

Impact of Covid-19 on Business Industry and Management: Pandemic Challenges and Responses

Pooja Mishra*
Dr. Nirbhay Kumar Mishra**
Dr. Guru Sant***

Abstract

Covid-19 pandemic has created unprecedented interruption for the global business industry management. The world economy already facing a turbulent phase experienced the worst scenario in the view of this pandemic. Business management strategists and policymakers have been making an impact assessment to understand the problem structure of this worst possible pandemic situation. The present article tries to develop a viewpoint on Covid-19 impact on business industries and management. Further authors attempt to develop a problem-solving structure by discussing the best possible solutions to mitigate the fact on the one hand and facilitating the business process in various sectors such as business Industry, Marketing, finance, and health industries on the other.

KeyWords: Covid-19, World economy, Business management strategists, Problem-solving structure

Method: The proposed paper is based on a scientific review of the recent researches published in Elsevier, PubMed, and Scopus database. Moreover, the author has reviewed the data and reports published on various government portals.

Introduction

The world is facing the worst pandemic i.e. Covid-19, the pandemic is disrupting all the financial, human, and economic activities across the countries. The World Health Organization has declared the phenomena a Global Pandemic. Although the restricted human interaction somehow helped the environment and nature in healing up(Lokhandwala & Gautam, 2020).To mitigate the spread of the virus various emergency protocol has been placed like restriction on non-essential movements, avoid social gathering, discontinuation of workplaces, etc. This is the rare case scenario where the world is facing a health crisis that is affecting every individual on this planet in some way or another. The pandemic has caused substantial economic disturbance across the globe due to business interruptions, multiple shutdowns, social distancing, etc(Martin et al., 2020). According to a world bank report, in East Asia and Pacific countries around 11

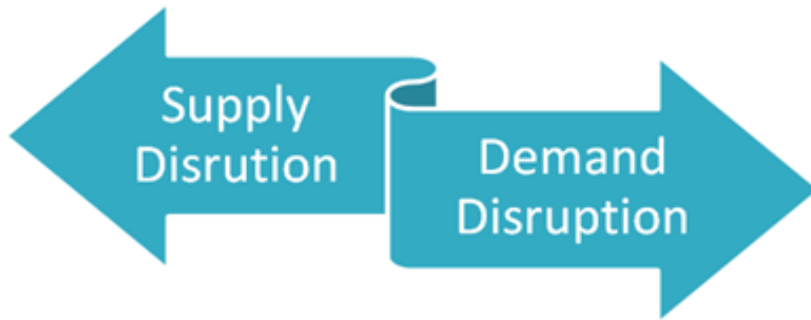
million people could fall into poverty(World Bank, 2020). According to the Centre for Monitoring Indian Economy (CMIE) during April 20-Aug'20 almost 21 million people lost employment.

Covid-19 has affected various business sectors across the world. As per the economic times, there was a sharp decline in the bulk demand for perishable goods such as meat, vegetables, and sugar because of the closure of restaurants and hotel industries(Jayashree Bhosale, 2020). Despite the various restriction and measures placed by the government, the stock market decline by 30%, and global GDP is also estimated to plunge precipitously(Gray, 2020). To decelerate the impact of Covid-19, various industries developing their contingency plan swiftly to handle the outbreak. There was two major disruption happened due to the government restriction on economic and personal activity(Kerr, 2020) which affected the global trade.

*Department of Institute of Business Management, GLA University, Mathura

**Institute of Applied Sciences & Humanities, GLA University, Mathura

***Department of Institute of Business Management, GLA University, Mathura



China has given its priority to manufacturing while the other countries adhere to their rules of social distancing with restrictions on a continuation of the work process. Due to this export supplies also fall with a decline in the production function (Kerr, 2020). The second wave is declining demand. As various retail outlets remained closed due to the lockdown phase, they cease placing new orders which ultimately hit the demand for the products. The massive lockdowns and restricted policies decelerate production and consumption. As a preventive measure countries have partially or fully sealed their borders, as a result, it reduces the movement of goods, services, and people. Due to these reasons, most of the economies already started declining. During the initial phase of the pandemic, economists reached a consensus that the world has been plunged into a global recession (Arnold et al., 2020). The major portion of the Indian economy comes under the gig economy, this portion is highly vulnerable to economic shock and needs higher concentration on insurances and pension schemes.

As the pandemic was disrupting the economies across the globe, government and policymakers are in the search of sustainable suitable policies. This pandemic is a reality check for industries or societies that have been reluctant to embrace the digital transformation. The digital form is not new it's simply brought into sharp focus due to the COVID-19. Although before the pandemic, industries were already shifting toward digitalization but the pandemic has proven a driving force.

