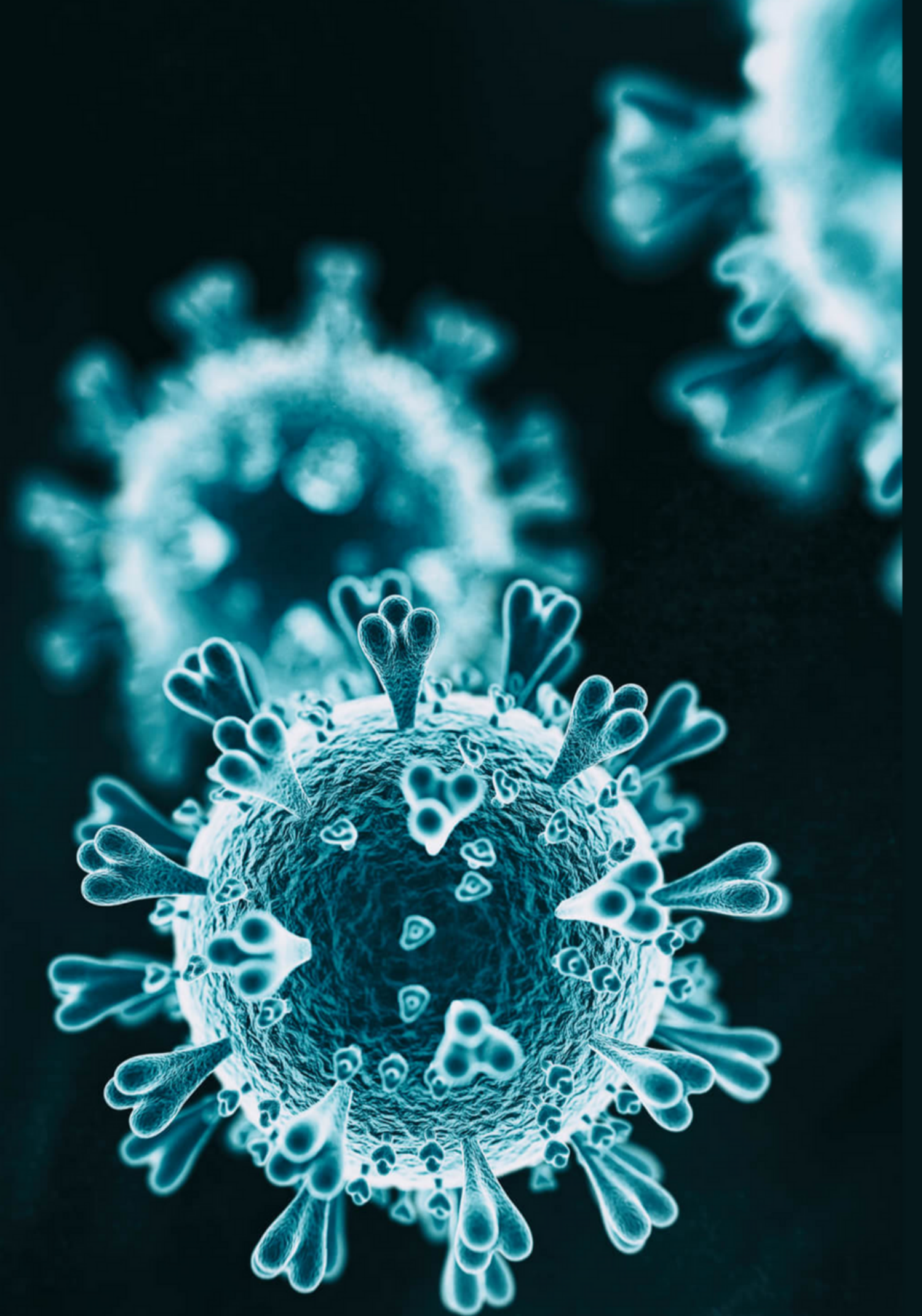


COVID 19

Impact on small business

(Covering Fifth stimulus dt. 17th May 2020)



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Preface & Introduction

Covid- 19 has redefined the social and economic outlook of the world. Human race was always known as a social animal but because of the current threat to life we are sticking to our close family with whom we are currently living with and avoiding or taking precautions in even meeting the near and dear ones. The meaning of the concepts earlier known to us as socialist and capitalist economy has completely changed. These are the unprecedented times and we all have one theory written all over the world i.e. Darwin's Theory- **Survival of the Fittest**. The Governments, social organizations, healthcare institutions and various other organizations and individuals are trying their best to enable us to make it to the post Covid era.

For **Aatmanirbhar Bharat**, the lifeline of economy lies in Micro, Small and Medium enterprises which generate maximum number of employment both in formal and informal sectors. The crisis is widespread and has hit Indian business across sectors and demography. Our focus of the survey is to understand the impact of this crisis on small businesses and possible measures which can be taken to reduce this impact. In our report we have also included the proactive measures taken by various countries to improve the ability of economy to withstand the impact. Ours is a consumer economy with imports higher than the exports and if we are able to boost the immunity of the life line of our economy, we will be ready to lead the world in coming future.

The Survey supporting the report was initiated on 4th May 2020. We have covered more than 50 types of micro small and medium enterprises across India including manufacturing, processing, trading, retailing, Hospitality, Professional services etc.. The report intends to draw the attention of decision makers and small businesses on the current scenario, bring to fore their problems and expectations, and suggest measures to stand strong against the current pandemic.

Background and Objective

In order to stop the spread of the highly infectious corona virus, India has been under lockdown since mid March, resulting in temporary suspension of most of the business activities. This has casted a major blow on the Indian economy with thousands of businesses staring towards closure or scraping the bottom of the barrel. The worst affected are small and medium business enterprises which hardly have reserves to withstand nil revenue inflows for along period of almost 60 days or even more. We being Chartered Accountants, play an important part in Indian Economy. After discussing with many of our clients and reading many research reports we find that there is a need to understand the stress of Covid-19 on the small and medium business / service sector in India. Further we also intend to list down the stimulus given by various countries along with India and match with the challenges faced by our medium and small business in order to give a food for thought for the decision makers.

The report has majorly three parts which are as follows:

- Firstly, we conducted interviews and a survey with the help of a questionnaire for Small and Medium Business firms and Service sector firms across India. As we understand that the effect of this pandemic is negative for majority of the businesses across sectors but it has also shown positive signs for some of the sectors. Our focus was to analyse of the extent of impact of Covid -19 on Small and Medium Business companies. Further we chose top 15 GDP countries of the world and gathered information regarding the measures taken by the governments of these countries in order to revive the economy. We have majorly focussed on the following parameters:
 - Effect of current crisis on business and their ability to continue operations
 - Financial subsidies provided by the various countries and its distribution to various sectors
 - Tax benefits, deferment of tax payment and employment assistance provided, if any
 - Unemployment trends in various countries and measures taken to help the workforce
- We also did a study on disruption in the existing manufacturing and supply chain across south east Asia. India is an open and friendly country having big consumer base and young population thus we have a possibility of grabbing big opportunities by creating an attractive business environment.
- After compiling the above data we also studied the measures undertaken by the Indian government till date by providing financial subsidy, tax benefits, deferment of debt repayments amongst others. The report suggest various measures required for small and medium businesses to enable them with improved condition to fight against these unprecedented economic crises.

Executive Summary

Covid -19 is so widespread that it is almost impossible to calibrate precisely the impact on the Indian economy. We have put in our efforts to understand the precarious condition of small and medium business so that a shield can be created to withstand or reduce the shock. We have also interviewed various entrepreneurs in the course of survey to understand the problems being faced by them and their suggestions for coming out of it. The way forward requires strong perseverance, innovation and immense Government support.

