

COVID 19 Pandemic: Impact on Organized Retail Sector and Unorganized/Informal Sector in India

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ABSTRACT

The COVID-19 pandemic is a worst thing that happens to the world in the last four months and alike other countries of the world, India is also fighting against COVID-19 by obeying lockdown (isolation at home) from 25 March 2020. The effect of India's 53-day lockdown are echoing, with unpredictable and varying degrees of severity, across all the sectors of the Indian economy. It is noticeable that service sector contributes around 50 percent to India's GDP and this sector hit hard during the first wave attack of COVID-19. This paper is an effort to know the impact of COVID-19 on that retail sector of Indian economy as this sector is playing a significant role in the contribution of GDP along with it, contribution of unorganized retail sector/ Informal sector cannot be ignored as number of workers that are engaged in casual work comprising about a quarter of total workforce of India. Paper is descriptive in nature and based on published data and sources. Due to corona virus pandemic and subsequent lockdown India is facing a substantial trade deficits. And it is expected that India's trade outbreak could be around US\$ 348 million and about 10 crore unorganized/ informal sector workers have been rendered jobless after current massive lockdown caused by COVID-19. Undoubtedly, government announced number of schemes to boost the retail sector nevertheless retailers also need to revise their business plan as per changed conditions and circumstances to win a battle against COVID-19.

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I. Introduction

India is currently fighting against a new corona virus that is growing exponentially and it causes the infectious disease named as COVID-19. These were unknown before the outbreak began in Wuhan, China in December 2019 (as per report of World Health organization)[1] and now this epidemic is growing at unpredictable rate and caused thousands of deaths, and now health of the world economy is on the stake. The Covid-19 pandemic was like a bold from the blue because at the occurrence of COVID-19 in India, economy was already facing slowdown moreover period of economic disruption is starts in the country after the First lockdown of 21 days (25.03.2020-14.04.2020) and second lockdown of 20 more days (15.04.2020-03-05-2020) was announced by the Prime Minister Narendra Modi in the country to slow the spread of the virus, moreover lockdown period is extended further for 15 days due to increased number of cases in the country . On March 22, Prime Minister Narendra Modi pointed out the "Even World War I and II didn't affect as many countries as the corona virus has done (India Today's Report) [2]." The Indian economy is expected to lose over 32,000 crore (US\$4.5 billion) every day [3] [4], Moreover, up to 53 percent of business in the country will be affected [5] during the First (21 day) lockdown which was declared to break the chain of corona virus.

The economy of India is in the middle of slowdown, National Statistical Office (NSO) has expected that India's GDP growth go down to 5 percent in 2019-20 [6] and the worst part is that India Ratings has further dropped to 1.9 percent from 3.6 percent during march, in growth prospects for the Indian economy for the current fiscal, it's the lowest in last 29 years.[7][8] It shows shriveled demand, low exports, drought of investments, credit crisis and unemployment, at a 45-year high, suggested a leaked NSO report for 2018-19.[9] The effect of India's 41- day lockdown are reverberating, with unpredictable and varying degrees of severity, across all the sectors of the Indian economy. It is noticeable that service sector contributes around 50 percent to India's GDP and this sector hit hard during the first wave attack of covid-19.

Due to manufacturing slowdown India have been affected the most because China is a big exporter of electronics to India, nearly 55 percent of electronics imported by India from China. Additionally, 70 percent of active pharmaceutical ingredients (API) [10], which are essential for most of the pharmaceutical manufacturing companies in India are imported from China. Medication demand is on its peak due to increased number of patients in the country. The subsequent traders and the market are witnessing skyrocketing prices due to more production of such drugs. As COVID-19 is rapidly making its way through India it's creating more trouble for Indian economy. Moreover, China is the third largest export partner of India for export of mineral fuels, cotton, raw material and chemicals to the countries of the world. [11] Due to corona virus pandemic and subsequent lockdown India is facing a substantial trade deficits. As per United Nations Conference on Trade and Development (UNCTAD),

