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BUSINESS PERCEPTION SURVEY

About the India Revival Mission

As we tread an evolving scenario on COVID-19 in India and worldwide, we are realising its enormous impact on businesses, economy and life as we know it. As industries reorganize business models & work cultures and reset to the 'new normal', it is equally critical to implement decisive strategies & policies to resurrect the economic depression.

As India's significant influencer and opinion maker, Times Network is committed to play an active role in championing pertinent issues of the nation. To ensure emergence as a resilient economy from this adversity, we launched a mega campaign, INDIA REVIVAL MISSION to reboot, reload and relaunch the economy.

As a first step of this mission, Times Network along with Institute For Competitiveness have developed an in-depth Business Perception Survey - During and Post-Lockdown, which sources insights from India's business community and presents a holistic blueprint for India's recovery and distils domain specific action points that need to be implemented to ensure long-term health of businesses and the economy. Strongly led with a

purpose to arm leading policymakers with relevant information they would require for critical policy decisions to revive the economy, the survey results will be analysed through special programming on air and the findings will be compiled as a White Paper.

An ongoing thought-leadership platform by the Network, India Revival Mission fronted by the network news channels, ET NOW, TIMES NOW, TIMES NOW WORLD and Mirror NOW, conducts a curated series of discourses and deliberations with global visionaries, key policymakers, influencers and corporate leaders who share their vision and actionable insights to accelerate India's economic resurgence.

Sustaining the momentum to revive India post the lockdown, the Network would also host a thought-leadership event, India Revival Mission Conclave with the leaders of India Inc, leading economic minds, domain experts, key administrators and bureaucrats to discuss the way ahead for the nation.



Foreword

MK Anand

Managing Director and CEO
Times Network

The Covid-19 pandemic has forced a total reset unlike anything we have seen before. While the first few months of the pandemic saw India witness major social and economic loss, there is a glimmer of hope as we get into the unlocking phase, where businesses and policy makers are taking bold steps to revive the economy.

We are now spinning the wheels of a digital super cycle, to get in front. India has got all the technology equations and this bodes very well for us as we drive a new India, fully Atmanirbhar for a new future.

This Business Perception Survey, launched with our knowledge partner Institute for Competitiveness as part of Times Network's India Revival Mission aims to assess the impact that the pandemic has had on Indian businesses. It includes the response from hundreds of top executives who described the personnel and operational changes that had to be made to keep up with the rapidly changing domestic and global economies between five months (April-August 2020).

The Survey threw up interesting insights on the intrepid and resilient attitude of Indian businesses and the approach they are willing to take to revive their prospects and the economy in general. An overwhelming majority of respondents (82%) prefer domestic production instead of relying on imports (18%). This sentiment aligns with the clarion call for 'Atmanirbhar Bharat'.

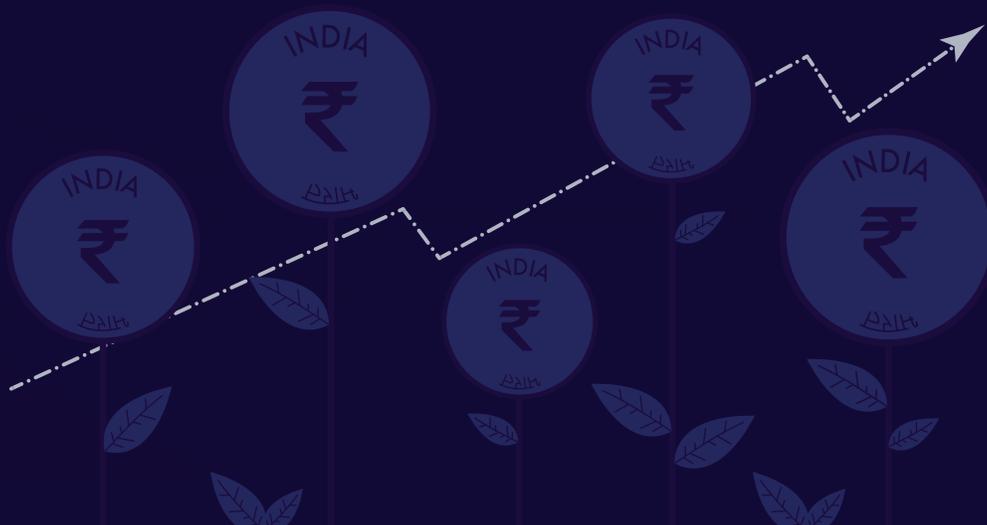
To keep their businesses afloat, businesses across all sectors are seeking to re-orient their financial plans and reduce their operational and office space costs. This is in line with respondents who anticipate that consumer spending will change drastically in favour of only essential products (83%) and this pattern is expected to last between



6 months to 24 months (a cumulative 73.65%). There is a consensus amongst the respondents that it would take at least 12-18 months before the economy reaches back to its normal position. However, the same respondents believe that their business operations will normalize ahead of schedule, i.e., between the next 6-12 months.

Since the beginning of the unlocking phase, businesses have gone through a gradual recovery, which has been highlighted in this survey report. Therefore, now is the time to transform this potential into credible and tangible results. The Business Perception Survey underscores that every crisis brings an opportunity and India must make the most of it. Some of the long-term solutions recommended include agriculture and labour reforms, revamping of education and healthcare infrastructure and a large-scale takeover of bad loans. If we do this, India can double to become a \$5 trillion economy and also has the potential to become 10 trillion with a per capita of \$10,000 in the decade.

I would like to take this opportunity to congratulate the Institute for Competitiveness for developing this white paper and highlighting the long-term effects of the pandemic on Indian businesses. I am sure that the findings of this survey will provide a better understanding of the deep reforms that will help India Inc achieve its true potential.





Message

Dr. Amit Kapoor

Honorary Chairman
Institute for Competitiveness

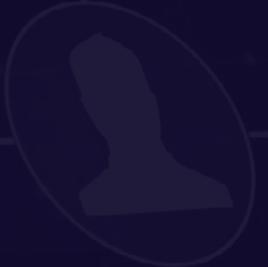
The COVID-19 pandemic has completely transformed all our ways of life. A significant part that has been deeply impacted by the pandemic is how businesses operate and cater to consumer requirements. Across the globe, supply chains and “normal” operations of business structures have been severely hit. Unfortunately, Indian businesses have also been greatly affected with large-scale change in employment, labour productivity, consumer spending patterns and operability of supply chains. To support businesses during these times, the Central Government has introduced fiscal stimulus packages along with Reserve Bank of India providing liquidity extension programs, which take forward the spirit of the Bharat Aatmanirbhar Abhiyaan. Along with the evident government support, the domestic socio-political climate has also followed suit by focusing on reducing dependence on China and becoming more self-reliant on the Indian manufacturing sector. These sea-changes warrant a deep understanding of how Indian businesses have been impacted and their long-term response to the effects of the pandemic.

The development of the Business Perception Survey as part of the Times Network India Revival Mission, hence, comes at a crucial time. Extensive rounds of survey carried out during and after the lockdown (April – August) shows a clear picture of how Indian businesses, employees and consumers have moved away from the status quo as a result of the changes brought about by the pandemic.

The findings from the white paper show that businesses are orienting towards the “new normal” with increased focus on work-from-home measures and changing business structures to meet altered consumer demands. However, definitive changes have been observed during and post-lockdown – businesses are moving away from the reduction of

short-term costs (such as firing employees) to longer-term business planning actions (by switching to cost-effective raw materials). This positive orientation implies that Indian businesses are slowly but steadily adapting to the altered climate and not only re-imagining their competitive advantages but also their long-term competitiveness strategies.

The Institute for Competitiveness is pleased to support Times Network with the knowledge support in this endeavor. We hope that the findings of this white paper will provide not only better insights for future business-oriented government actions but will also act as a preliminary guide to understand the socio-economic changes brought about by this crisis.





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Executive Summary

PERCEPTIONS GATHERED DURING THE LOCKDOWN

- Reduced cash flows have majorly affected the operations of all sectors, with the tertiary sector facing additional burden of cancelled and delayed projects. The consultancy and financial services sector have faced the greatest brunt of delayed projects.
- An overwhelming majority of respondents (82%) prefer domestic production instead of relying on imports (18%).
- To keep their businesses afloat, businesses across all sectors are seeking to re-orient their financial plans and reduce their operational and office space costs – this is in line with respondents anticipating that consumer spending will change drastically in favour of only essential products (83%) and this pattern last between 6 months to 24 months (a cumulative 73.65%).
- One of the biggest ways of reducing costs for businesses has been the implementation of the work-from-home strategy and usage of digital communication tools – these two strategies are also being viewed as a long-term strategy to reduce costs.
- The ability of businesses to pay their employees have reduced by some extent, with responses from the tertiary sector hinting that their ability to pay wages have been hit significantly. Companies with employee

strength between 1000 to 5000 have reduced ability to pay wages by some extent while companies with employee strength less than 100 and between 500 to 1000 have had a significant reduction in their wage paying ability.

- Large scale industries are following a dual approach of giving employees an advance on wages or paid leave and reducing compensation but offering other emoluments.

- Medium scale industries have a larger proportion of respondents who are/will be carrying out salary cuts. The hiring freeze, however, has affected both small scale and medium scale industries alike.

- Businesses' perception regarding Government initiatives to stimulate businesses has been underwhelming.

- Respondents have shown a strong preference towards 'increasing the size of the stimulus' as a short-term solution and 'improving health infrastructure & labour reforms' as the long-term solutions to improve business activities.

- There is a consensus amongst the respondents that it would take at least 12-18 months before the economy reaches back to its normal position. However, the same respondents believe that their business operations will normalize ahead of schedule, i.e., between the next 6-12 months.



CHANGE IN OPINIONS DURING AND POST-LOCKDOWN

- Greater focus on longer term business planning actions, post-lockdown than short-term actions – Overall lower scores across short-term and long-term business actions indicative of a more positive economy and rapid revival of the economy.
- Businesses are planning to reduce operational costs than personnel costs with an overwhelming focus on increasing virtual meetings and using digital communication tools in future business operations.
- Responses show fewer instances of cancelled projects (15%) & reduced cashflows (40%) during post-lockdown when compared with corresponding figures from lockdown - 20% & 54%.
- A marginal shift in the improvement of business prospects has also been observed in the post-lockdown period (11.5%) from lockdown period (7.6%).
- As far as workforce adjustment is concerned, there have been fewer cases of deferred payments during post-lockdown (11.5%) in comparison with lockdown (19.4%).
- Also, fewer instances of salary cuts have been observed during the post-lockdown period (43%) when compared with the lockdown phase (57%).
- Indian businesses are even more favourable towards reducing dependence on China post-lockdown as compared to during lockdown.
- Ninety percent of respondents in lockdown and post-lockdown believe that government should focus on import



substitution by focusing more on domestic production. However, a higher percentage of respondents during the post-lockdown believe that it is unlikely that their businesses will delink from global supply chains – global trade practices have not yet lost relevance despite the problems caused by the pandemic.

● A large percentage of respondents in Lockdown and post-lockdown believe that consumer spending patterns have changed towards spending only on essential items and that these altered demand patterns will exist for the next 1-2 years.

● Respondents are still sceptical about the rate of business and economic recovery. In fact, during the post-lockdown phase, most of the firms feel that the recovery would happen between the next two years (50%). This is a surprising shift from their responses given in the lockdown phase, where the majority hoped-for recovery within the next 6-12 months (48%).

● Businesses have positively reacted to logistical and sustenance measures taken by the government to tide over the crisis – namely, actions related to controlling the spread of the virus and ensuring smooth business activity for essential services.

● Nonetheless, across the board till June, scores have dipped especially for government activities related to business protection and promotion as well as all measures taken by the RBI

● From July, however, average ratings for government and RBI actions have improved across the board – indicating regaining business confidence with the economy slowly reorienting itself to the new unlock phase.