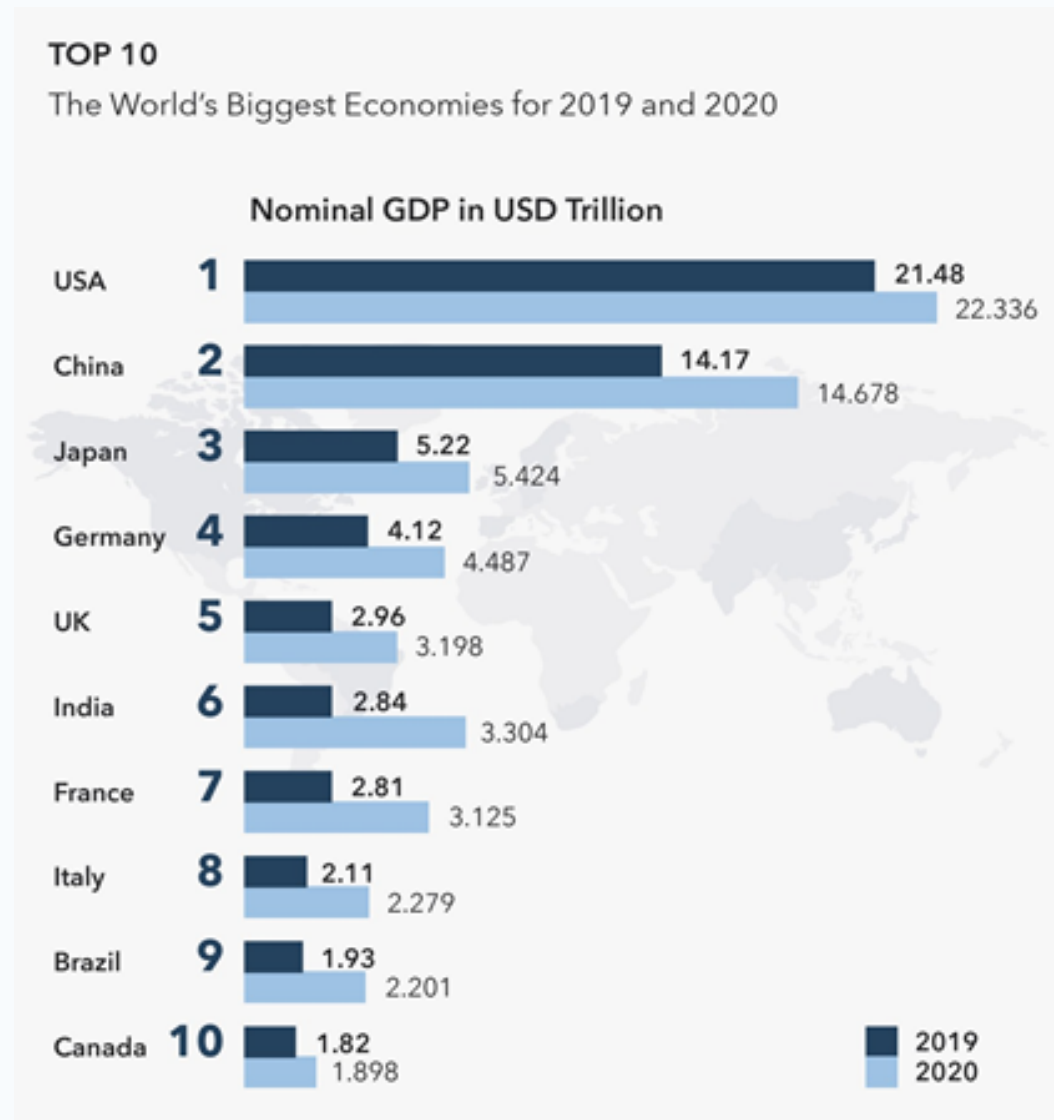
- Around 52.5 % of the business reported reduction in value of existing Stock
- The best part which came out in the survey is that these businesses are majorly dependent on Made in India products and very less on imports. Any measure taken to boost will give a chain reaction.
- 92% of the business said they will have medium to high impact of this economic slowdown and out of this 58.2 % business will be highly impacted. Around 82.7 % of the entrepreneurs expect to have major impact on their cash flow post lock down.
- Only 39.8 % said they will not deduct salary for the lock down period while the rest will either pay no salary or pay with deductions. Under the influence of western world the concept of living on future income is on rise across India and any deduction in salary of employees will make them vulnerable to default on loans and also reduce the spending.
- The irony of small businesses is that they are not diversified and whatever capital available with the entrepreneurs is invested in the business. The penetration of loans is extremely low as compared to medium and large enterprises. Further the access to Bank loan is also limited and they are majorly dependent on loans from friends and family. About 44% of the businesses surveyed had either no loans or had loan component less than 25% of the capital employed. Nearly 37.6% had loans between 25% to 75% of capital employed. In other words, more than 80% of the businesses are majorly operating on their own capital which is now already exhausted. 49.8% of entrepreneurs had no idea how they are going to infuse funds in the business and further 37.6% feel it will be very difficult for them to arrange any further working capital. To ensure their survival, there is an immediate requirement for easy loan access towards working capital through various schemes with sovereign guarantee.

- 77.9% have stated that they will have medium to severe impact on the business operation post lock down and 8.2 % businesses expect to shut down. Further, . provided the impact is highly adverse, and it will be extremely difficult for them to continue their business.
- We all know that Technology is important for business but at the same time expensive for small operations. Only 15.2 % of businesses surveyed were dependent on technology. It is high time that Government invest in Technology for small business and deploy for usage by MSME sector.
- Every business runs and revolves around information but only 25.2% said they have required relevant information on the current situation.
- Due to migration and low resources to secure workplace post opening of lock down the business seems to suffer from major crises of workforce. Around 79.5% expect that availability of workforce will be impacted.
- 62.1% of businesses expect that as the scale of operation is going to be reduced it will impact easy availability and thus the cost of raw material is going to increase.
- The major vulnerability to these businesses also comes from defaults in existing operations. Around 37% of them said they expect more than 25% default and it may push them for closure of business.
- Around 66% of them said this crisis will continue to affect their business for more than 6 months and 26% expect that this may continue for more than a year.
- Another life line of the business is supply chain and 69.9% of the business are insecure and expect about medium to high disruption in supply chain.

Measures taken by Other Countries

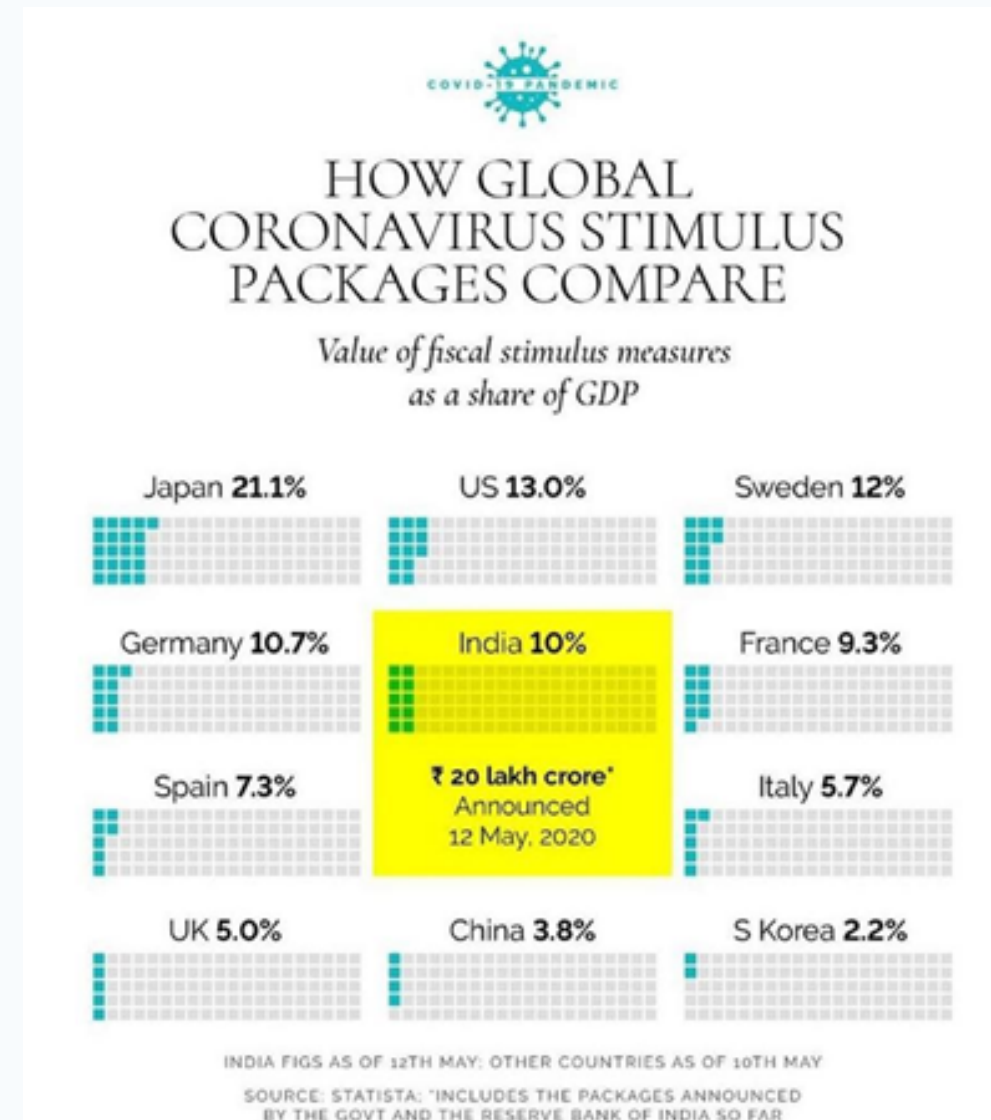
Before we discuss the measures taken by the Indian government, it shall be pertinent to broadly glance through the economic measures taken by the leading countries, in terms of GDP, to fight the pandemic's adverse impact. In this globalized era, this would give a better understanding to enable us to put the best foot forward for revival of the Indian economy.