estimates, export across global value chain decrease by US \$ 50 billion during the year in comparison to 2 percent reduction in China’s export of intermediate inputs, additionally imports in India slid down to 40 percent [12], India’s trade outbreak could be around US\$ 348 million. According to UNCTAD, it will likely cost the global economy between \$ 1 trillion and \$ 2 trillion in 2020. [13] In India outbreaks are found highest for the chemicals sector at 129 million dollars, followed by textiles and apparel at 64 million dollars. Additionally, it shows the outbreak of 34 million dollars in case of automotive sector followed by metals and metal products at 27 million dollars. Infrastructure industry will suffer an outbreak of 15 million dollars, followed by leather products at 13 million dollars, and electrical machinery at 12 million dollars outbreaks. [14] The International Labour Organization reports indicates that up to 25 million jobs will destroy due to Covid-19. FICCI survey showed that 53 percent of Indian businesses have indicated a noticeable negative impact of covid-19 and it’s not quantifiable that how much time it will take for return to normalcy. [15]

II. Research Methodology

It is significant from the report of CRISIL (credit rating agency) that household debt as share of GDP has risen during FY 12 to FY 18, whereas, household saving shows a declining trend. Moreover, retail credit as a share of GDP also shows an upward trend and it moves to 35.2 trillion (FY 19) from 14.2 trillion (FY13).

Table: Trends in household saving, household debts and retail credit in India

Household savings as a share of GDP (FY12)	Household savings as a share of GDP (FY19)	Household debt as a share of GDP (FY12)	Household debt as a share of GDP (FY18)	Retail credit as a share of GDP (FY13)	Retail credit as a share of GDP (FY19)
23.6%	18.2%	8.7%	11%	14.3%	18.5%

Source: data compile from report of CRISIL.

It shows that Indians change their tendency from credit –averse to risk takers for living a high life by borrowing. Hence, it is noteworthy from the above table that retail sector is playing a significant role in the contribution of GDP so it’s essential to know the impact of covid-19 on growing retail sector and unorganized sector.

The descriptive research methodology has been used to study the impact of COVID- 19 on organized retail sector and unorganized/informal sector in India along with this measures taken by government to fight against such pandemic is also taken into consideration. Secondary data has been collected from various published sources, websites and reports for the period January to April. Interpretation of the data is more on qualitative terms than on quantitative terms.

III. Impact on Organized Retail Sector

Retail sector is a vital part of economy as it contributes around 40 percent of the India's consumption and it comprising 70 million small, medium and big traders and provides employment to 43 million people in the country. [16] According to the Confederation of All India Traders (CAIT), in a month retail sector does \$ 70 billion business and it has been hit the hardest due to covid-19 pandemics [17]. Import of finished goods from USA, Europe and especially from china halted due to this pandemic attack worldwide. Due to lockdown decisions major retailer companies like Amazon and Flipkart stops the sale of non-essential items in the India from the mid of march. As per Kumar Rajagopalan, CEO of Retail Association of India (RAI), only 7-8 percent modern retail trades are functioning and selling only the essential items and more than 95 percent of non-food retailers have closed their outlets after the announcement of lockdown [18]. Companies are not meeting the revenue targets and they expect to earn only about 40 percent as compared to last year's revenue in the next six months for the non-food items whereas this number expected to increase to 56 percent in case of food items, due to lack of demand which forcing employers either to cut down their workforce or cut the salary. RAI had conducted a survey of 768 retailers to gauge their view on the impact of covid-19 on their business and manpower. Report of the survey indicates that overall 20 percent manpower reduction (around 80,000 Jobs expected to cut) will take place due to covid-19. [19] Large size retailers are expecting 5 percent reduction, on the other hand this number increases to 12 percent in case of medium sized retailers, where as it seen the maximum in case of small retailers by expecting a 30 percent reduction in their workers.