Introduction

As of August 2020

Global COVID 19 ↑

confirmed cases have surged to around

18 Million

with deaths going over the 700,000 mark¹.



What had started as a cluster of pneumonia cases in Wuhan, China in late December 2019 has now forced the entire world to come to an unexpected halt. While the damaging impacts

on human life have been nothing short of devastating; the current and the potential economic impact that this pandemic can have is a worrisome notion.

¹ WHO Coronavirus Disease (COVID-19) Dashboard

Global Economic Landscape amidst COVID 19

Globally the economic landscape has gone through drastic transformations, most of them carrying adverse implications for the future. Starting with the global economy, International Monetary Fund's expectations show that there is a possibility of contraction by over 3 percent in 2020, which is going to be the steepest economic slowdown since the Great Depression of the 1930s^[2].

Some of the major industries, according to IMF predictions, that could face truncated growth are Oil and Natural Gas, Industrial Metals and finally Food and Beverages. All these industries are either dependent

on nations such as China, US and Europe that had been severely affected by the virus or would face major supply chain disruptions; thus, facing a potential shrunken scale of operations.

The world is expecting a major contraction in the trade volume with an expected plummeting of 13-32% for merchandise trade. Exports from America and Asia are predicted to see major declines. Service exports are also expected to be badly hit due to major transport and travel restrictions^[3].



^[2][indianexpress.com/article/explained/explained-how-has-covid-19-affected-the-global-economy-6410494/](https://www.indianexpress.com/article/explained/explained-how-has-covid-19-affected-the-global-economy-6410494/)

^[3]WTO. 2020. Trade set to plunge as COVID-19 pandemic upends global economy

How is India faring?

India has already been grappling with the economic shocks that COVID 19 has generated. **With more than 2 million confirmed cases and over**

41,000 deaths (as of August 7 2020), India has become the third country to pass two million confirmed COVID-19 cases^[4].



Source: Mckinsey; COVID 19 global health and crisis response

India is currently going through the second phase where the number of incremental cases is rising rapidly. Therefore, this is a very sensitive timeframe for all the stakeholders where challenges thrown from multiple fronts need proper addressal.

However, from an economic standpoint, the situation becomes gruesome as recent **Central Statistical Organization figures depict that in the last quarter, the nation's GDP had grown by a slower pace of 3.1%**. While the virus does play a role, it is abundantly clear that the national economy had been lagging even before the mandatory lockdown restrictions were imposed. **India had been struggling with issues of weaker financial services sector**

and dependence on informal labour; the lockdown restrictions have exacerbated these problems. Both India's manufacturing and services Purchasing Managers' Index have shown record low numbers for April 2020^[5]. **Several projections show that many sectors would face both severe impacts and a long-term recovery path. Some of these sectors include MSMEs, Electronics, Tourism & Automotive^[6].**

With respect to conditions of the domestic economy, in April 2020 itself, the International Labour Organisation reported that 400 million workers from India's informal sector are likely to fall deeper in the poverty trap^[7]. United Nations has also stated that while at present, 60 percent

^[4] <https://www.bbc.com/news/world-asia-india-53674857>

^[5] www.livemint.com/news/india/output-of-eight-infrastructure-sectors-contracts-by-38-1-in-april-11590752831462.html

^[6] Dun & Bradstreet Projections. Impact of COVID-19 on Sectors in India

^[7] Saini, S. (2020, April 30). Covid-19 may double poverty in India. Retrieved from <https://www.financialexpress.com/opinion/covid-19-may-double-poverty-in-india/1943736/>

of India's population falls below the World Bank estimated poverty line for lower-middle-income countries, this could increase to 68 percent due to the impact of the pandemic and ongoing economic slowdown^[8]. The Centre for Monitoring Indian Economy reported a huge economic loss due to the lockdown – approximately 119 million Indian workers lost their jobs in the first two weeks of the lockdown itself^[9]. While a rapid improvement in employment and labour productivity has been reported from June, there have been massive changes to consumer spending and supply chains which will have a direct impact on business functioning.

With the central government, slowly starting to “unlock” the economy from June 8, there has been a slight increase in India's economic activity and public mobility. However, with cases increasing and train/ public transport services still being restricted, public mobility has

seen a slight dip in June. In terms of consumer demand, electricity consumption saw noticeable growth in May-end but has again dropped since then and plateaued below last year's consumption level. Hiring activity has also remained low although it has seen a slight uptick in June, with several projects having re-started implementation in June. The overall contraction of the economy has massively hit government revenues, with approximately 30 percent decline in indirect taxes and 40 percent reduction in GST revenues in January-April^[10].

A major overhaul is required to kickstart the Indian economy which would be both demand-driven growth and abundance of liquidity. This is particularly true for millions of vulnerable who stand at the risk of falling back into poverty and hunger and thus, are seriously dependent on the revival of the economy.



^[8] Manish, S. (2020, April 17). Coronavirus impact: Over 100 million Indians could fall below poverty line. Retrieved from https://www.business-standard.com/article/economy-policy/coronavirus-impact-over-100-million-indians-could-fall-below-poverty-line-120041700906_1.html

^[9] Mehta, B. & Kumar, A. (2020, April 13). Covid-19 and the lockdown impact: Estimating the unemployment and job losses in India's informal economy. Retrieved from <https://timesofindia.indiatimes.com/blogs/red-button-day-light/covid-19-and-the-lockdown-impact-estimating-the-unemployment-and-job-losses-in-indias-informal-economy/>

^[10] <https://www.financialexpress.com/economy/patchy-unlocking-after-uptick-in-economic-activity-and-public-mobility-growth-beginning-to-plateau/2021549/>

Impact on Businesses

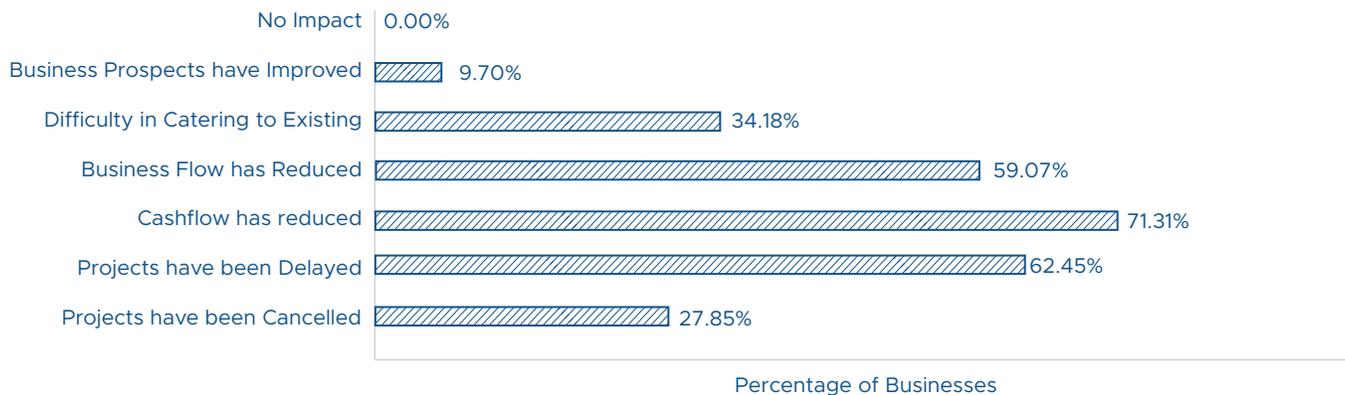
01

IMPACT
ON BUSINESSES

The Covid-19 pandemic has adversely affected business operations across sectors. Even before the pandemic set in, the global economy was facing several disturbances in trade flows – the pandemic has only catalysed the situation causing severe supply, demand, and overall market shock. It has been estimated that the

economy could contract by around 10-20 percent overall, leading to slow economic recovery^[1]. In line with the current scenario, the following sections highlight the different challenges that businesses have been going through and the ways they have been coping and re-innovating themselves.

Impact on Business



Perception: Will the Pandemic have an Impact on Domestic Supply Chains

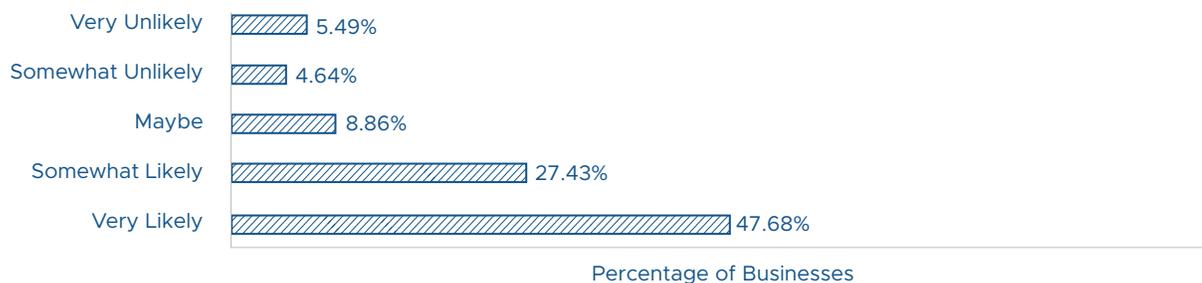


Figure 1: How has Covid-19 pandemic affected businesses across sectors during Lockdown?

^[1] Gupta, R. & Madgavkar, A. (2020). Getting ahead of coronavirus: Saving lives and livelihoods in India. McKinsey and Company. Retrieved from <https://www.mckinsey.com/featured-insights/india/getting-ahead-of-coronavirus-saving-lives-and-livelihoods-in-india>

The findings from the perception-based survey during the lockdown phase, highlight that the most affected area in business operations across the primary, secondary, and tertiary sector is the reduction of cash flows. Approximately, 71.31 percent of all respondents dealt with reduced cash flows in their businesses, with the manufacturing sector facing the greatest brunt. Projects have also been delayed across the spectrum with the tertiary sector, being affected slightly more in this arena.

When disaggregated for specific service sector industries, however,

the tertiary sector might have to tackle with reduced income in the future with 24.48 percent and 48.44 percent of service sector businesses undergoing cancelled and delayed projects, respectively. Additionally, with business flow reducing by 59.07 percent, as per respondents, it is also directly reflected in the domestic supply chains.

Going deeper into the analysis; primary analysis points out that the most obvious impact on all business sizes has been the reduction in cash flow.