World's Leading Economy in terms of GDP



Source: www.ig.com

Fiscal Stimulus as a % of GDP as of May-20



*US: Another US\$ 3 trillion package expected

Measures taken to improve the Financial Liquidity

BY OTHER COUNTRIES

Deferment of Loans

- USA has initiated SBA Debt Relief programme provides reprieve to small business through Delayed payments, Deferral of payments, Restructuring and rescheduling.
- Many countries like China, UK, France and Italy have allowed deferral of credit payments for businesses for three to six months of capital, interest or both. Canada has allowed deferral of capital payments upto 12 months.
- In Russia, people who become ill or unemployed would have their loan payments deferred.
- In Spain, people with a mortgage on their first home who are affected economically by the coronavirus outbreak may apply for a deferral of up to 12 months in the capital repayment.

Movement of Interest Rates

1.As per the study of top GDP countries, almost all countries have decreased lending interest rates. The major cuts in lending rates are as follows:

- **USA** -Federal funds rate was lowered by 150 bps
- **China** -Money Market rate was lowered by 20 bps
- **UK** - Reduced Bank Rate by 50 bps to 0.25%.
- **Brazil** -Lowered the policy rate (SELIC) by 125 bps since mid-Feb, to the historical low of 3%
- **Canada** -Reduced the overnight policy rate by 150 bps in March to 0.25%

2.Many countries have also provided cuts on required reserve ratio to provide necessary liquidity to lending companies. Major change in the required ratio is as given below:

- **China** -Reduced the interest on excess reserves from 72 to 35 bps
- **Germany** -Released the countercyclical capital buffer for banks from 0.25% to 0%
- **UK & France** - Reduced the countercyclical buffer rate to 0%

Measures taken to improve the Financial Liquidity

BY OTHER COUNTRIES

3. Some countries have come up with unique measures to tackle the economic impact due to the virus. Some of these measures are:

- **European Central Bank** introduced a new liquidity facility (PELTRO) Pandemic Emergency Longer-Term Refinancing Operations carried out with an interest rate that is 25 bps below the average MRO rate.
- **United Kingdom** introduced a new Term Funding Scheme to reinforce the transmission of the rate cut, with additional incentives for lending to the real economy, and especially SMEs.
- In **Turkey** the LTV limit on mortgages was raised from 80 to 90 percent. The minimum payment for individual credit cards was reduced to 20 percent.

Access to New capital

Many countries are coming up with innovative and effective ways to improve the access of capital in the market. Some countries have asked banks to provide unsecured loans to SME companies and in other cases the government itself is guaranteeing up to 90% of the loan. Some states in USA are also providing interest free loans in order to provide relief.

Few steps taken by the larger countries are as follows:

- **USA** – Loans up to \$25,000 for small businesses with reduced or no interest, delayed repayments and lower collateral requirement. Working capital loan of up to \$2 million with interest rate of 3.75% and repayment of up to 30 years.
- **China** – Unsecured Working Capital loans up to 3 years, with an initial 6-month repayment holiday guaranteed up to 50% by Government to SME lenders. (SME – turnover up to \$50 mn)
- **Germany** - Liquidity protection loans combined with a guarantee which are aimed at farms - including wine and horticulture, forestry, fishing and aquaculture.
- **United Kingdom** – Loans up to £25 million without interest for the first 12 months with a guarantee of 80% on each loan by government.
- Smaller loans in the range of £2,000 to £50,000 will be 100% guaranteed by the government. Government will cover the cost of fees and interest for the first year. No repayment for the first 12 months.

Tax Benefits Provided

- **USA** announced for the 3-month delay (from April 15, 2020 to July 15, 2020) for federal tax payments owed up to \$1 million.
- **Japan** A grace period of one year for tax payments of almost all national tax liabilities of corporate or individual taxpayers with payment due dates between 1 February 2020 and 31 January 2021.
- **Germany** Option of deferral for tax debts from income and corporate tax and sales tax until the end of 2020.
- **United Kingdom** VAT payments falling due in the period between 20 March and 30 June will not need to be paid immediately but instead should be paid at some point before the 30 March 2021.
- **France** Deferral is granted for a period of three months without justification needing to be given in relation to the following direct taxes: corporate income tax, corporate property tax, contribution on value added tax of businesses, and payroll tax.
- **Italy** Suspension of tax payments involves all payments for withholding, social security, welfare contributions and premiums for compulsory insurance, and value-added tax (VAT) with a deadline falling in the period April 8 to April 30. Tax payments are postponed to May 31.

Employment Subsidies & Assistance to Unemployed

BY OTHER COUNTRIES

- **USA**

The Coronavirus Aid, Relief and Economic Security(CARES) Act was passed which provides following measures:

1. \$360 million for Department of Labour
2. Expands unemployment insurance from three to four months
3. Temporary unemployment compensation of \$600 per week
4. \$260 billion investment into the unemployment insurance program

- **China**

- 1.Raise salaries for medical workers
- 2.Departments should make good settlement for their insurance and social security.
- 3.Living necessities of frontline medics should be guaranteed.
- 4.Provide in-time psychological counselling and assistance to medical workers to alleviate their pressure.
- 5.To help migrant workers return to work, the country will continue with "point-to-point" nonstop transportation.

- **Japan**

1. Expansion of employment adjustment subsidies program and ease its eligible criteria.
2. Maintain employment by paying leave allowance and letting employees take partly paid leave.

- **United Kingdom**

- 1.Provide taxable grant worth 80% of average monthly profits.
- 2.Workers who have not taken all of their statutory annual leave entitlement due to COVID-19 will now be able to carry up to 4 weeks of unused holiday over into the next 2 leave years.

- **Russia**

- 1.All employees who get one-and-a-half month leave should be paid in full
- 2.Additional monthly pay for medical staff

Subsidies Provided

BY OTHER COUNTRIES

- **China**

On 13 March, the Chinese central bank announced a reduction in the banks' mandatory reserve ratio, freeing up 550 billion Yuan (70.6 billion euros) to support the economy the reopening of 79% of major construction sites" in China.

- **Japan**

1. On 29th February 2020 Prime Minister Shinzo Abe announced first emergency package of relief measures of 270 billion yen (2.5 billion USD), with an emphasis on health measures.

2. On 7th April 2020 the government announced additional emerging economic package to stimulate the economy. Total scale of the package is 108 trillion yen (1.0 trillion USD) and it is equivalent to 20 percent of the country's GDP.

- **United Kingdom**

1. To support the many small businesses that pay little or no business rates because of Small Business Rate relief (SBRR), the government will provide funding for local authorities in England, who will provide the business grants. This will provide up to £10,000 each to around 700,000 business currently eligible for SBRR or Rural Rate.

2. On 20 April 2020, the Chancellor announced the launch of a £1.25 billion coronavirus package to protect firms driving innovation in UK.

3. Government announced Self-employment Income Support Scheme open on 13 May 2019. Those eligible will receive government grant worth to Libor 7,500 which is 80% of their average monthly trading profit. Money expected to be in beneficiaries bank account by 25 May.

- **Russia**

1. Russian Government is ready to allocate 300 billion rubles (Rs.1.4 trillion had been reserved for this purpose) and increase the limit of state guarantees. In additions, assistance is offered for public procurement transactions, credit support for trading companies and import simplification

- **Spain**

1. Spanish Prime Minister Pedro Sánchez on 17.03.2020 announced a relief package of €200 billion to fight the economic fallout of the coronavirus crisis.

2. The amount of this package, which comprises public and private funds, is the equivalent of 20% of Spain's gross domestic product (GDP).

3. Of the €200 billion fund, half of the money is tied to a public guarantee scheme to ensure liquidity for struggling businesses. Another €17 billion is being earmarked to support the groups most likely to suffer from the effects of the pandemic.

