Opinion on the coronavirus (covid-19) impacting Indian start-ups and SMEs in March 2020

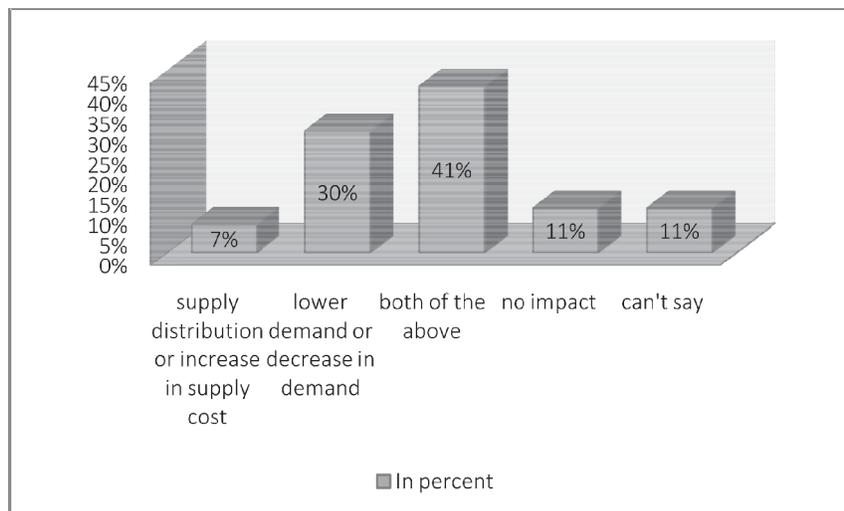


Fig. 2 Impact on SMES

The graph at fig 2 represents five different kinds of impact that has great influence. Supply distribution or increase in supply cost means fluctuation in the supply chain. Supplies of products are available or not, the cost of distribution is high or low, all such factors will take into consideration. Impact on start-ups and SMEs with respect to supply distribution or an increase in supply cost is around 7% which is quite high.

The second factor is the lower demand or decrease in demand for product and services. Similar to the supply case this represents the fluctuations on the

demand side. Demand for the products are high or low, the prices for the products are rising or decreasing, consumers expectation and all. Impact on start-ups and SMEs with respect to lower demand or decrease in demand for product and services is 30% and staying around this level is very unhealthy.

The third-factor covers both the sides demand as well as supply. And the impact is 41% and at this rate economic conditions for start-ups and SMEs will be threatening. Fourth and last factors are no impact and can't say. Both of them are 11% and these factors are the one which is not defined yet.