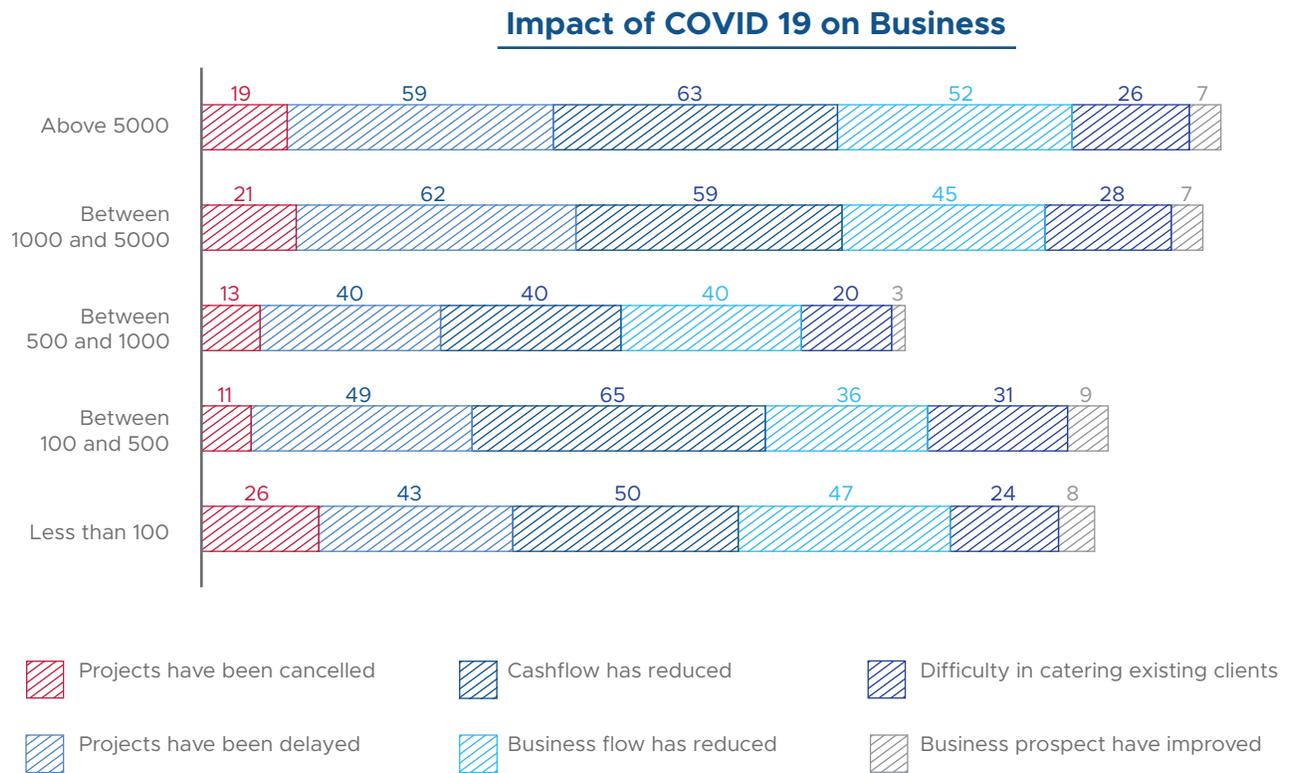


Figure 2: Impact of Covid-19 on businesses categorised by employee strength – views during Lockdown



But apart from that large-scale businesses are facing long delays in projects due to breaks in existing supply chains. On the other hand, more small-scale businesses have been affected due to project cancellations and reduction in the business flow. This would further add to their growing concerns when the economic landscape is this fragile in the midst of lockdown.

With factories yet to reopen and export-import restrictions, 47.68 percent of the respondents have felt that it is very likely that the pandemic will affect domestic supply chains. This will have an immense impact on the primary and secondary sectors as they would have to shift towards new suppliers, businesses and even manufacturing locations.

Effect of Covid 19 on Domestic Supply Chains

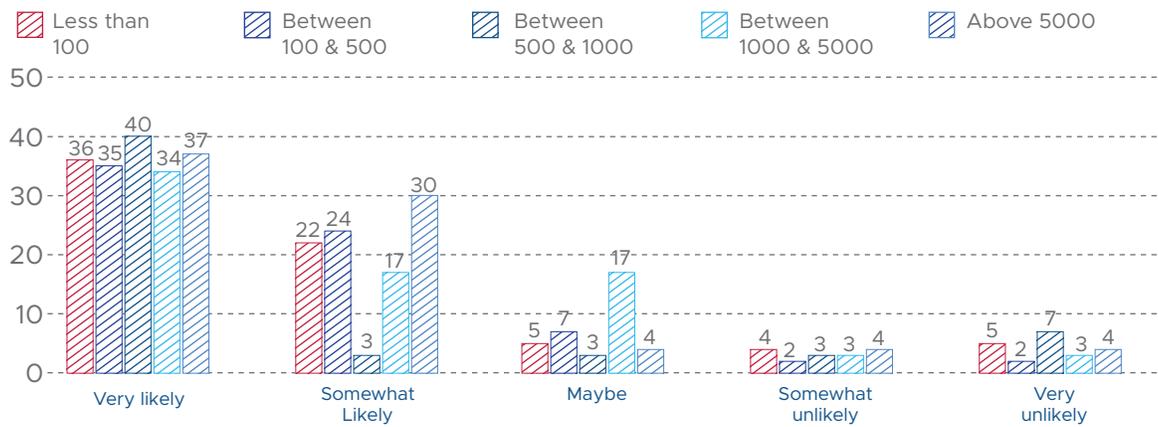


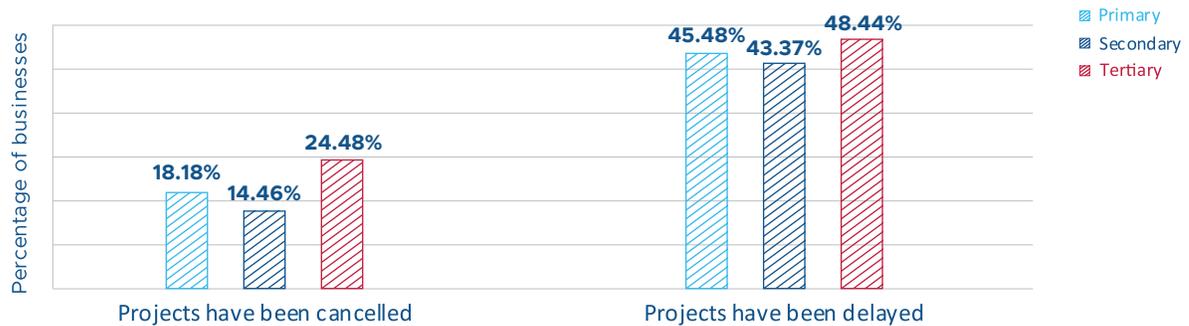
Figure 3: Effect of Covid-19 on Domestic Supply Chains of businesses categorised by employee strength – views during Lockdown



Breakdown of the analysis at the firm-size level shows that the majority of businesses feel that there are going to be significant impacts on the domestic supply chains. This is also evident based on the economic developments

in the nation, which is under the binds of mandatory lockdown. Major sectors such as Auto components, energy etc. have already shown signs of weakening supply chains.

Delay and Cancellation of Projects Across Sectors



Delay and Cancellation of Projects Across Service Sectors

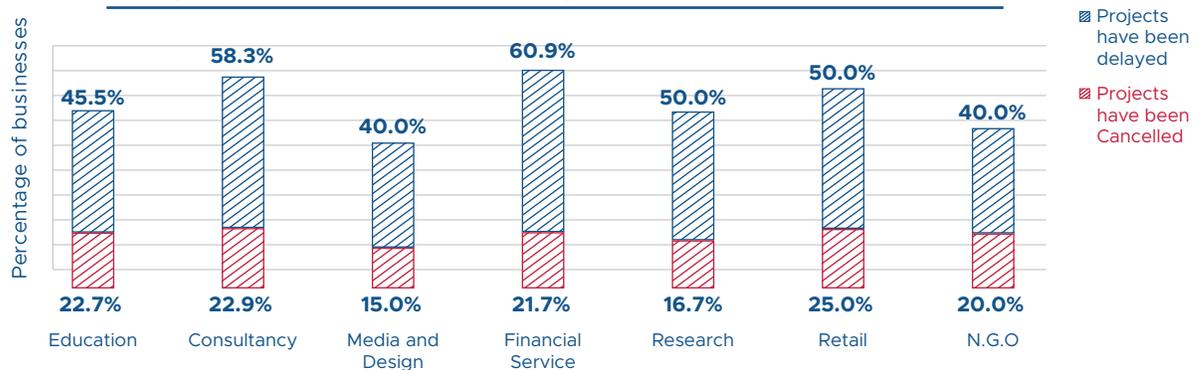


Figure 4: Delay and cancellation of projects across sectors with special emphasis on the tertiary sector – views during Lockdown

Although the cancellation of projects across service sector industries has been marginal, the retail sector, non-profit, consultancy, education and financial services has been hit the hardest. However, delay of projects has occurred by a greater percentage across service industries, as per responses. The financial services and consultancy sector have been most

adversely impacted with 60.9 percent and 58.3 percent delay in projects respectively. This has been reflected globally, with the Big 4 consultancy firms having seen an income cut by approximately 20-25 percent per hour, with several clients halting work and even shifting to the success fee mode^[12]

^[12] Dave, S. (2020, May 1). Covid 19 fallout: Pressure on hourly fee of top consultants, lawyers. Retrieved from <https://economictimes.indiatimes.com/news/company/corporate-trends/covid-19-fallout-pressure-on-hourly-fee-of-top-consultants-lawyers/articleshow/75482898.cms?from=mdr>

Change in Perception: The Businesses Enjoying Some Ease

As businesses take their first step towards attaining relative normalcy, some signs of recovery and transition to previous trends are emerging. In the post-lockdown phase, the majority of businesses feel that the impacts they endured during the

last three months have eased. Based on the survey’s latest figures, many businesses report that lesser projects have been cancelled, along with the problem of cash flow reduction being addressed. Most importantly, there is a 4% jump in the responses in terms of improvement of business prospects.

Pandemic impact on Business Lockdown vs Post-Lockdown

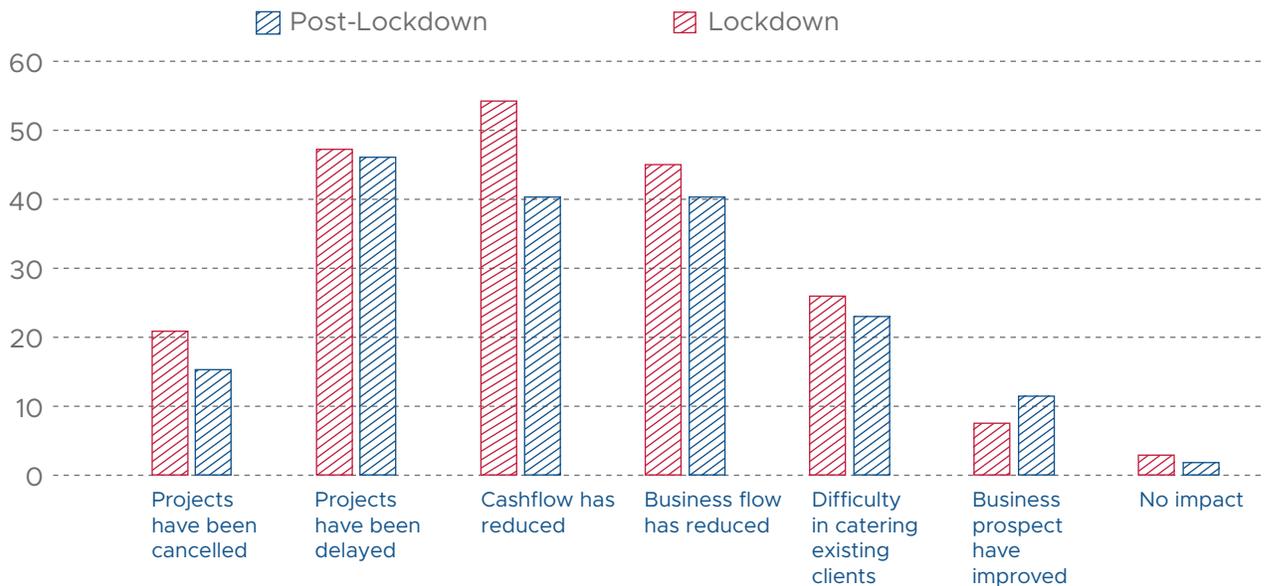


Figure 5: The impact on businesses- a lockdown v/s post-lockdown comparison

Key Emerging Trends: The Varying Pandemic Impact from Lockdown to Post-Lockdown

- Responses show fewer instances of cancelled projects (15%) & reduced cashflows (40%) during post-lockdown when compared with corresponding figures from lockdown - 20% & 54%.
- A marginal shift in improvement of business prospects have been observed in the post-lockdown period (11.5%) from lockdown period (7.6%)

Day-to-Day Business Operations

Analysing impact on the business on a day-to-day basis shows mandatory

lockdown has stalled the regular business operation across all levels.