— Measures taken by the Indian Government

In order to mitigate the adversities being faced by the businesses and workforce and also to put the economy back on track, the Indian government has announced a series of packages amounting to Rs. 20,97,053 lakh crores which includes, Aatmanirbhar Bharat Package Part 1 to Part 5 amounting to Rs. 11,02,650/- lakh crore earlier measures including PMGKP amounting to Rs. 1,92,800/- lakh crore and RBI Measures amounting to Rs. 8,01,603 lakh crore. The various relief measures announced are enumerated hereunder, in brief.

A. Financial subsidy provided

- Rs 20 lakh crore relief package announced by our honorable Prime Minister equivalent to 10% of Indian GDP

B. Economic Measures

- Moratorium of 3 months on repayment of instalments for term loans outstanding as on March 1, 2020
- Lending institutions permitted to allow deferment of 3 months on payment of interest w.r.t all such working capital facilities o/s as of March 1, 2020
- Deferring payments will not result in asset classification downgrade
- Reduction of policy repo rate by 75 basis points to 4.40%
- CRR of all banks to be reduced by 100 basis points to 3% for 1 year. This will release liquidity of Rs 1,37,000 crore across the banking system
- Multiple other liquidity measures have been taken that will improve the overall liquidity of the system and help financial institutions to provide easy loans to impacted companies

C. Measures focused on Businesses Including MSME

- Rs 3 lakh crores Collateral free Automatic Loans with tenure of 4 years and 12 months moratorium on principal repayment having 100% credit guarantee cover
- Rs 20,000 crores subordinate debt for stressed MSMEs
- Rs 50,000 crores equity infusion through MSME Fund of Funds
- New definition of MSME to include turnover along with investment and removal of differentiation between manufacturing and service sector. To qualify as MSME,
 1. Turnover less than Rs 100 crores
 2. Investments less than 20 crores
- Global tenders to be disallowed upto Rs 200 crores
- MSME receivables from Gov and CPSEs to be released in 45 days
- Rs. 2500 crores EPF Support for Business & Workers for 3 more months providing liquidity relief of Rs 2500 crores to 3.67 lakh establishments and for 72.22 lakh employees.
- Rs 30,000 crores liquidity scheme where investments will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs
- PFC/REC to infuse liquidity of Rs 90,000 crores to DISCOMs against receivables

- Suspension of fresh initiation of insolvency proceedings under IBC up to one year along with increasing the Minimum threshold to initiate insolvency proceedings to Rs. 1 crore
- Decriminalization of Companies Act violations involving minor technical and procedural defaults
- All sectors are now open to the private sector while public sector enterprises (PSEs) to play an important role in defined areas
- Introduction of Commercial Mining in Coal Sector and enhancing Private Investments in the Mineral Sector
- Promoting 'Make in India' for Self-Reliance in Defence Production and increasing the FDI limit in defence manufacturing to 74%
- Boosting private participation in Space activities by providing level playing field for private companies in satellites, launches and space-based services.

D.Tax Benefits Income Tax

- To provide immediate relief, the government has given directions to immediately issue all the pending income-tax refunds of up to Rs 5 lakhs
- **TDS**- TDS for non-salaried specified payments made and rates of TCS for the specified receipts shall be reduced by 25% of the existing rates.
- **GST** - As an immediate relief, Government has granted an option to defer payment of tax and file GST return in till June 2020 without payment of any late fee and penalty.
- Due date of all income-tax return for FY 2019-20 will be extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and Tax audit from 30th September, 2020 to 31st October, 2020.

E.Measures taken to help the workforce

- Wage for MNREGA workers increased and benefit 50 million families resulting in an additional income of Rs 2,000/- per worker.
- Front-loaded Rs 2,000 paid to farmers under existing PM-KISAN to benefit 8.7 crores farmers
- Insurance cover of Rs 50 Lakh per health worker
- 30 million senior citizens, widows, disabled to get one-time ex-gratia amount of Rs1,000 in two instalments over the next 3 months.
- 20 crore women Jan Dhan account holders get Rs 500 per month
- 2% Interest Subvention for 12 months for Shishu MUDRA loanees- Relief of Rs. 1,500 crores
- Rs 5,000 crores Credit facility for Street Vendors.
- Rs 40,000 crores increase in allocation for MGNREGS to provide employment boost.

F.Agriculture based small businesses

- Rs 30,000 crores Additional Emergency Working Capital for farmers through NABARD
- Rs 2 lakh crores concessional credit boost to 2.5 crore farmers under Kisan Credit Card Scheme
- Rs 1 lakh crore Agri Infrastructure Fund for farm-gate infrastructure for farmers
- Rs 10,000 crores scheme for Formalisation of Micro Food Enterprises (MFE)
- A new scheme to provide interest subvention @2% per annum to dairy cooperatives for 20-21 which will unlock 5,000 crores of additional liquidity, benefitting 2 crore farmers.
- Private investment in Dairy Processing, value addition and cattle feed infrastructure via an Animal Husbandry Infrastructure Development Fund of Rs. 15,000 crore

Suggestions

Indian government has proactively taken various measures for Micro, Small and Medium enterprises to boost the liquidity, capital requirements, ease of operations and related laws in order to revitalise the Indian economy. The survey and interviews with various entrepreneurs have helped us in understanding the areas where they need support and their expectations. After collating them and studying the measures adopted by the countries world over, we suggest some additional measures which can be taken in the best interest of our economy:

- Interest free lending for micro enterprises and differential interest scheme for lending to small and medium enterprises with Sovereign Guarantee upto 80%.
- Instalment of existing loan needs to be deferred atleast for next six months and the interest on the same for delayed payment may be waived or subsidised.
- In order to raise the working capital availability, Tax payment should be deferred.
- Current year GST may be deferred for next year to be paid in instalments. Penal interest for delayed advance income tax payments may be reduced to half for first and second quarter.
- The step of reducing the TDS rates is very encouraging. In addition to the same if income tax rates are lowered for the lower and middle income group it would not only boost the liquidity substantially for them but also help in infusing additional purchasing power in their hands. No income tax may be charged for income upto Rs. 500,000/- and incremental 5% for each additional income of Rs, 2,50,000/- till income of Rs. 10,00,000/-.
- Payment such as Electricity, property taxes water taxes etc. may be levied only for the actual usage and any fixed charges may be removed.
- Dedicated freight corridors may be expedited with an intention to boost and strengthen local supply chain.
- Special packages for Travel and hospitality enterprises to cover their lock down losses.
- Government to invest in penetration of Technology for small and medium businesses. Easy to use software to be made available for free or at subsidised rates.
- To boost confidence in the workforce, the Government may introduce a scheme to partly pay salary and wages for the period in which business was majorly impacted.
- Temporary unemployment compensation for salaried employees with annual income less than Rs. 5 Lacs.
- Point to point transportation for migrant workers to return to work.
- To encourage and formalize cooperatives of farmers for building farm to consumer linkages.
- Specific agriculture schemes and commercial farming options to be put in place for reverse migration workforce in predominantly agriculture dependant states such as UP and Bihar.

New Opportunities in India

Scope for Growth

Indian economy has lot of scope for growth and development owing to its increasing population and as one of the largest consumer markets in the entire world. In meeting its increasing demand, India has made rapid progress jumping from 142nd position in 2014 to 63rd position in 2019 in the World's Bank ease of doing business report.

Covid Revival

A stimulus package of Rs. 20 lakhs crores announced by honorable PM is great to put the wheels back on rolling. Indigenous companies have to work with greater productivity, efficiency and cost-effective ways to grab the market. With immense hard work, infrastructure and technology support, India can survive the crisis. Many initiatives are being taken by Government and Private companies to create online B2B e-commerce trade marketplace. These online channel focuses on providing a trading platform to small and medium enterprises (SMEs), large enterprises by using latest technologies."Madein-India.co " platform can be intensively used.

Government Outlook at Outset

The key priority areas in the post lockdown economy will be healthcare, public transport, municipal services including drinking water, sanitisation and water supply. Few measures to be addressed on priority basis: -

Renewable energy - Investing in renewable is not only a necessary but smart economic choice, experts believe. Suggestive measures:

- Government of India can solarise unelectrified health and other subcentres in rural and urban areas.
- Also, massive subsidy currently given to fossil fuels can be diverted to renewable energy to gain attraction.

Waste Management – Alarming measures for Waste Management:

- Goals to reduce, reuse, recover and recycle by putting waste management infrastructure in place.
- India need policy for segregation of waste at source.