VI INDIA BUSINESS CONFIDENCE GROWTH

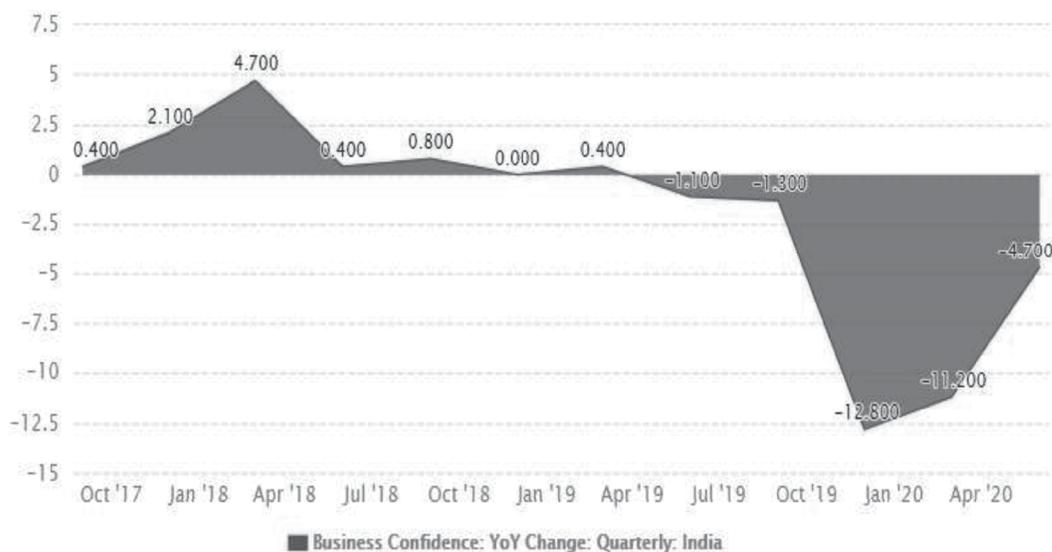


Fig. 3 Business Confidence: YoY Change : Quarterly: India

Taking nine indicators into consideration to find the BEI(India businesses expectation index) are:
 (a) overall business situation

- (b) production
- (c) inventory in raw material
- (d) order books

- (e) inventory of finished goods
- (f) profit margin
- (g) employment
- (h) export
- (i) capacity utilisation

These are the main nine factors which help in calculating the business confidence growth. It is clear that, from the starting of 2020 the confidence growth drops down to negative at -12.800 and the growth is still negative. The main reason is the lockdown because businesses are forced to halt their activities which result in the negative growth.

The country like India (developing country) this pandemic becomes a big trouble. To grow again, capital is the primary need but with the poor condition, it is not achievable.

VII UNEMPLOYMENT RATES

The unemployment rate describes the frequency of the people getting unemployed and it is shocking to know that the unemployment rate spick in one month to a great extend.

CMIE Data Shows Spike In Unemployment



* For last week of March, CMIE collected 2289 observations. For first week of April, CMIE collected 9429 observations. The average sample size is 117,382.

Source: CMIE

Bloomberg | Quint

Till the mid-march they are below 4-5 but at the end of March and at the starting of April the rate increased to 23.4 and this sudden jump is appalling. it is visible in the graph that the rate before the march is low and stable but with halting the businesses the unemployment starts rising at a tremendous rate because businesses don't have enough capital to pay their employees hence they start firing them. on the other hand, the number of unemployed people increased in the economy and now they become a burden to the government.

Lockdown impacted on the Indian economy as:

- (a) increased unemployment
- (b) increased interest rates
- (c) increasing budget deficit

This will result in difficulties in the trade market as well. To increase the growth it will become important to provide the work for those who are unemployed and help them to sustain their lives.

The MSMEs in the India is growing at a rate of 8.466%. MSMEs are one of the most important divisions of the economy. MSMEs contributes 6.11% of manufacturing GDP, from service activities 25%

to GDP and 36% of Indian manufacturing output. With the lockdown and of course pandemic the growth of MSMEs decline and this decline has a great impact on the overall economy.

VIII FINDING OF THE STUDY

SMEs are the enterprises who are facing great service losses. industrial sales decline which directly decline the investments.

Majority of the companies are not able to meet their basic needs like salaries and different bills. Their savings vanished and many companies are in the condition to borrow different sort of loans to facilitate their basic requirements.

Concerning the employees' salaries, many companies are able to pay the wages but many are unable. For example, companies have left stock and the supply chain is broken therefore they are neither able to sell remaining stock nor able to pay wages.

SMEs are in the absence of capital, investments, HR, physical assets, innovative ideas, market support and consumption pattern are lacking. The superior foundation is declined and major plan and strategies becoming irrelevant.

SMEs are the most significant part of the Indian economy. The investments are done in many states by SMEs but the pandemic results differently.

the Indian economy includes major sectors like railways, agriculture, service, manufacturing, technology, etc. but the growth of each sector is constantly declining both at macro and micro level.

The growth rate of GDP in India is declining continuously and the current rate is 4.6% which is very less.

The impact of lockdown on startups and MSMEs is severe and both supply-side and demand-side is affected adversely. Taking together the impact is at 41% fall.