Impact on Day-to-Day Business Operations

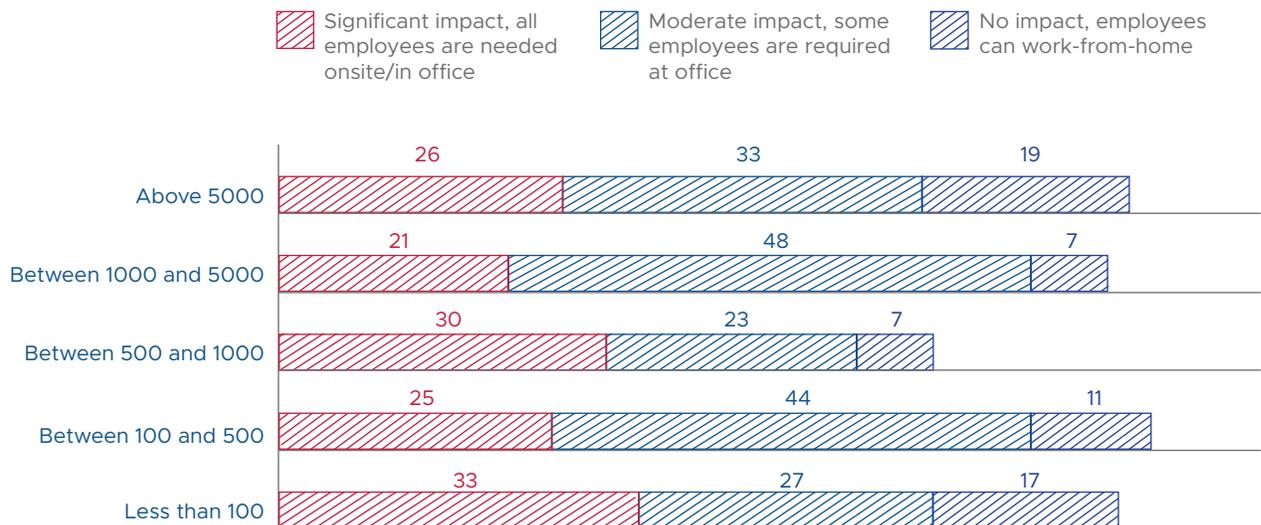


Figure 6: Impact on Day-to-Day operations of businesses categorised by employee strength in the lockdown phase

While small businesses have reported relative significant impact; large businesses have somewhat limited the impact due to most of the employees required to work-from-home.

However, the major concern here are for the medium scale businesses as they are most dependent on the presence of workers for the full-functioning of day-to-day operations.

Change in Perception: Have day-to-day operations seen any improvement?

Along with overall improvement, day-to-day operations have also improved for most of the businesses. Firms have adapted with the requirements of the situation and have modified the way

they conduct their regular business. And this is becoming evident in terms of workforce management. Earlier during the Lockdown, many firms were affected due to the absence of personnel, but now thanks to technology and strategic work plans, businesses have resumed their work.

Change in the opinions regarding impact on day-to-day business operations

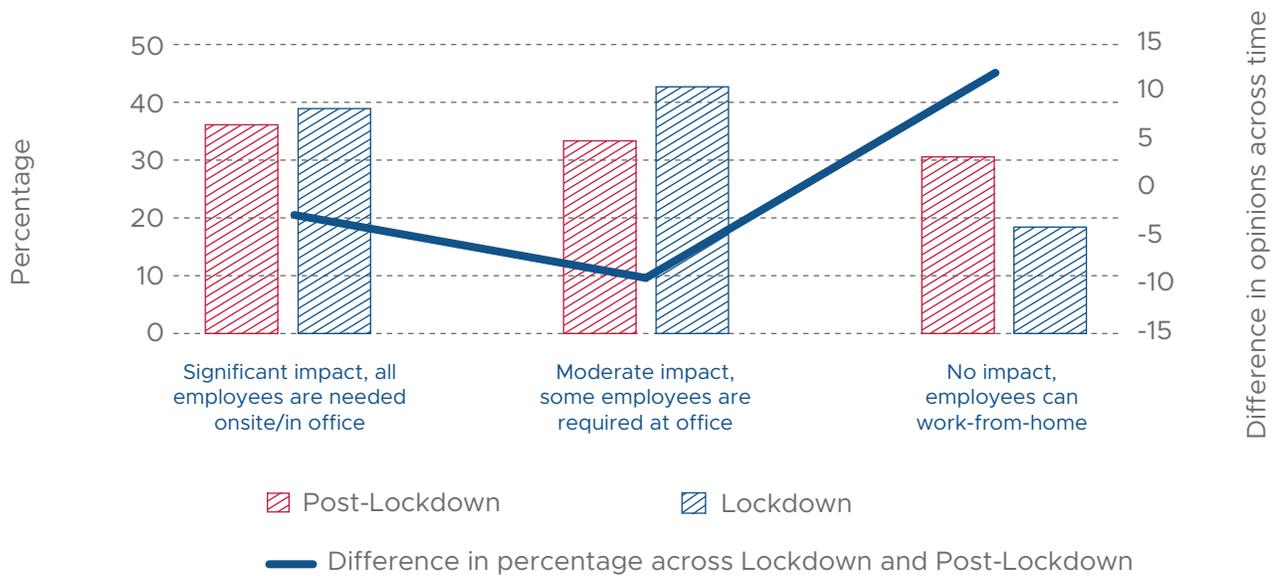


Figure 7: Change in perception regarding day-to-day business operations involving personnel

It is promising to see that firms now feel that more employees can work-from-home without compromising daily functioning. This is a responsible

move which not only sustains the business but also ensures the safety of workers.

Key Emerging Trends: day-to-day operations from Lockdown to Post-Lockdown

- During the lockdown small and medium scale firms reported significant impact arising from absence of workforce or day-to-day operations.
- In the post-lockdown phase, there has been an overwhelming change as differences between both phases show that more firms are now inclining towards no impact because workers are free to work-from-home.
- This change would be attributed to modification of work plans along with efficient use of technology to effectively communicate and coordinate.



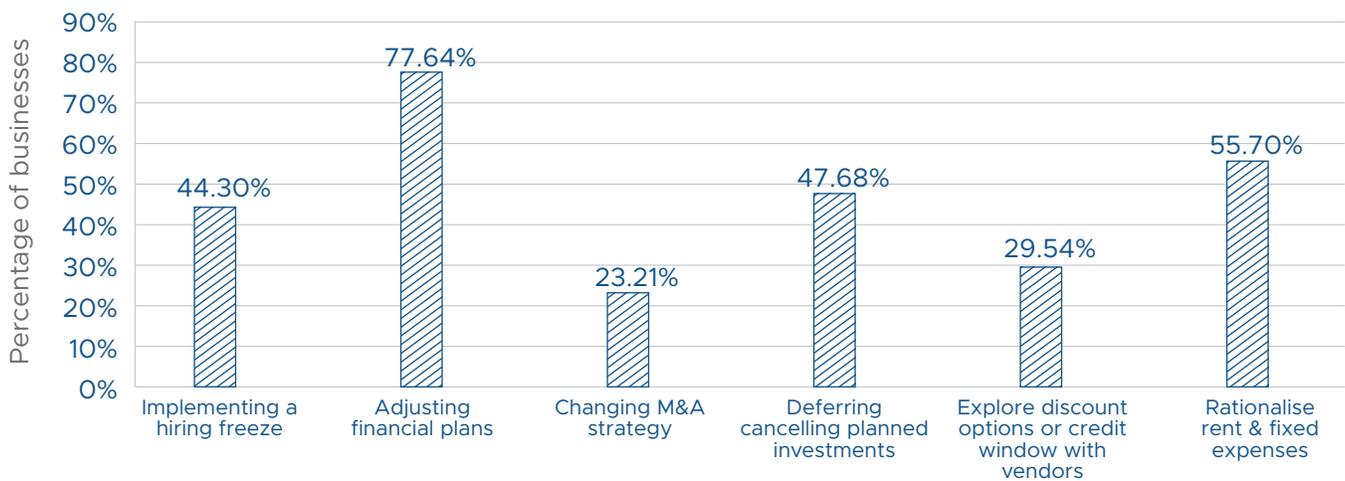
02

BUSINESS PLANNING

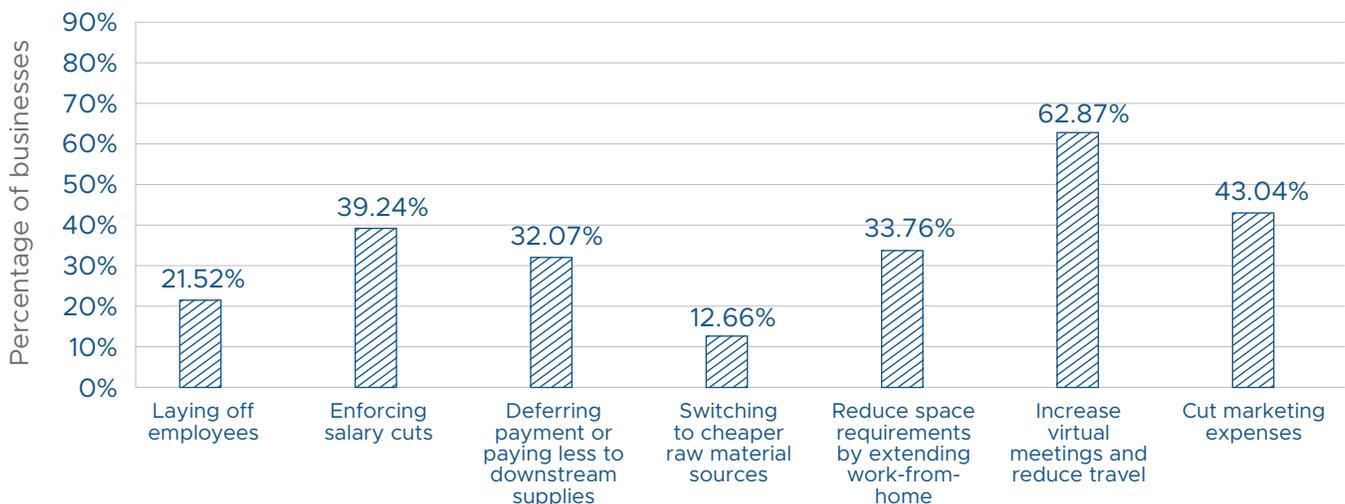
TO DEAL WITH
THE CRISIS

Broader Short-Term and Long-Term Actions Taken by Businesses

Short-Term Actions Taken by Businesses



Long-Term Actions Taken by Businesses



Perception: Quarantine Strategies Like Work-From-Home and Digital Communication Tools will Become a Long-Term Cost Cutting Strategy