Immense Opportunities to Digitalise India

During the lockdown, people have used apps and digital infrastructure for their everyday needs. This irreversible shift in behaviour can be capitalised for economic growth, improved productivity, delivery scales etc. Areas of growth: -

Agriculture–Technology can be used to link market, retail and supply chain so basically building Virtual B2B and B2C marketplaces. This will help farmers:

New Opportunities in India

- To get competitive value for their harvest.
- Information about seeds availability, techniques to improvise productivity, rainfall and weather patterns, crop prices etc.
- With reverse migration, workforce has increased manifold in predominantly agriculture dependent states as UP and Bihar.

Healthcare – The WHO estimates deficit of 6 lakhs doctors and 20 lakhs nurses in India. E-consultations will vastly improve access to healthcare in rural areas. We can expect 50-60% of cases be diagnosed in this manner.

Education–Education industry must take advantage of technology behaviour change and become easier to access for all. New methods of online certification and examinations can be used to maintain integrity.

Technology–Virtual meetings, work from home, would be new normal in the post covid world. Since IT had been a strong point of India, the industry should be supported by Govt to export the digital solutions.

Make and Service in India

Government plans to give aggressive push to domestic and foreign manufacturers by offering policy and fiscal incentives to manufacture units in India. A deep cut in corporate tax rate to 22% for existing companies and 15% for new companies is very encouraging. Other measures can be:

- Import of raw materials made cheaper and higher duties on import of finished goods is required.
- A thorough review of import duties is must with the objective of encouraging manufacturing or value addition.
- Import of trading products should be replaced by Made in India products.
- Service sector should be given a big boost by providing licenced digital platform and entering service agreement with various foreign countries.

India's initial steps towards the goals

India is developing a land pool and nearly a total area of 4,61,589 ha has been identified for that purpose. This includes 1,51,131 hector of existing industrial land in states such as Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh. Andhra Pradesh is in touch with several companies from Japan, US and South Korea as they have advantage of coastline and ready-made industrial parks with necessary clearances. While, Uttar Pradesh is also developing an online system for land allotment for all industrial and commercial purposes and is in talks with global companies for attracting investments in sectors such as defence and aerospace.

New Opportunities in India

Global opportunities and how can India achieve that?

Opportunities from Japan

Japan is an earthquake prone island and not ideal for concentration of manufacturing facilities especially given its declining population. Japan has ear-marked \$2.2 billion of its record economic stimulus package to help its manufacturers shift production out of China.

Investors from South Korea

According to invest India portal, Korea is the 14th largest source of FDI in India. Korean companies have shown helping hands by meeting India's growing demand for Covid test-kits. The Korean Consulate in Chennai has been working with the number of requests and mentioned in an interview "We have request from two iron and steel companies, some startups and one from the hospitality sector which wants to come to India from China."

Funds earmarked by Taiwan

Wistron, a Taiwan- headquartered manufacturing partner for Apple, has set aside one billion dollars for expansion in India, Vietnam and Mexico to address supply chain risks emanating from China.

Steps India Should take

Land reforms – A change in them is most imperative as the stringency of land laws has hampered foreign investor sentiment. India has to bring land reforms to expedite the process of purchase, compensation, various approvals and litigations, say:

- Giving increased compensation to land owners, employment reservation for local people will enhance sense of security,
- Separate Land acquisition tribunals to expedite grievances,
- A single window digital process for getting clearance for land purchase, registering property, and various other clearances and permissions like environmental clearance.
- A state-wise electronic record of unutilised land records can be maintained to know available land bank.

Power – Round-the-clock supply of power is a very important factor for industrial success of any economy.

- Measures to improve the viability of power generation and distribution companies,
- A timely release of subsidies is required
- Reliance on renewable source of energy
- Boosting investment in power sector by public-private partnership

Transportation – For generation of revenue as well as to bring in more efficiency at the airports, the Ministry of civil Aviation is in process of handing over 6 more airports on PPP basis by commencing the tender soon. Transparency and reducing the processing time for various licences and permission will boost private investments too.

Survey Methodology & Trends

We performed a survey on more than 50 types of businesses which includes Professionals, Service sector, Retail, Trading and Distribution, Manufacturing, Travel, Hotels and Restaurants, Textile & Garments, Education, Healthcare and Pharma, Food processing, Dairy, Real Estate & Construction including construction material, FMCG and Electronics, Automobile dealers and Part Manufacturers, IT, Gems & Jewellery etc. covering geography across India, with an annual turnover ranging from 10 lacs to 50 crores. This portion of the report presents our key findings and the trends that have come out from this survey.

Methodology used for Survey

Identification of Research Questions – The questions were prepared in 4 parts

- About the business
- Status on Current business operations and availability of workforce
- Situation during the lockdown
- Expected impact on business post lockdown

Selecting the target population – To keep an unbiased and mixed pool, the companies were chosen based on type of industry, different locations, size of the company amongst other parameters.

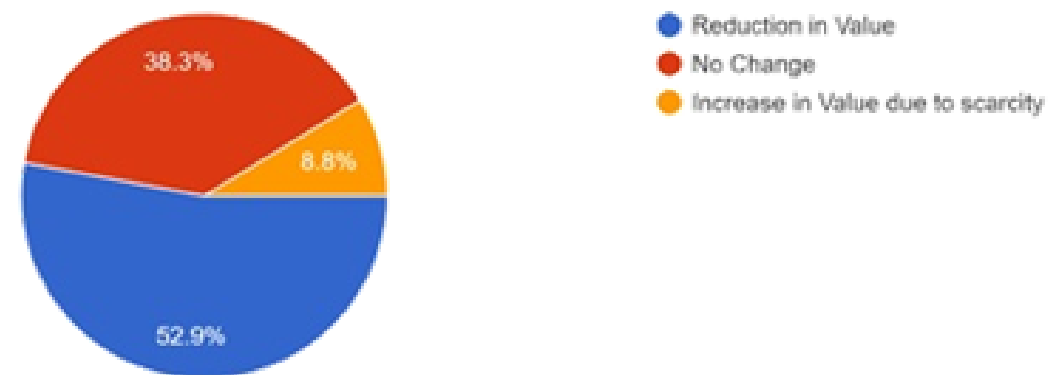
Collection of the data – The data for the survey has been collected on real time basis and with accuracy as the questionnaire has been filled by the companies using google forms.

Analysis of the data received – The analysis has been presented in the forms of charts for better representation and understanding.

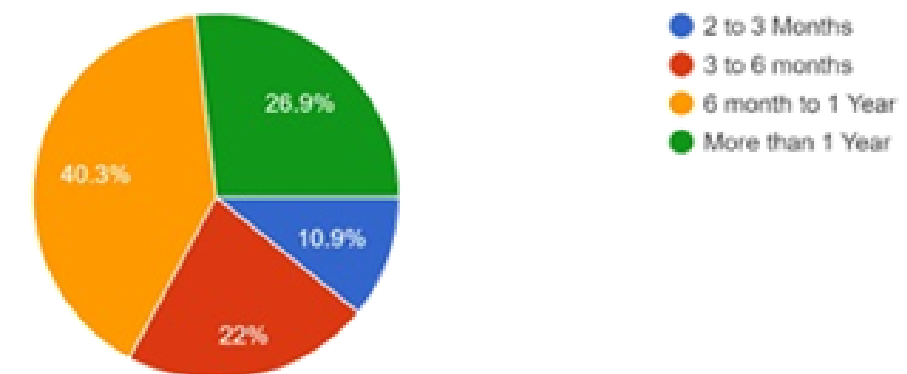
Survey trends

- Effect on existing stock due to lock down: The crisis has shown positive impact on around 9% of the industry. The value of their stock has risen and they were able to generate good margins. Around 52% are bleeding due to reduction in value and expiry.
- 69.3% Entrepreneurs believed that post lock down one of the major hurdle for the business will be the disruption in supply chain.