Covid-19 impact on business industries and management: Problem and Problem Solving Structure

Finance Industry

In the era of globalization Covid-19 outbreak is creating massive economic interruption (Liu et al., 2020). The Global Financial Crisis (GFC) of 2008 started in Newyork on the other hand Covid-19 pandemic started in Wuhan in central China. Various studies proved that globalization has helped to turn Covid-19 into a pandemic through international travel (Wójcik & Ioannou, 2020). As the virus spread speedily most of the countries took immediate action and restricted through social distancing and isolation policies. All the financial services are kept in the essential service category by the government. Despite this, most financial sector organizations let their employees work remotely from home. Multiple lockdowns result in an immediate decline of 20-25% in GDP in most of the advanced economies. Due to the various lockdowns, an estimated 140 million (14 cr) people lost their jobs while salaries were cut for many others. The informal economy is the hardest hit by the pandemic which consists of almost 1.6 billion population. The banks and financial institutions playing a vital role in absorbing the shock by providing multiple finance assistance throughout the period. Banks are more vulnerable during the time of economic downturns, because of the likelihood of non-performing loans and the possibility in extreme cases of banks run (Goodell, 2020). Due to the pandemic Foreign Direct Investment flows are expected to decline by 30-40% (Jomo & Chowdhury, 2020). As per the International Monetary Fund's April'20 report, the global economy will decelerate by 3 percent in 2020, which is worse than the financial crisis of 2008-09.

The reserve bank of India has provided the bank liquidity by reducing rates for lending generally or to specific sectors, on the other hand, the government of India has offered credit guarantee to MSMEs and other sectors (Charanjit Attra, 2020). The proper fiscal mechanism can decelerate the effect of the pandemic, the government of India has announced an economic help of INR 1.7 trillion for MSMEs (Srivastava, 2020).

Asian Development Bank (ABD) has provided a relief package of \$20 billion to counter the adverse effect of the pandemic and to address the urgent requirement of vulnerable people (Mehta et al., 2020). European Union (EU), join hands with its member states and European Development Finance Institutions, as a Team Europe and provided a relief package of €36 billion to tone down the severe health and socio-economic consequences of the COVID-19.

Stock Market

Covid-19 described it as a Black Swan event that created a panic situation among national as well as international investors (Q. He et al., 2020). The pandemic has created an unprecedented situation of risk which is pushing investors in loss (Bahrini et al., 2020). In March '20, the US stock market hit the circuit breaker mechanism four times in ten

days. It was observed that stock markets are fluctuating with increasing cases of COVID-19, such as the US stock market observed three of the 15 work days ever and one of the top 10 surges in the market during 9-16 March 2021 (Wagner, 2020). There was a major spike witnessed in the prices of gold and a decline in the price of oil during the pandemic which shook the stock market.

A study conducted on the pre and post COVID-19 phenomena of the Indian stock market. The study observed that at the beginning of January 2020 market was showing favorable condition, trade of NSE and BSE were hitting the highest peak of 12,362 and 42,273 respectively. After the outbreak of COVID-19 BSE Sensex and NSE nifty fell sharply by 38% (S. Ravi, 2020). The pandemic leads to a loss of 27.31% in the stock market from the beginning of the year. BSE Sensex has witnessed the biggest fall of 13.2% in a single day that has beat the infamous fall of April 28, 1992. Nifty also overtake the disaster of 1992 by sharp dive of 29% (Mondal, 2020, p. 19).

Market capitalization on each major exchange was approx \$2.16 trillion before the COVID-19. Both NSE and BSE traded at the highest levels ever at the beginning of the year. NSE and BSE were hitting 12,362 and 41,952 respectively (S. Ravi, 2020).