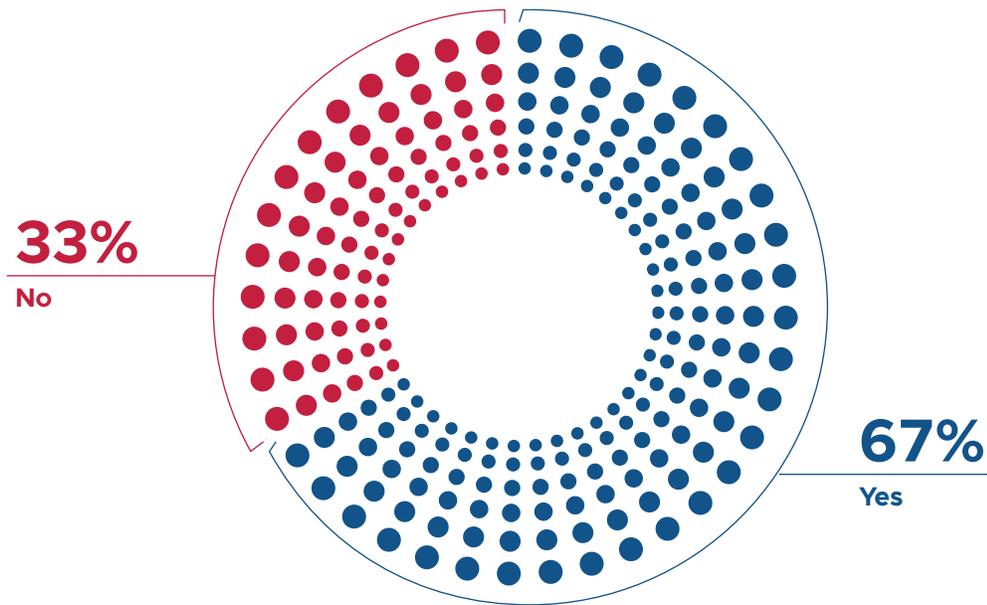


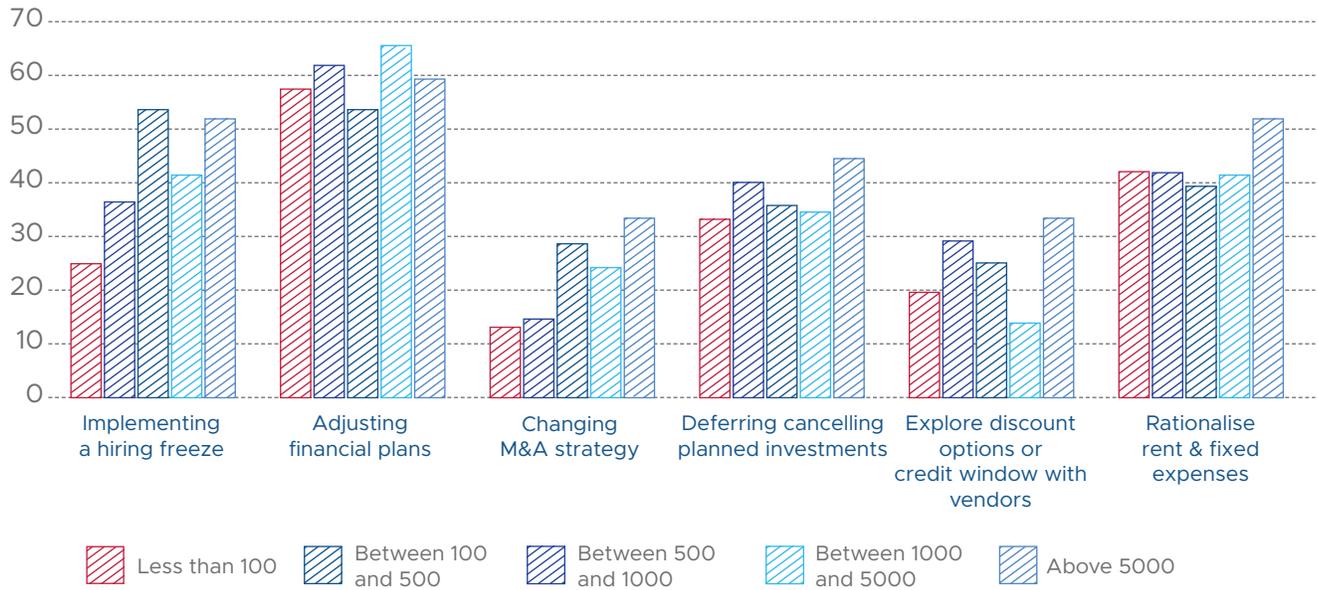
Figure 8: What actions are being taken by businesses to tide over the Covid-19 crisis – during Lockdown?

In line with the finding on reduced cash flows across the board, **77.64 percent of respondents have stated that they would be changing their financial plans** to accommodate the various socio-economic shocks that have arisen due to the pandemic. Businesses have been also trying to rationalise their operational and fixed costs in the short as well as long term during the pandemic, with **55.7 percent of businesses reducing on rent expenses** in the immediate future.

Apart from reducing fixed expenses,

in the long term, businesses have also been trying to increase virtual meetings to not only reduce transportation costs but also allied operational costs. This is corroborated with **78.45 percent of total respondents being more likely to use digital technologies**, such as Zoom and Google Meetup to carry out their daily operations. Additionally, as highlighted **67 percent of all respondents believe that quarantine strategies like work-from-home and usage of digital communication tools will become a long-term cost cutting strategy.**

Changes in Business Planning (Short Term Actions)



Change in Personnel Cost

- ▨ Laying off employees
- ▨ Deferring payment or paying less to downstream supplies
- ▨ Enforcing salary cuts

Change in Operation Cost

- ▨ Switching to cheaper raw material sources
- ▨ Increase virtual meetings and reduce travel
- ▨ Reduce space requirements by extending work-from-home
- ▨ Cut marketing expenses



Figure 9: Changes in short-term and long-term actions of businesses categorised by employee strength – during Lockdown

Large scale industries (with employee strength of 1000 and above) have shown a higher percentage of changes across short term business planning actions. However, firms with employee size between 500 and 1000 have also shown a greater inclination in implementing hiring freeze as much as with firms having employee size above 5000.

Firms with employee size between 1000 and 5000 have shown the

greatest change when it comes to re-orienting personnel costs. However, firms with employee size above 5000 have a greater tendency in deferring payment or paying less to downstream suppliers. With respect to operational costs, firms with employee size above 5000 have shown the greatest level of change. However, firms with employee size between 500 and 1000 have the highest tendency in switching to cheaper raw material sources

Likelihood of using Digital Communication Tools

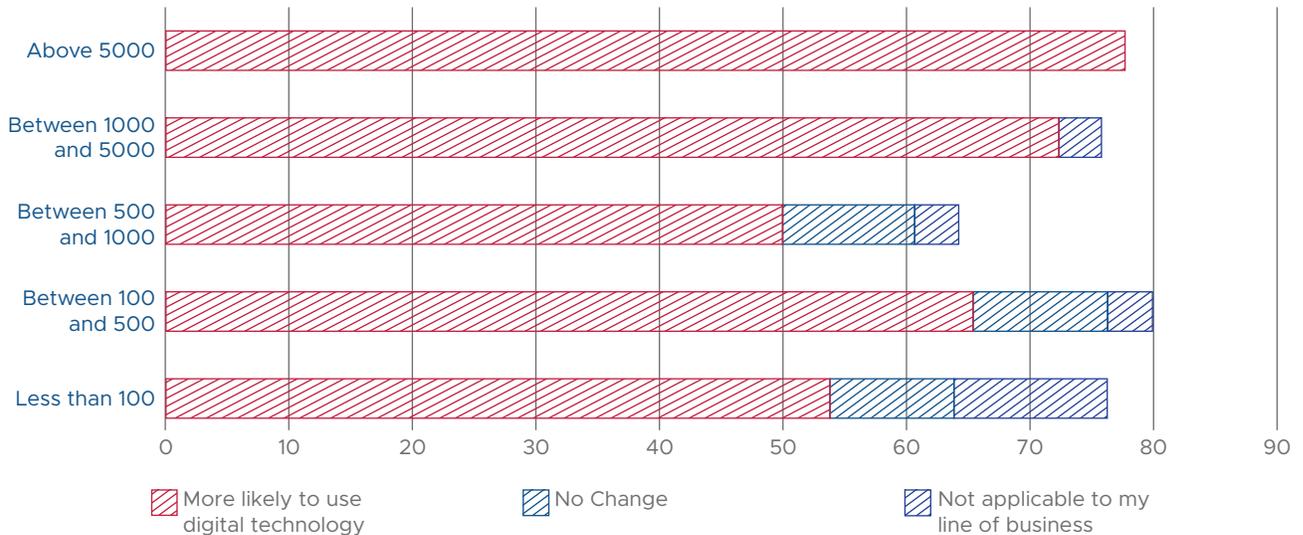


Figure 10: Likelihood of businesses (categorised by employee strength) using digital technologies such as Skype, Zoom, Microsoft Meetup for future operations – during Lockdown

Industries across varied sizes of employee strength have unanimously agreed that they would be most likely to use digital technologies in the future with large scale industries showing the largest change amongst other industries. This has also been

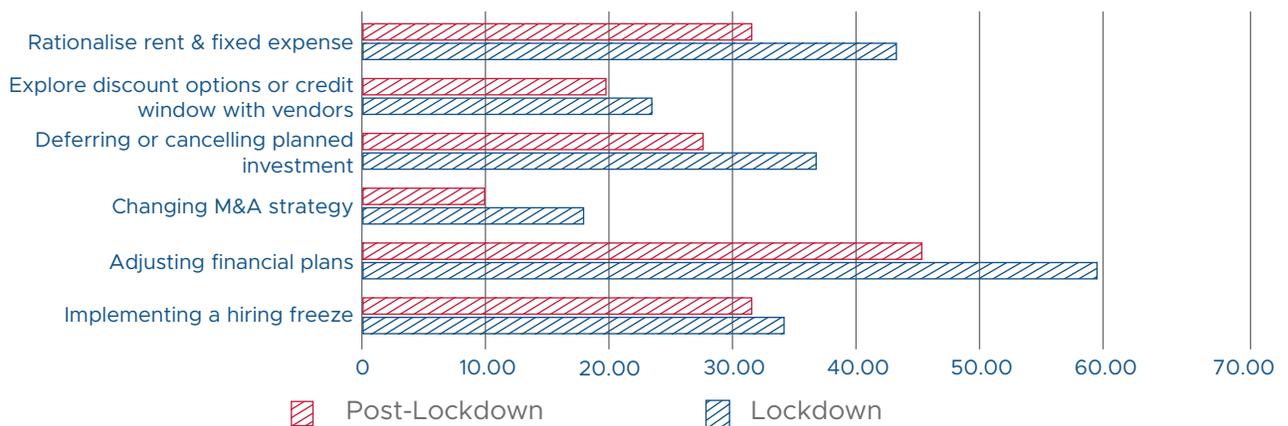
reflected in Figure 10, wherein companies having an employee strength of 5000 and above have reported the highest use of virtual meetings and reduction of travel to minimise long-term operational costs.

Change in Perception: How has Business Planning Changed from Lockdown to Post-Lockdown

As the businesses take their first step towards attaining relative normalcy, some signs of recovery and transition to previous trends are emerging. In the post-lockdown phase, the majority of businesses feel that the

impacts they endured during the last three months have eased. Based on the survey's latest figures, many businesses report that lesser projects have been cancelled, along with the problem of cash flow reduction being addressed. Most importantly, there is a 4% jump in the responses in terms of improvement of business prospects.