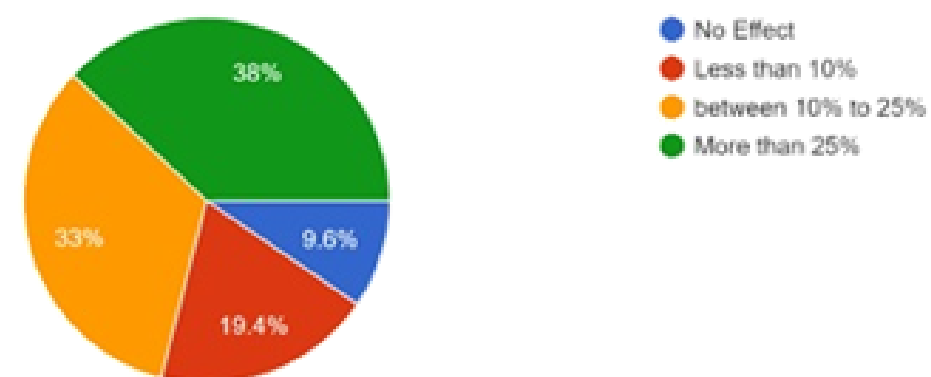
Effect on existing stock



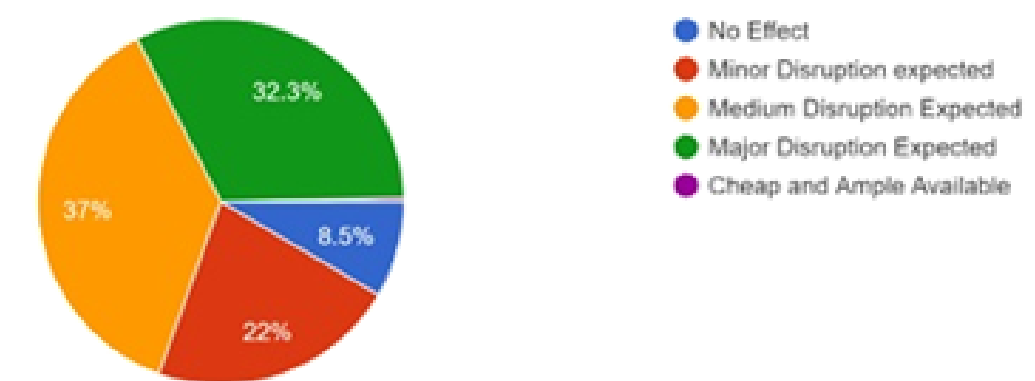
For how long do you expect this crises to continue and effect your Business



Expected % of default in exiting Business operations:

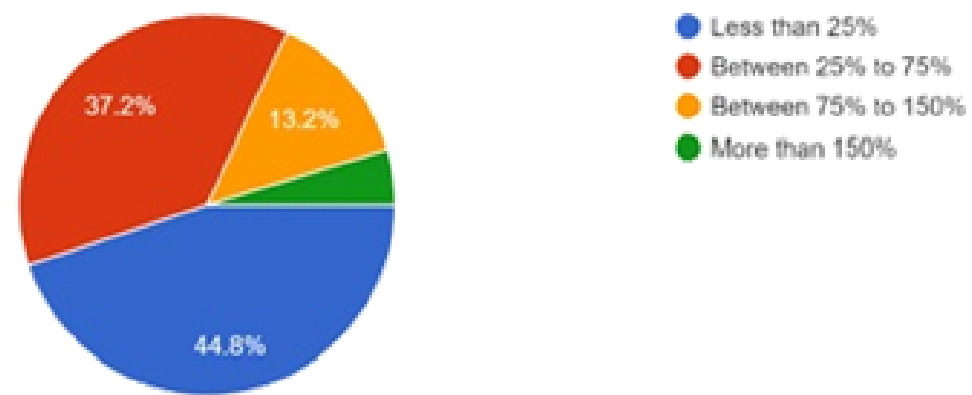


Confidence in Supply chain post lockdown

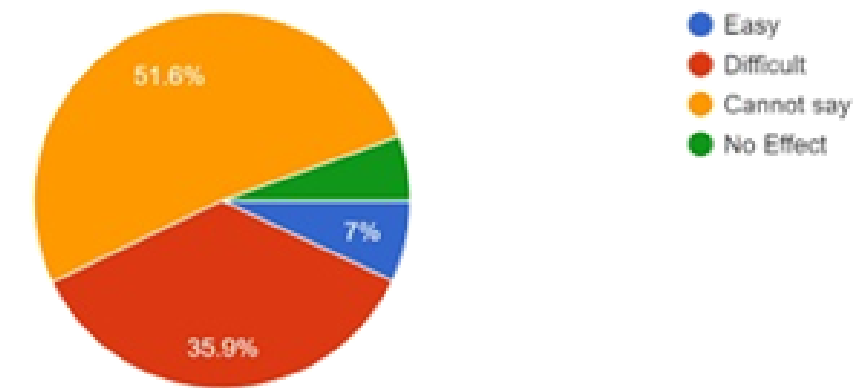


- It was observed that majority of business depend on the indigenous product and services. The entrepreneurs run their business majorly on their own capital and component of outside loan is very low. Further 87.5% said they are not sure or will find it difficult to avail loans for the business post lock down.

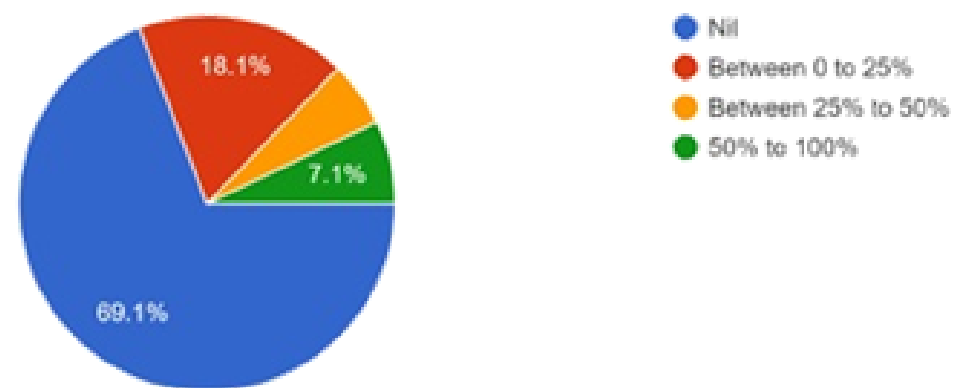
Percentage of Loan against Capital



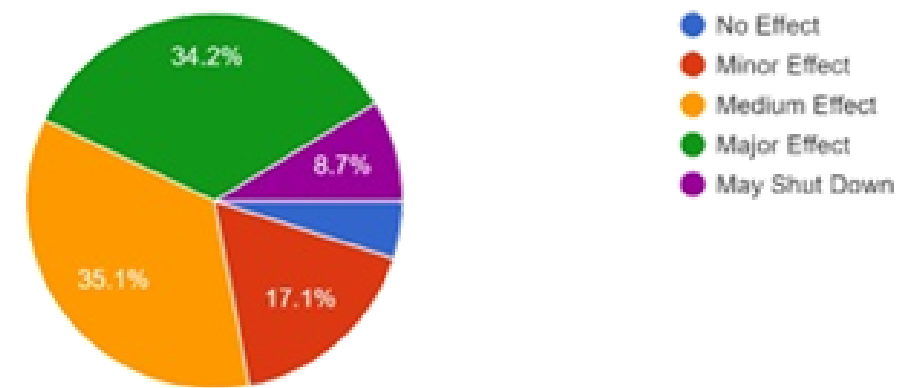
Access to capital/loan



Percent% of imported products in Business:

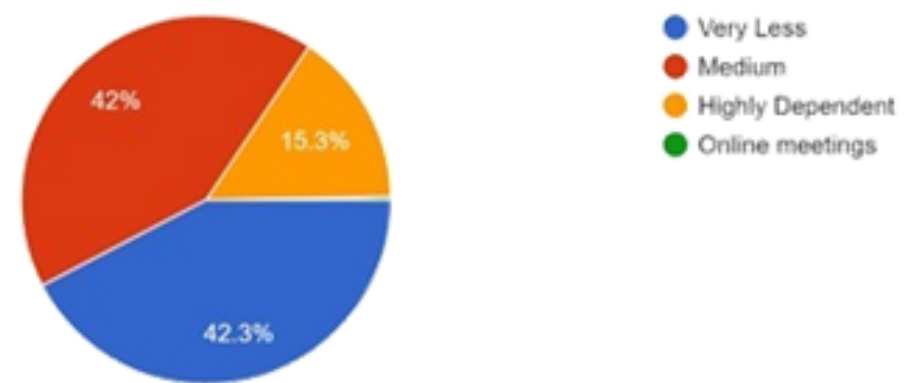


Effect on Ability to continue business operation

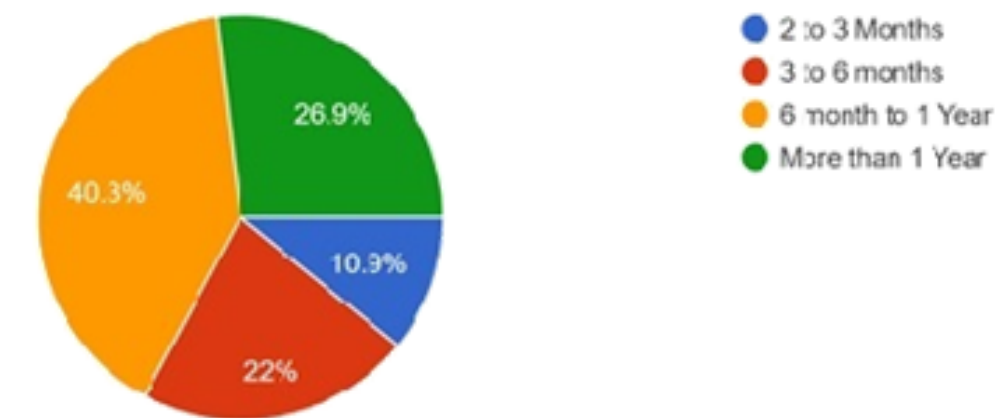


- One of the most important aspects of today age business is Information and technology. During the survey we observed that very less technology was deployed in these businesses. Only 15.3% of the business were highly dependent on technology. Further there are so much duplicate and false information available on social media that most of them said that they have partial or no clear information available of the current business environment.

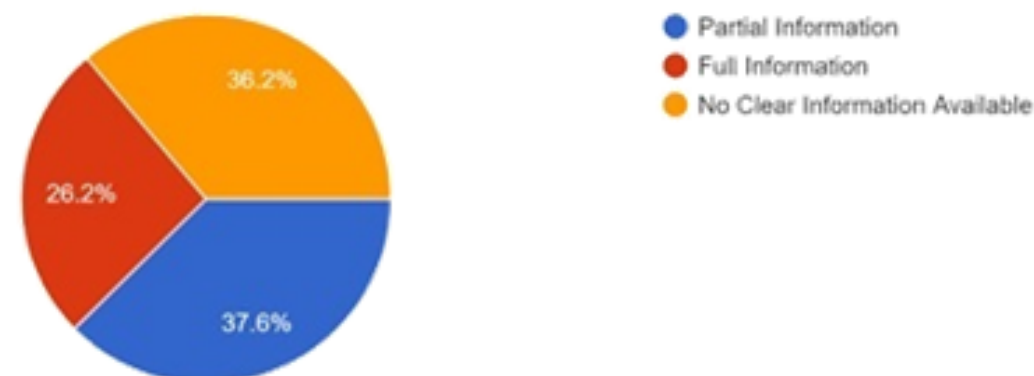
Role of Information Technology in your Business



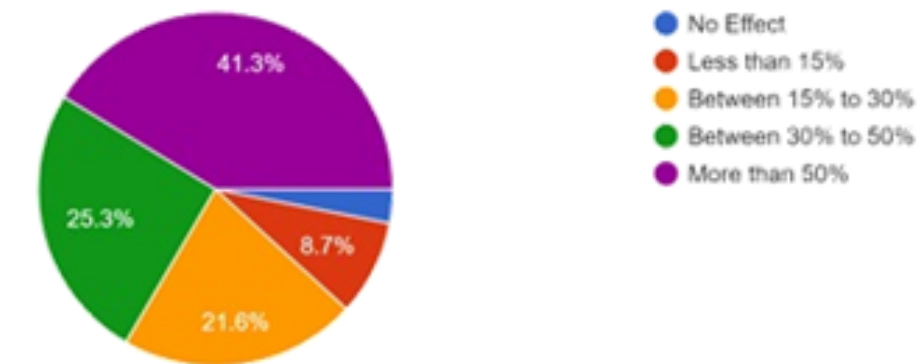
For how long do you expect this crises to continue and effect your Eusiness



Clarity of information available (on Covid and present Business condition)

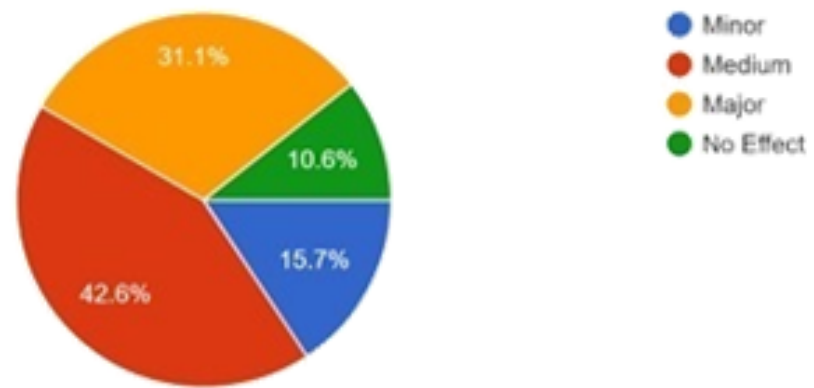


Expected loss of business due to lock down/business slow down

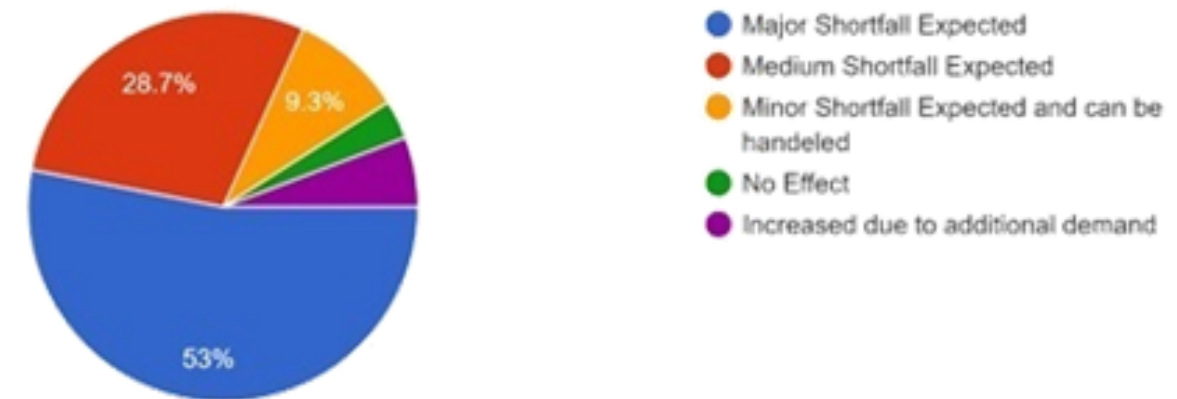


- The impact of this crisis is very high on these businesses. Majority of them accepted that there will be cost overrun on existing contracts and further the revenue and cash flow will also be highly impacted.

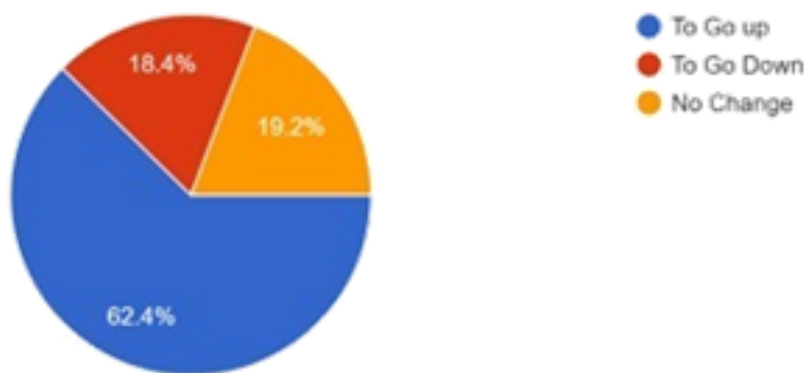
Cost overrun on existing fixed contracts/business