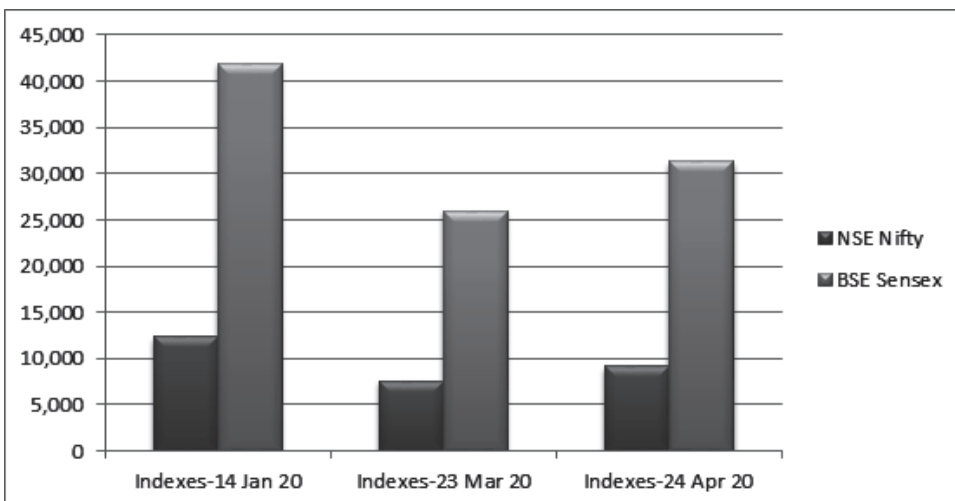


Fig-2 Pre and Post COVID Analysis Of Indian Stock Market

(Source: <http://www.businessworld.in/article/Impact-Of-COVID-19-On-The-Indian-Stock-Markets/11-05-2020-191755/>)

While there was a sharp decline seen during the initial phase of the virus NSE and BSE both decelerated to 7610 and 25,981 respectively after that market started rising. Due to the extreme fluctuations in the market companies scaled back and started layoff their employees and few companies reduce the compensation of their employees. Certain sectors such as tourism, catering, entertainment, and hospitality plummeted by more than 40%.

To cope-up with these situations, RBI and the Government of India have taken few initiatives such as reduction of repo rate and regulatory relaxation by extending the moratorium. One of the best reforms initiated by the Government of India is the Make in India concept and this PLI scheme should enable India to capture a share in the global market(Jain, 2021). The self-reliant concept will also increase employment for society.

Marketing Industry

The world is currently experiencing one of the worst crises which affect every aspect of our lives. Pandemic also affecting the buying behavior of the consumers. Due to Covid-19, either company is overwhelmed with the orders such as groceries, pet supplies, pharmacy, and general merchandise or lacking orders and interactions such as luxury items, appliances, and hospitality. Store footfall has also been declined because people started more digital shopping which is affecting employment. All the social and economic activities have largely been brought to a standstill, and almost every economy is in the grip of depression(Hoekstra & Leeflang, 2020). The pandemic has changed the way consumers use to think, now they started re-evaluating their life priorities which are ultimately changing their spending criteria and priorities. Various researchers have confirmed that the sensitivity to advertisement and promotion can be higher during the contraction as compared to expansion(Hoekstra & Leeflang, 2020). Some of the studies have argued that panic buying and stockpiling was the demand of the hour for the consumer because a crisis like this was having a high level of unpredictability and uncertainty.

Euromonitor International identified expected that per capita consumer expenditure to decline by 5.2% in 2020, and not return to a good level until 2022(Brouwer,

2020).Covid-19 will have a negative impact on consumer markets except for fresh food packaged food and home care products(Brouwer, 2020). Multiple lockdowns and government restrictions increased the Impulsive buying behavior of the consumers. People started stocking the items and the stores were scarce. A meta-analytical review on impulsive buying behavior has been done by (Iyer et al., 2020) and confirmed that consumers spend \$5400 approximately per year on luxuries, apparel, and household products.

COVID-19 has derailed many strategies and campaigns of organizations, which result in mass layoffs and salary cuts of the employees. No doubt COVID-19 has pushed us to thought out of the box. Industries started new online learning sessions, webinars, workshops, and various courses that are adding value to the customer. Brands can now directly connect with their customers in a very new and incredible way. Various brands started uploading their tutorial and user-generated videos to make them understandable to the customer. Various significant changes happened in the modern marketing strategy due to the pandemic, this is also having a great impact on corporate social responsibility and consumer ethics(H. He & Harris, 2020). One of the UK manufacturing companies transformed their manufacturing unit in producing health amenities such as ventilators, medical equipment, hand sanitizers, and so on, instead of selling all units they are donating some of them(H. He & Harris, 2020). Therefore, a more optimistic view of COVID-19 is that it will accelerate post-pandemic CSR development in long run. One of the major concepts started during COVID-19 was a commercial co-venture also named for-cause marketing campaign, with the help of this campaign brand use to align their products and services for social cause and to assist COVID-19 victims(Anthony E. DiResta, 2020).

Media and Entertainment Industry

Coronavirus outbreak is significantly affecting industries across the world, with the media and entertainment industry being no exception. With the implementation of various lockdowns and social gathering restrictions for the prevention of the spread of the virus, all the cinemas, music festivals, shows, and concerts have been closed or canceled. All the major releases were postponed which was affecting the whole Bollywood industry. As a result,

financial ramifications were felt by the production houses, music labels, film producers, performers for months or even years. The industry is largely comprised of casual and contract workers who work on daily wage and are hardly entitled to any paid leaves and hence the risk of losing their means of livelihood increases.

