

SMART Journal of Business Management Studies

(A Professional, Refereed, International and Indexed Journal)

Vol-16 Number-2

July - December 2020

EDITORIAL

COVID-19 and its Impact on Indian Economy: Make in India

The World Health Organization (WHO) declared the virus outbreak a pandemic in the second week of March 2020, four months after the novel virus first made headlines. Nearly 162 countries are steadily going into lockdown and businesses across the globe are operating in fear of an impending collapse of global financial markets. This situation, clubbed with sluggish economic growth of the previous year, especially in a developing country like India, is leading to extremely volatile market conditions.

The Indian economy, with rising unemployment, interest rates, and fiscal deficit has seen better days. The novel Corona virus is sending tremors down the Indian trade markets, depending on China for imports.

A) Major Impact

Raw Materials and Spare Parts: Nearly 55% of electronics, imported by India, originate from China. These imports have already slid down to 40%, due to the corona virus outbreak and subsequent lockdown. As a countermeasure, India is considering the promotion of indigenous production, in a bid to reduce dependency on a single market. Additionally, China is India's third largest export partner, for export of raw materials like organic chemicals, mineral fuels, cotton, etc. The lockdown of the countries is likely to lead to a substantial trade deficit for India.

Pharmaceuticals: The toll on the pharmaceutical industry is of significant concern for India, as 70% of Active Pharmaceutical Ingredients (API) are imported from China. These active pharmaceutical ingredients are essential to a large number of pharmaceutical manufacturing companies in the country. Medication is going to be the number one consumer demand and this market is witnessing skyrocketing prices.

Tourism: India is big on cultural and historical tourism, attracting domestic and foreign nationals, throughout the year. With visas being suspended and tourist attractions being shut indefinitely, the whole tourism value chain, which includes hotels, restaurants, attractions, agents, and operators, is expected to face losses worth thousands of crores.

Aviation: Airlines in India are said to be working under pressure. Nearly 600 international flights, to and from India, were canceled for varying periods. Around 90 domestic flights have been canceled, leading to a sharp drop in airline fares, even on popular local routes. Private airport operators have requested the Government to grant permission to impose a nominal passenger facilitation charge on airfares, to cover the increased operating cost.

B) Relief Measures

Tax Relief: To combat the economic impact from the rapidly spreading corona virus, Chief Economist of the International Monetary Fund, Gita Gopinath, suggested that Governments and policymakers would need to implement a substantial targeted fiscal. She also advised on broader monetary stimulus and policy rate cuts, to help normalize the economic situation. India is already running short on its GST revenue collection and the corona virus scare could make matters worse. With less active COVID-19 cases in a 1.33 billion population, the Government of India is not in a rush to make any drastic changes in policy and offer tax relief (even though Indian enterprise leaders are calling for cuts in import duties). India has also rescheduled the introduction of mandatory e-invoicing until October 1, 2020.

Remote Working: With major cities on lockdown, organizations have had no choice but to dig into their business continuity and contingency plans. Numerous companies have instituted a 'work from home' drill. That being said, remote working also has its limitations and cannot be carried out by other sectors like retail, hospitality, or manufacturing, leaving them no choice but to face business interruption.

Safety Measures for Employees: Employee safety is the need of the hour. Most companies have instructed their employees to stay home. Some organizations, however, are implementing measures like temperature screening, disinfection of office premises, setting up COVID-19 response teams distribution of COVID-19 precautionary packages.

Line of Communication: The mortality rate of COVID-19 is lower than the 1918 influenza pandemic. It has caused a widespread panic due to unclear lines of communication. Organizations are stepping up and maintaining an open line of communication, with all their stakeholders, including employees and customers.

C) Opportunity in a Crisis

Like India, several international economies are faced with the risk of being overly dependent on one market. Making the current situation a learning opportunity, CEOs of Indian multinationals, who recently attended the annual meeting of the Confederation of Indian Industry (CII), believe that this is the right time for India, to work on capturing potentially 40% of their competitors' market share, by looking at indigenous production of goods, furthering the country's Make in India campaign.

The Thirty Two Issue (Vol.16. No.2) of the SMART Journal of Business Management Studies consists of Thirteen articles, written by authors of repute, on different themes of contemporary relevance. I hope readers would find the Journal academically challenging and strategically stimulating.

Date: 08 .07.2020

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