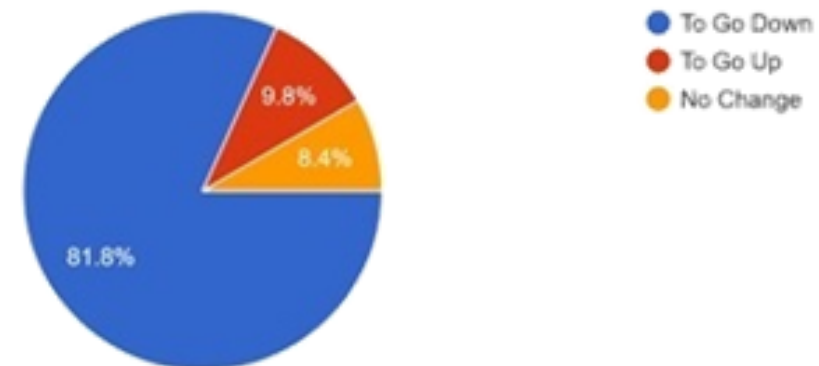
Impact in cash flow post lockdown



Expected cost of material post lockdown

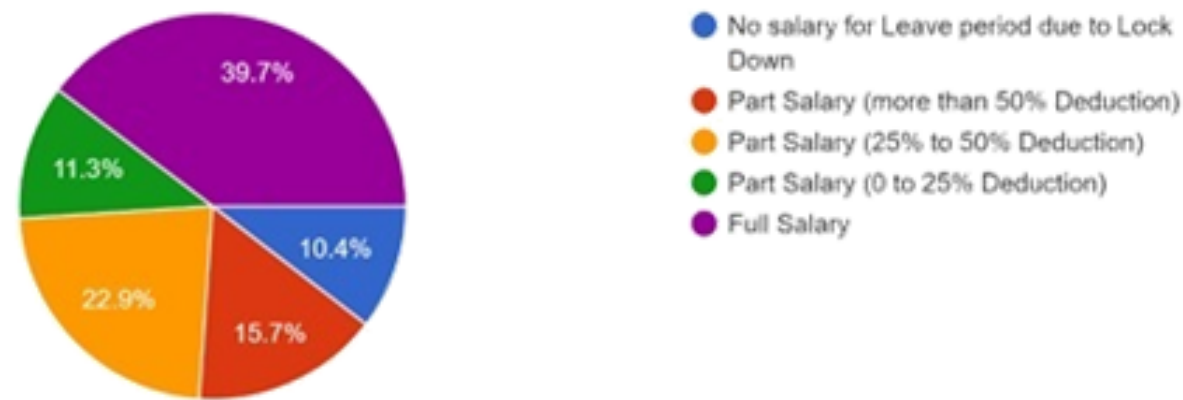


Revenue expectation post lockdown

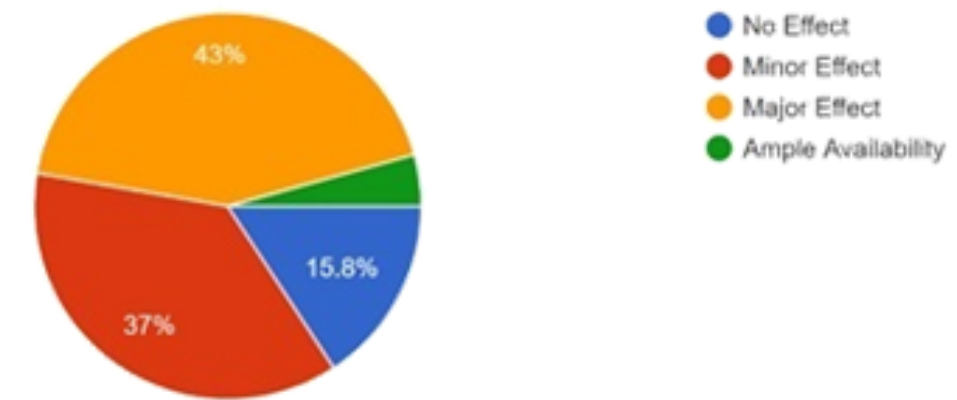


- The impact of this crisis is just not on business, but it will trickle down on workforce also. Majority of them accepted that they will deduct the salaries of workforce. Due to movement of labour and further the fear and doubt on secured work place the availability of work force post lockdown is expected to be majorly affected.

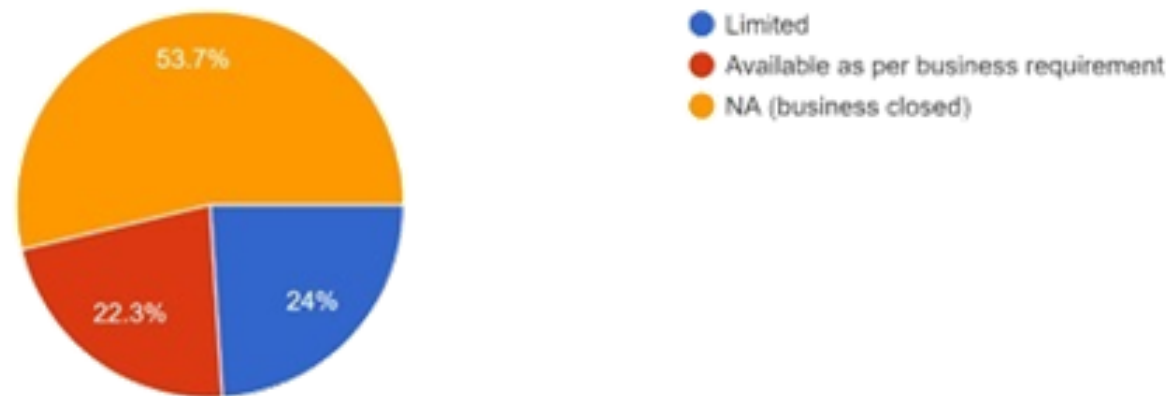
Payment to Workforce for the period of lock down



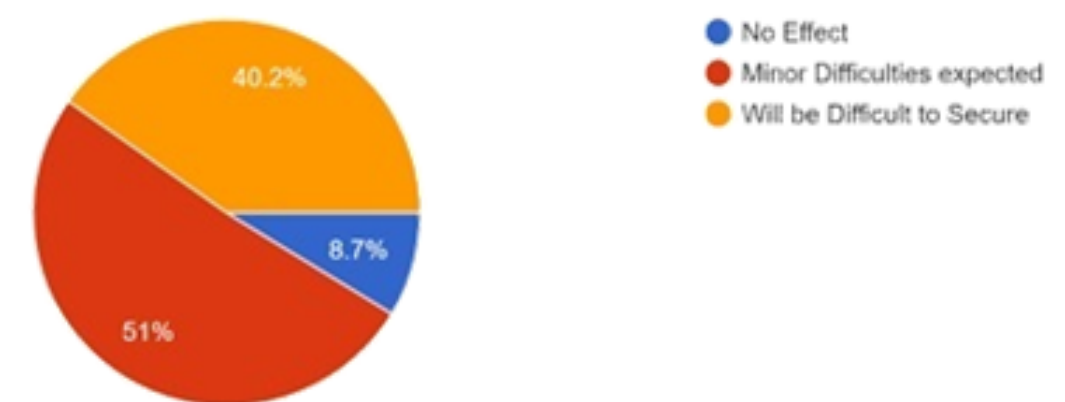
Expected Availability of workforce (Post lockdown)



Availability of workforce (during lockdown)



Ability to access secure work facility from Covid -19



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- www.csis.org/analysis/russias-response-covid-19
- www.orfonline.org/
- Many other related country specific websites, press release and news articles

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Udesb is a member of ICAI since 1998. He is a Commerce graduate and has also taken Bachelor Degree of Law in 1997. He is DISA qualified and a certified Arbitrator. He has given consultancy to various industries for matters as vast as planning and implementing initial set up of industries, hospitals etc., day to day management and supervising the systems and have good command in handling financial matters of major corporate. He is also advising and representing clients on Income tax Matters for Survey, Search, Appeals and Settlement Commission. He is also advising clients on private equity investment and alternate funding.

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Aayush is a rank holder in CA final securing All India Rank 5 in May'19 examinations. He has also completed all 3 levels of CFA (USA). He is experienced in transaction advisory where he has performed due diligence for various financial service companies including NBFCs and Insurance companies.

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Manoj is CA, CS & ICWA and completed his graduation in commerce. He is member of the ICAI since 2009. He has done Certification Course on Concurrent Audit of Banks, Certification course on Forensic audit, certification course on International Financial Reporting Standards conducted by ICAI. He also holds DISA from ICAI. He has specialized in internal Audit, Investigation Audit, Direct & Indirect Taxes and Banking Finance. He is also doing forensic audit for various banks and concurrent audits of bank branches.

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Anee is CA, CWA. She did her graduation from Sydenham College of Commerce & Economics, Mumbai. She did her internship in EY, Mumbai. Her areas of practice are Bank Audit and Direct Tax.

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Aayush has passed his Chartered Accountancy in the year 2017. He has experience in internal audit and equipped with special skills in matters relating to revenue leakage and cost cutting.

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