The confidence growth of businesses in India is at negative, the recent data shows that the confidence growth of Indian businesses is -12.800 and unfortunately the negative growth is still maintained.

CMIE data shows that the unemployment rate in India gets a sudden jump in the last week of March. The previous rates are always below 5 and stable but the unemployment rate in the first week of April was 23.4 which is extremely high.

MSMEs are one of the major contributors to GDP but the growth rate of MSMEs in India is 8.466% and this will have an unfortunate effect on the economy for sure.

IX GOVERNMENT SCHEMES

Looking toward the current situation of businesses (especially in terms of small scale businesses) the government of India came up with many schemes to provide loans for restart the business activities. SMEs contribute almost 41% of total GDP and provide employment to the huge number of people. India is the only market place which is emerging in the world at this movement. To support the small scale businesses the top five schemes of government to provide loans are:

(a) MSMEs business loan in 59 minutes

This is the most famous scheme nowadays in small scale enterprises.

The loan is provided for the growth of MSMEs in the economy.

This loan can be taken by both new and existing business concerning the terms and conditions.

The loan can be taken up to the limit of rupees 1 crore.

Information regarding the loan is approved or not approved can be given within 59 minutes.

The interest rates will depend on the essence of the business.

(b) credit link capital subsidy scheme for technology upgradations

This scheme grants finance for technology upgradation.

The loan can be used for both within the organization for example manufacturing or outside the organisation like marketing.

The government provides this loan with the main aim of reducing the cost of production.

15% of capital subsidies for applied businesses.

The maximum limit for this loan is set to 15 lacks.

(c) MUDRA loan

Micro-unit development and refinance Agency (MUDRA) LOANS.

Low-cost credit is the concept applied in this loan.

All kinds of the bank can provide this loan.

The structure is :

- (i) Sishu Loans up to Rs. 50,000/-
- (ii) Kishor Loans up to Rs. 5,00,000/-
- (iii) Tarun Loans up to Rs. 10,00,000/-

(d) national small industry corporation subsidy

This is the loan provided by the government for small and medium scale enterprises.

The loan is provided in two different ways financial benefit and market support.

In addition there are many more schemes to support start-ups in India i.e. Start up India initiative, ASPIRE, MUDRA BANK, ATAL Innovation Mission, Daring Process & Infra Development Fund etc

X CONCLUSION

Country like India which is still developing, lockdown impacted more adversely than coronavirus. Economic and social growth is stagnated and all the policies and plans are suspended. Not only the supply side but also the demand side is no more effective. Due to lack of planning, strategy and vision, the loss will take more time to recover. The world health organisation said that the suffering of people and businesses had lead to unsuitable market conditions. World Bank and FICO said that the Indian businesses are facing declining financial progress. With this pandemic, both domestic and international market is disturbed. Covid-19 is the biggest challenge face since world war 2. coronavirus causes distress to the global economy. For the country like India which is still developing, this pandemic situation may result in scandalous outcomes. Local businesses are one of the important pillars of the economy. With the pandemic, local businesses are affected adversely. To bring back the growth in the economy it is necessary to sustain

the small business in the economy especially for a developing country like India. The lockdown attempted in India is the largest of its kind and this lockdown result in chaos and suffering among Indian citizens. Majority of the day to day needs and requirements of people is fulfilled by the local small businesses. Due to the lockdown customers, as well as sellers, are not ready to facilitate exchange, and with the government restrictions, the majority of the shops remains closed for a long while. Lockdown result in the unfavourable conditions for Indian businesses. Neither fiscal nor monetary policy can help in this pandemic. Government need funds and the only way to increase capital is non disturbed market functioning both domestically and internationally. The world is in the condition where the two-fold effect is taking place: monetary deficiency and ineffective working due to illness. Both of them together causing such a terrible and critical effect on the economy which is never seen before. India with its huge population cannot survive this pandemic. India needs a strong policy and planning with the new scenario.

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