Perception Change: Short-term Business Actions



Change in Perception: Long-term personnel and operation business planning

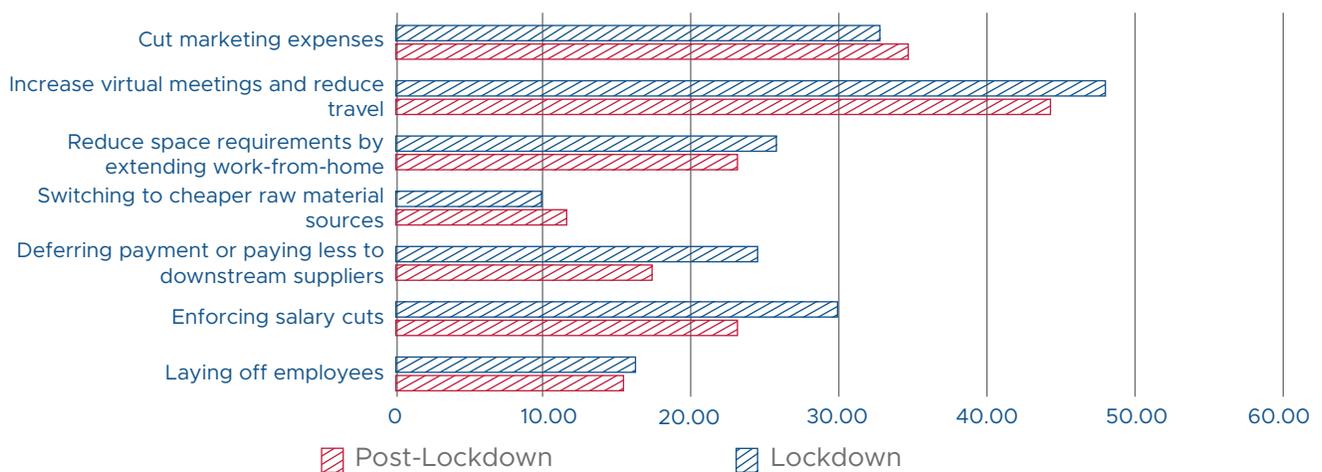


Figure 11: Changes in perception from Lockdown to post-lockdown: Long term and short-term business planning to cope with the changes brought about by the COVID-19 pandemic

The changes in perception from the period of Lockdown to post-lockdown highlight an interesting trend – as compared to Lockdown, there has been a shift from short-term business planning actions to relatively longer-term actions, as observed by the lowered scores in all the short-term actions in the post-lockdown duration as compared to the lockdown period. Interestingly, even in the longer-term actions, the percentage of respondents in the post-lockdown period has been more than lockdown in only two categories – namely cutting marketing expenses and switching to low-cost raw material sources. This is a point to cheer since

this indicates that the economy is slowly but surely reviving itself with business leaders no longer focusing on cutting down on personnel actions. Businesses are gradually reviving the ability to pay their existing employees on a steady basis, although there is an indication that their opinions on laying off employees and carrying out a hiring freeze have remained the same. Additionally, in the long-term, although the percentage of respondents have decreased in post-lockdown vis a vis lockdown, the highest focus has been on increasing virtual meetings and reducing travel expenses.

Change in Perception: Likelihood of using digital technologies in future business operations

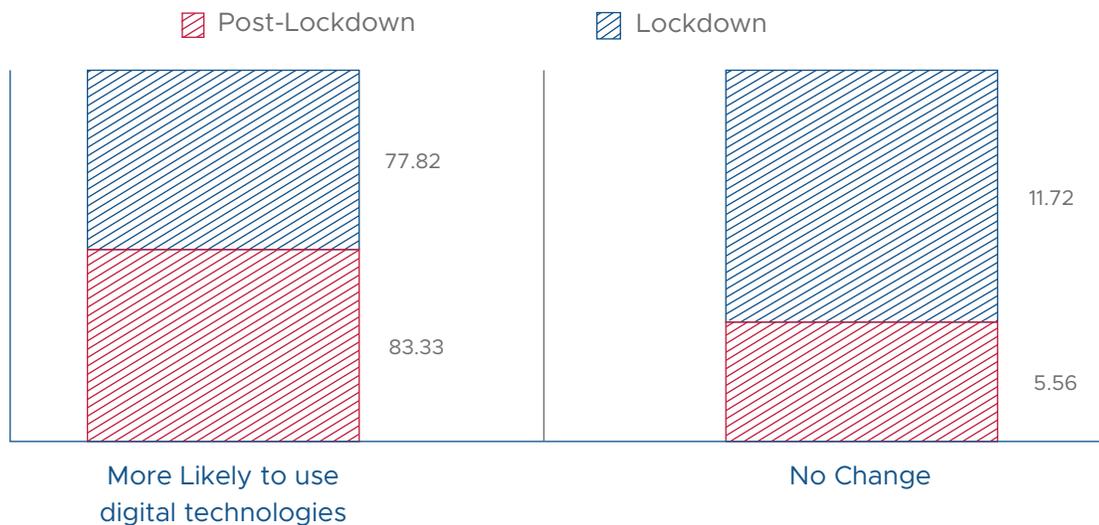


Figure 12: Changes in perception from Lockdown to post-lockdown: Likelihood of using digital communication tools in future business operations

This has corroborated even further with the change in respondents' opinion from lockdown to post-lockdown, indicating a greater inclination towards using digital communication tools in future business operations. The future of

work, especially in the service and knowledge industry is truly becoming remote with many large corporations across the world have indicated that they do not see a return to pre-COVID ways of working anytime soon.

Key Emerging Trends: Change in Business Planning perceptions from Lockdown to Post-Lockdown

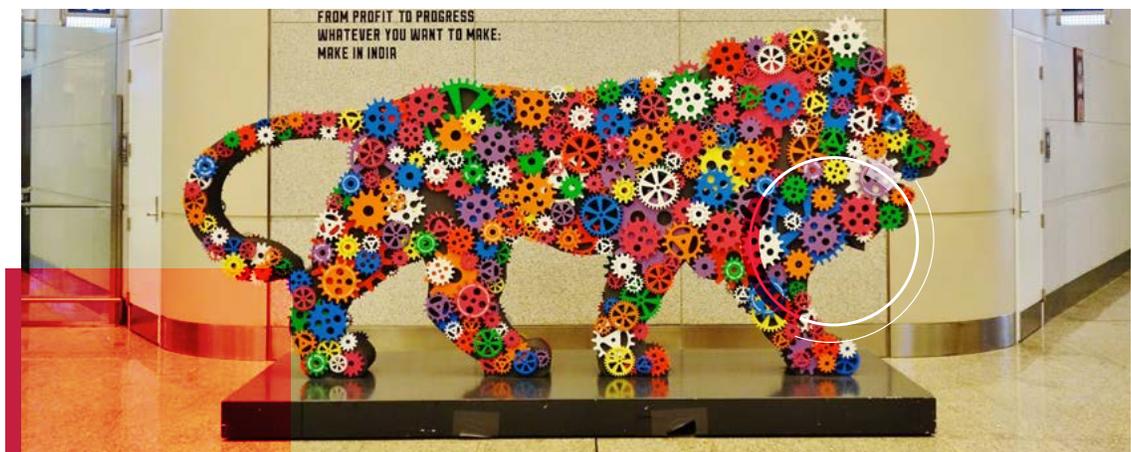
- Shift from short-term to longer-term business planning actions, post-lockdown.
- In longer term-business planning actions - Higher percentage of respondents scored cutting down marketing expenses and switching to low-cost raw material sources than in lockdown - highlighting shift to reducing operational costs from personnel costs.
- Greater focus on increasing virtual meetings and using digital communication tools in future business operations.
- Overall lower scores across short-term and long-term business actions indicative of a more positive economy and rapid revival of economy.



Self-Reliant Bharat: Increasing Domestic Production and Reducing Dependence on China

While a range of both short and long-term solutions are available, there are other immediate opportunities that businesses have turned towards during the lockdown. With the global economic landscape going through several trade turmoil, challenges and opportunities are aplenty. The health crisis has made several major economies hesitant of continuing trade with China and are now looking towards re-inventing their supply chain by introducing alternative suppliers and new manufacturing locations.

The Indian Government has aptly understood the potential of this upcoming change and has promoted increased domestic production through the Honourable Prime Minister's clarion call for 'Atmanirbhar Bharat'. The need for increased domestic production and reduction in imported commodities has been highlighted. The Survey results highlight that business responses are in line with the government's call and are looking towards reduced dependence on Chinese products.



Perception: Should the Government Focus on Domestic Production of those Essential Goods that are Currently being Imported

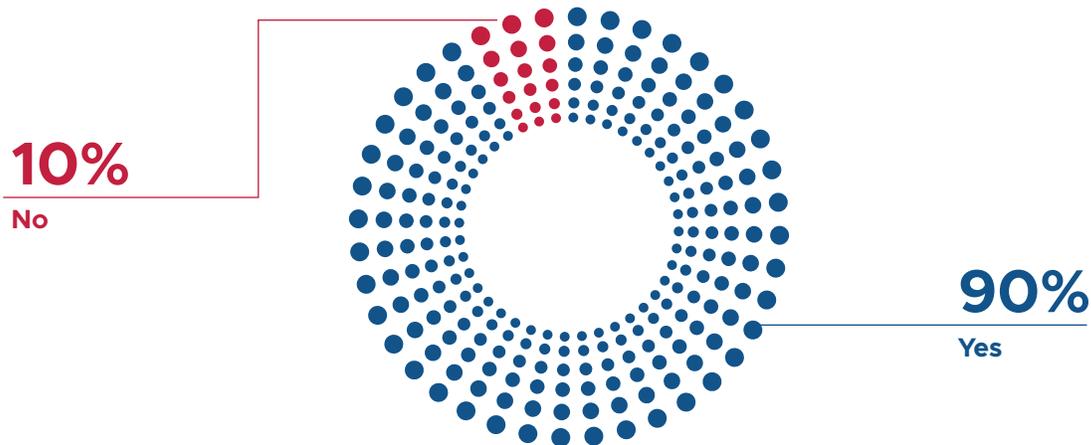


Figure 13: Indian business responses on increasing domestic production – during the Lockdown

The respondents were asked if the government should emphasize more on domestic products over imported goods. The results across all the sectors were abundantly clear. **Businesses have shown strong interest in increased domestic production (82%) which in turn will boost the domestic commercial**

activities. Plus, with the added opportunity of gaining on new markets, there is a new avenue for Indian businesses to explore by internalizing global supply chains. The emergence of India as a major supplier of essential goods^[13] during the pandemic is an encouraging sign for the businesses.

Reduced Dependence on China (%)

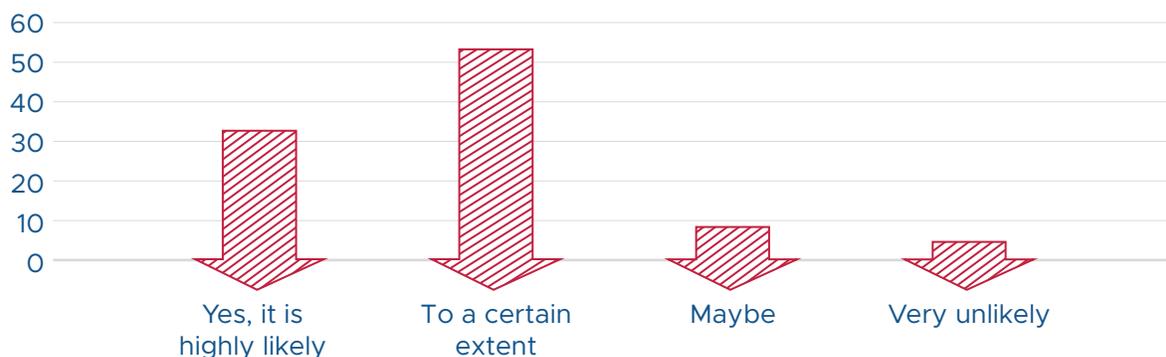


Figure 14: Reducing dependence on Chinese imports – views during the Lockdown

^[13]Press Information Bureau. (2019). Supply of Body Coveralls, N-95 Masks, and 2-ply/3-ply Surgical Masks for healthcare professionals to combat COVID-19 cases

The respondents echo this sentiment as the majority of responses believe that to certain extent supply chains will reduce their established dependency on China. This is also evident from the studies that have found major delinking of supply chains

from China^[14]. Breaking this down to the firm size; transitional Businesses, i.e., those employing between 100 & 500 and between 1000 & 5000, are expecting a decline in dependency on Chinese supply chains.