There were so many consumer issues that happened due to the last moment cancelation of the events. Companies were facing a challenge in the refund of tickets and bookings which put immense stress on the already slow economy in the industry. The government provided various protective measures for the industry, such as the Central Board of Indirect Taxes and Customs (CBIC) has allowed refunding the GST paid in advance by the event organizers (Ravina Grewal Rajpal & Nishant Ali, 2021).

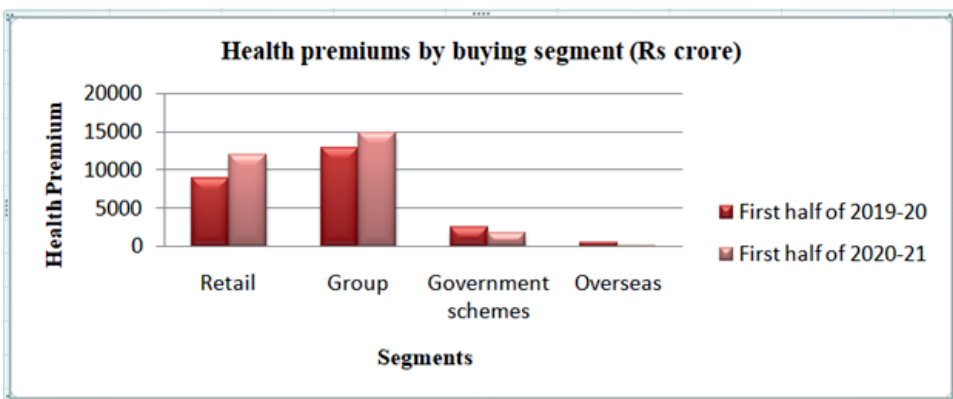
There seems to be a silver lining for the industry with the OTT platforms. People are bound to turn to in-home entertainment because of the various restrictions and social distancing rules. This ultimately give a rise to digital, TV, OTT, and games. The repeated telecast also helped a lot in generating revenue during the crises, the best-suited example is Ramayana which created a world record of the most-watched television show with 77 million views (Khan, 2021).

Health and Insurance Industry

The pandemic is challenging for the health insurance company as well but at the same, it represents various new opportunities (Sinha, 2020). The major source of revenue generation in the general insurance sector is automobile insurance which is hardest hit by Covid 19. Restriction in air travel also affects the airline industry badly and will lead to a major decline in travel insurance.

World health organization (WHO) has launched a Universal health coverage program to ensure the efficient effectiveness and affordability of health care products and services to the beneficiaries (Hussain & Arif, 2021). On a broader concept, good quality health services improve the health indicators of the people and reduce health inequalities which ultimately endorse stronger economic development.

Earlier, either the major portion of premium was driven by 'group policies', or organizations were buying an umbrella cover for their employees. While in the post-pandemic phase major portion is generated from individual buying policies. As per the survey done by (Srinivas, 2020) premium paid on individual policies has been increased as compared to the previous year by 34%. While the premiums in government and overseas segments declined comparatively.



Source: General Insurance Council (Note-Overseas stand for health policies purchased for Foreign Travel)

Undoubtedly, there is a spurt in the demand for health insurance due to Covid-19. Research conducted by the National Sample Survey(NSS) on health expenditure during July'17 and June'18 says that 86% and 81% of the individual in rural and urban areas respectively had no health insurance at all(Srinivas, 2020). Major vulnerable sections such as migrant workers, informal sector are still unable to access health insurance, and the kind of pandemic we are facing can plunge them into deep poverty.

Policymakers must form a new set of policies and pro-public reforms during the pandemic, which can provide support and security to society(Bhaduri, 2020). The government has launched the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana(PMJAY) one of the largest healthcare initiatives taken by the authority in the world. The PMJAY has issued 125 million e-cards till now to the most vulnerable society(Basu, 2020). The World Health Organization and the World Economic Forum have initiated the COVID action platform to combat the global emergency and crisis affecting people.

Conclusion

Thus based on the above discussion, it is confirmed that how connected we all are. The COVID-19 is eternally reshaping the way industries and society used to work and live. Each pandemic is unique which demands a cordial policy formation to decelerate the worst outcomes. There is an increased need for better infrastructure and technology to ensure transparency within the global supply chain. Industries and authorities can form a predictive model based on past pandemic instances, which will be a rescue plan for future pandemics. We can also adopt the partnership strategy to combat these types of phenomena, during a crisis one industry/firm that is least affected can collaborate with the affected one and can help each other in expansion. A collective corporate business continuity plan should be placed across the industries so they all can cope-up and help each other during the pandemic. Unfortunately, our existing policies and proposals are not adequate to avoid the consequences of the great depression and recession-like COVID. So, we must say that appropriate and effective planning measures can alleviate economic hardship and decelerate the long-lasting scarce.

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