IV. Impact on Unorganized and Informal Sector

Workers from unorganized and informal sector would be the worst affected and economically crushed and extremely vulnerable along with organized retail sector in India after the covid-19 attack and 40 days lockdown. According to the Periodic Labour Force Survey data (2017-18), 93 percent of over 400 million workers are engaged in casual work comprising about a quarter of total workforce [20]. Most of the workers are either self-employed or casual workers who are not covered under any provision or any paid leaves, many of them live life on the edge, earning and surviving on a daily basis, half are regular workers and the rest are informal workers. For their financial needs and jobs, they generally depends on 75 million (only 7 million are registered), medium scale or small scale enterprises (MSMEs), creating 180 million jobs and contributing \$1183 billion to the GDP of India. [21] After the shock of GST roll out and non-banking financial corporations credit crisis MSMEs have been hit by one more shock namely Covid-19. These are facing many kinds of problems like white-collared office workers can work from home but it's not possible in case of factory workers. Moreover, non-availability of raw materials and decreased demand have raised serious concerns about the short- to-medium term viability of many businesses, including the MSMEs. About 10 crore unorganized/ informal sector workers have been rendered jobless[22] after current massive lock-down, due to collapse of street food works, temporary close down of construction business, non-opening of retail outlets, closures of hospitality and

travel industry and lockouts in other tiny and small industries and enterprises. Additionally, already high level of indebtedness of Indian households exacerbates the effect of the pandemic.

V. Steps taken by Government of India to overcome the effects of covid-19 pandemic

The effects of covid-19 and lockdown are deep with uncertain notches of sternness, across all the sectors of the Indian economy because challenges and conditions vary from one state to another state and there is no one-size-fits-all approach regarding covid-19 impact. To fight against the COVID-19, Indian government has already taken necessary steps to for saving the life of people. Along with Reserve Bank of India, government is working on various fronts to recover the economy from the bad effects of such pandemics. Moreover, State government and people of India is also supporting the government by following the lockdown in the country. Most of the sectors are badly hit from such lockdown which was necessary for the safety of people. Retail sector is also not remain untouched and the import cycle and supply chain had been hit badly. Even more it is expected that even after lifting of the lockdown, Indian traders might not have enough goods to sell due to lack of capital and borrowing capacity at this particular time. So, along with other industries such as banking, tourism, manufacturing this industry needs support and relief from government. [23]. Moreover after assessing its negative impact on workers and employees paying abilities, due dates of Sabka Vishwas (Legacy Dispute Resolution) Scheme 2019, was extended. [24]. Governor of Reserve Bank of India announced the three month postponement in the Payments of EMI on loans along with reduction in repo rates. With the help of other measures total Rs. 37,400 crores (US\$52 billion) are arranged for the country's financial system [25] and it gives some relief to retailers and unorganized people. Moreover various state governments announced the informal and small enterprises financial assistance programs for the poor in the unorganized sector. Direct money transfer of Rs. 1000 to all daily wage laborers in the state of Uttar Pradesh was announced by U.P. Government on 21 March [26]. On the next day Punjab Government announced RS. 3000 transfer for each registered construction workers [27]. Haryana government announced the free ration scheme for the below poverty line families along with Rs.1000 direct assistance to street vendors and rickshaw pullers [28]. Government of India announced the world's largest food security scheme and it includes 7 kg ration every month for 80 crores people across the country. [29] Moreover World Bank also approved the \$1 billion emergency financing for India to tackle corona virus labelled 'India COVID-19 Emergency Response and Health Systems Preparedness Project' [30] [31][32] after analyzing the depth of outbreaks due to covid-19 pandemics. During the Live address to nation Prime minister of India announced the Formation of Economic Response Task Force [33][34][35] under supervision of finance minister Nirmala Sitharaman[36] and its main objective is to search more sources of fund generation through which government can keep the economy live against covid-19 fight. [37]. Along with this, ERTF will have to look in to NPA norms, payments of taxes and provide financial support to those in the unorganized sectors. [38]

It is noteworthy that 25 percent players of retail industry needs working capital to sustain their business moreover smaller players also needs to budget their cost as per current situation of the economy, otherwise lot of players may not be able to survive. Undoubtedly, government is working on various schemes to boost the retail sector by providing financial and non -financial assistance nevertheless retailer's also needs to focus on changed behavior of consumer to change their current business models for protecting production and distribution system of the country for better future and economic growth after learning a lesson from such pandemic.

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