Reduced Dependence on China

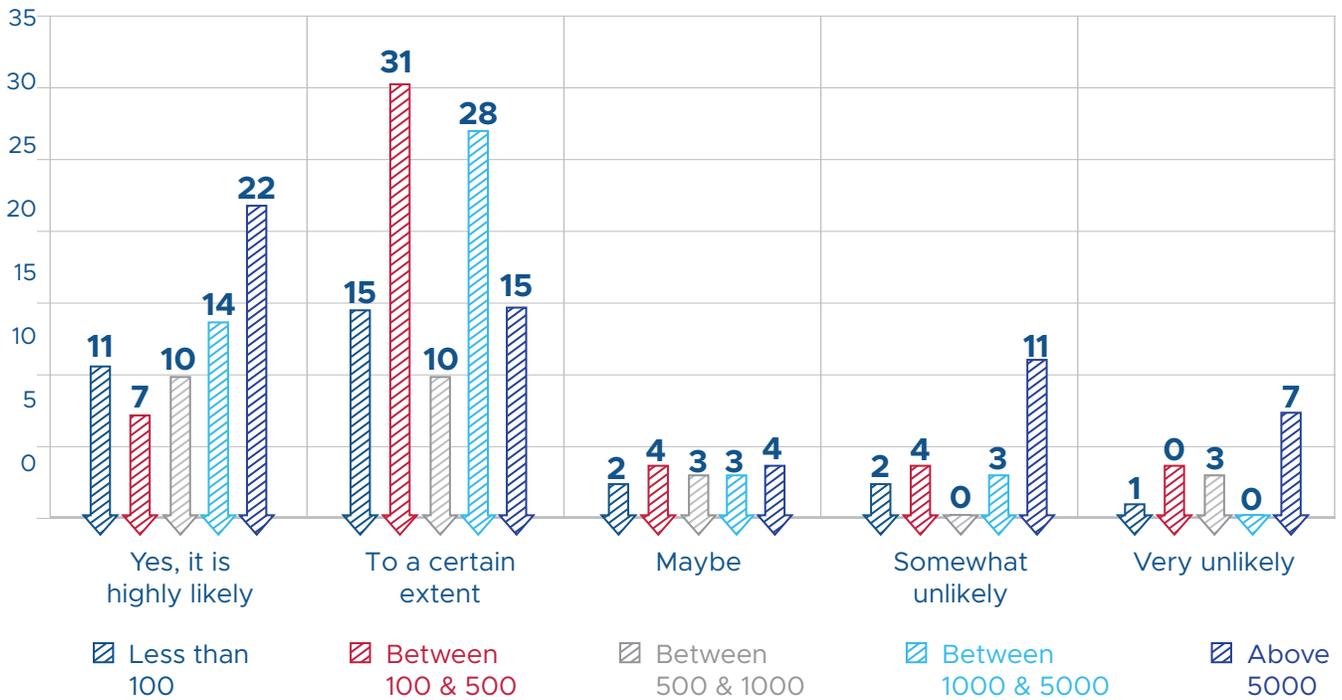


Figure 15: Employee strength-wise perceptions regarding reducing dependency on China – views captured during Lockdown

However, large scale businesses have given mixed signals. This is due to the established influence of China in the Indian trade. Multiple studies have shown a constant level of Chinese import intensity in Indian exports^[15]. Also, 47 percent of Indian business

respondents have noted that the likelihood of delinking with global value chains at this moment remains very unlikely, which goes against the protectionist and in-ward looking trend occurring globally.

^[14] Ivanov, D. (2020). Predicting the impacts of epidemic outbreaks on global supply chains: A simulation-based analysis on the coronavirus outbreak (COVID-19/SARS-CoV-2) case. Transportation Research Part E: Logistics and Transportation Review, 136, 101922.

^[15] Goldar, B., Das, D. K., Sengupta, S., & Das, P. C. (2017). Domestic value addition and foreign content: An analysis of India's exports from 1995 to 2011 (No. 332). Working Paper.

Likelihood of Indian Businesses to Delink from Global Value Chains

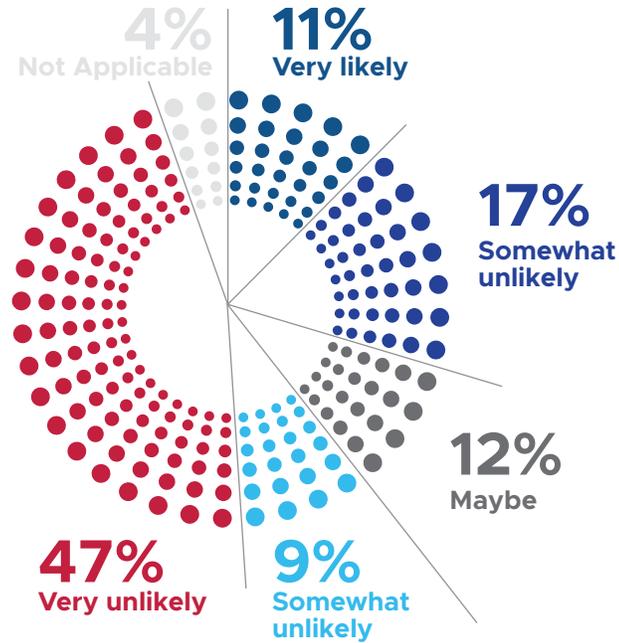


Figure 16: Delinking from global value chains – views during Lockdown.

Based on the size, small and medium scale businesses have shown more inclination towards delinking from

global value chains but on the other hand, large businesses have given mixed signals.

Delinking from GVC

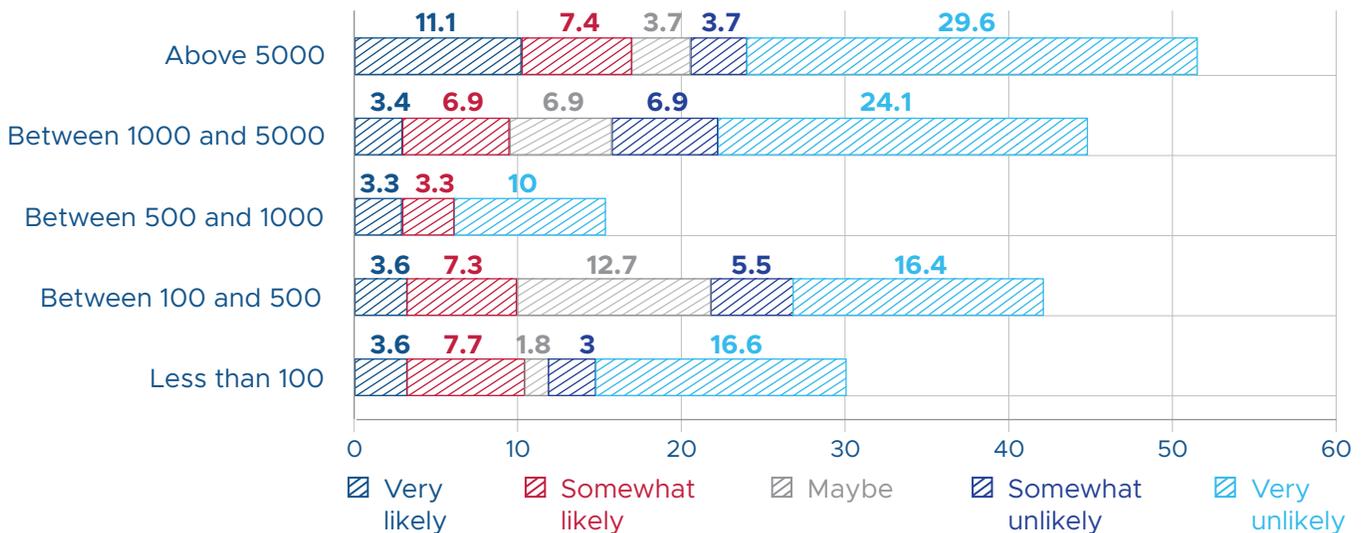


Figure 17: Employee strength-wise Delinking from GVCs – views during Lockdown

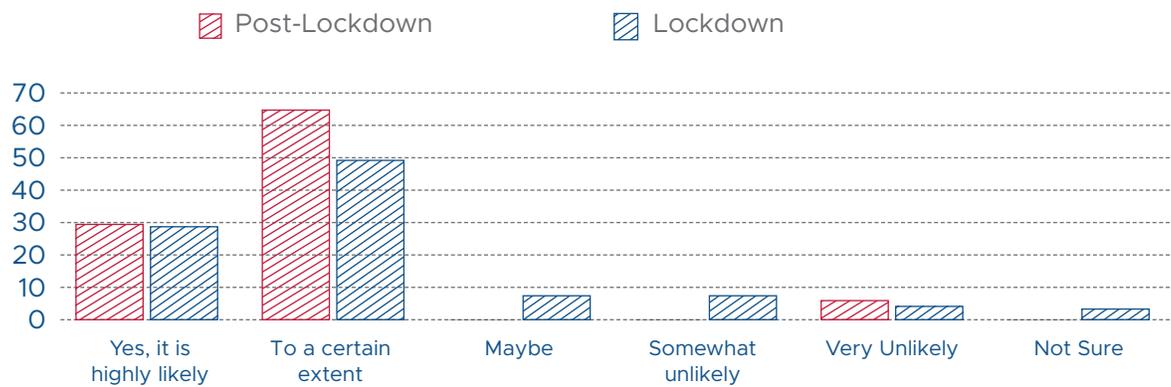


This is understandable due to large scale businesses being an integral part of the global network. Severing such ties and relying on new partners is always deemed as a risk; especially in times when the global economic landscape is in a fragile state.

businesses while looking towards increasing domestic production and reducing dependence on Chinese products, have also realised that it will be too premature to completely delink from global value chains. While a slow inclination towards the latter has been observed, it would be a long time before any major changes occur.

Thus, **views captured during lockdown highlight that Indian**

Change in Perception: Global businesses reducing supply chain dependence on China



Change in Perception: Global businesses reducing supply chain dependence on China

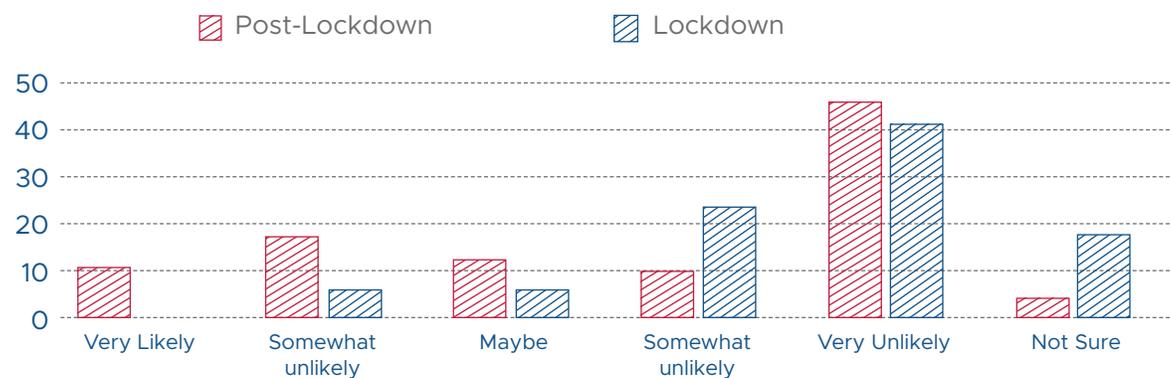


Figure 18: Change in perception from Lockdown to post-lockdown: Reducing dependence on China and delinking from global value chains

In line with current socio-political sentiments, Indian businesses post-lockdown have responded favourably towards reducing dependence on Chinese supply chains, with the percentage of respondents being higher for the options of “highly likely” and to “a certain extent”. In order to cope with this gap, the Aatmanirbhar Bharat Abhiyaan or Self-Reliant India has seemed to have taken off with 90 percent of respondents both in the lockdown and post-lockdown period believing that government should focus on domestic production of

goods that are now being currently imported. Nonetheless, this does not indicate that businesses are in support of an inward-looking economy – in fact, percentage of respondents who believe that it is highly unlikely that their business will delink from global value chains have risen post-lockdown as compared to the lockdown duration. This indicates that though companies may no longer see China as a valuable source, they have not given up on global trade systems as a major component of their revenues and inputs.

Emerging Trends: Changes in perception regarding Self-Reliant India from lockdown to post-lockdown

- Indian businesses are even more favorable towards reducing dependence on China post-lockdown as compared to during lockdown.
- 90 percent of respondents in lockdown and post-lockdown believe that government should focus on import substitution by focusing more on domestic production.
- However, a higher percentage of respondents post-lockdown believe that it is unlikely that their businesses will delink from global value chains – global trade practices have not yet lost relevance despite the problems caused by the pandemic.

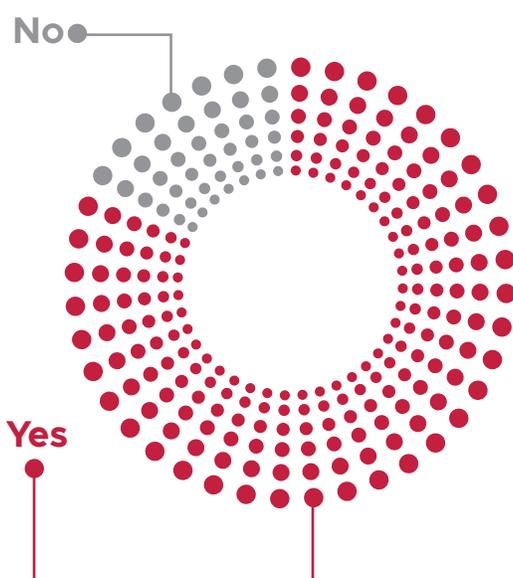
Re-Orienting Business Operations to Cater to Changed Consumer Demand

Along with the anticipation of a normal economy, businesses during lockdown are also monitoring the drastic changes in consumer behaviour which will impact their activities in the future. The India Revival Mission survey also looked into the same and tries to present

the perception of the businesses concerning consumer behaviour.

Respondents were asked if the change in consumer spending will strongly skew in favour of necessary items. And the results were quite unanimous.

Change in Consumer Spending



Consumer Spending Change Timeframe

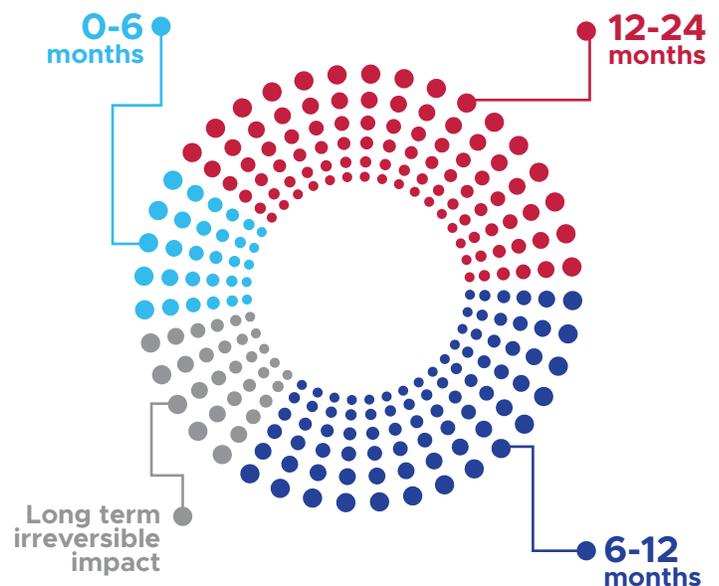
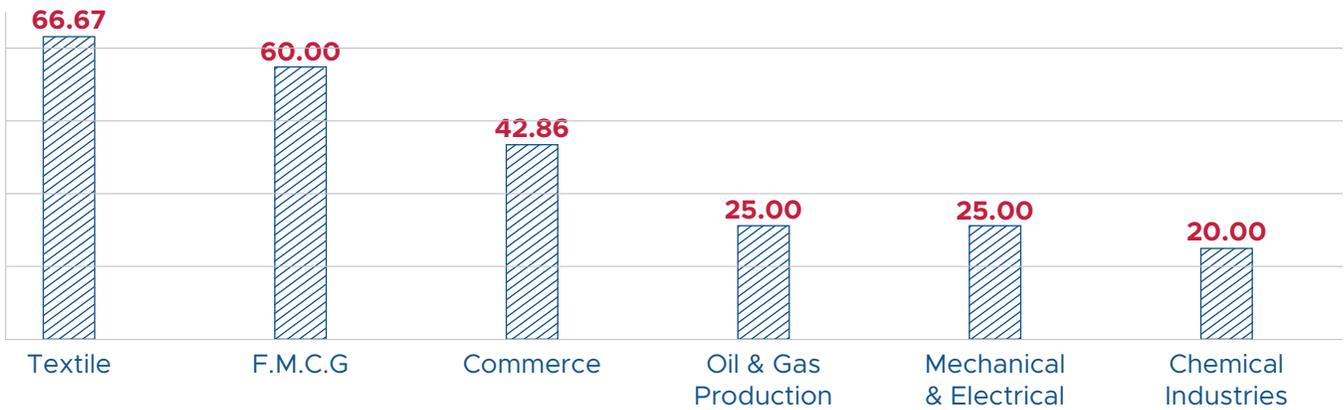


Figure 19: Business perception regarding the change in consumer demand – views during Lockdown

Simple observation notes that most of the surveyed business (83%) feel that the change in consumer spending will strongly shift in favour of only necessary items. This means that it will severely affect any kind of spending on luxury/non-essential products and as a result will act as

a constraint on recovering business activities. **Responses show that it will take one-two years for the given consumer spending change to last, which is very much similar to the time when it is expected that the economy will normalize.**

Reorienting Business: Service Based Industries



Reorienting Business: Manufacturing Industries



Figure 20: Perception captured during Lockdown regarding businesses planning to reorient themselves by focusing on producing new commodities related to the pandemic – emphasis on the secondary and tertiary sector

In order to cope with reduced consumer demand in several non-essential products, several businesses are looking to re-orient their business structures and manufacture essential products. The re-orientation of businesses has been taken up by all sectors ranging from start-ups such as Swiggy and Zomato (who have entered into grocery delivery) to established automobile companies such as Mahindra and Mahindra who have started producing ventilators. Surprisingly, responses from the primary sector highlight that the agriculture based enterprises have been re-innovating due to Covid-19 as compared to other sectors – there have been attempts to usher in technology based solutions to address challenges in supply chain management and market linkages for farmers. The tertiary sector has also shown promise by bringing in innovations – for instance, start-ups like KlinikApp and Practo have been offering online consultation with doctors, and education enterprises

like Byjus, Gradeup have been strengthening the impact of online classes^[16].

Amongst the responses collected from the survey, the textile industry seems to have the greatest re-orientation of the overall business structure. This has also been reflected in the way, the Indian textiles industry re-oriented itself to domestically manufacture personal protective equipment^[17]. Within the service sector, media and design as well as the research industry has surged ahead in re-orienting themselves to meet the new demands of the pandemic. With funding becoming limited overall, researchers are seeking to orient their work towards Covid-19^[18]. The media and design industry has also shifted focus towards the digital medium through increased brand advertisement linked to Covid-19 as a well as a spike in OTT mediums (such as Netflix, Amazon Prime) and gaming platforms^[19]

^[16] Awasthi, P. (2020, May 12). Covid-19: Tech innovations across different sectors to tackle the crisis. Retrieved from <https://www.thehindubusinessline.com/info-tech/covid-19-tech-innovations-across-different-sectors-to-tackle-the-crisis/article31563156.ece>

^[17] Lakshmanan, R. & Nayyar, M. (2020, May 25). Personal Protective Equipment in India: An INR 7000 Cr industry in the making. Retrieved from <https://www.investindia.gov.in/siru/personal-protective-equipment-india-INR-7000-cr-industry-in-the-making>

^[18] Gohain, M.P. (2020, April 26). With 208 R&D projects, IITs lead India's fight against Covid-19. Retrieved from <https://timesofindia.indiatimes.com/india/with-208-rd-projects-iits-lead-indias-fight-against-covid-19/articleshow/75384724.cms>

^[19] Economic Times. (2020, April 16). Gaming and OTT spike in Covid 19 lockdown: Publicis report. Retrieved from <https://brandequity.economictimes.indiatimes.com/news/media/gaming-and-ott-spike-in-covid-19-lockdown-publicis-report/75173664>

Change in Perception: Reorienting businesses to changing consumer demands

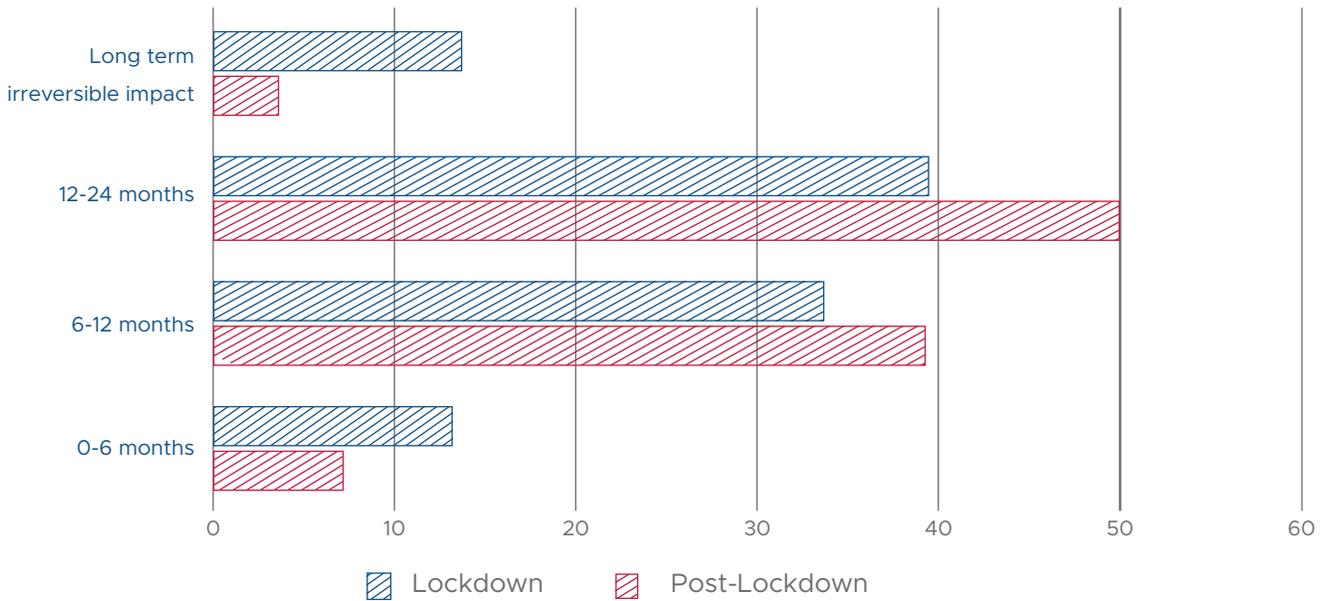


Figure 21: Change in perception from Lockdown to post-lockdown – Consumer spending change time-frame

The post-lockdown situation highlights that 90 percent of Indian business respondents still believe that there is a change in consumer spending which will only focus their spending on necessary items. In terms of time-frame of how long the present consumer spending pattern will stay has remained consistent with the results gathered during Lockdown – that is, the existing consumer spending pattern will change after 1-2 years. Noticeably, the belief that the changed consumer spending is a short-term phenomenon has reduced as observed with the reduction in

the percentage of respondents (post-lockdown) believing that the consumer spending will go back to normal in 0-6 months (reduction by 6.02 points). Moreover, the belief that consumer spending will change in 1-2 years has strengthened post-lockdown, with an increase in the percentage of respondents by 10.53 points. Interestingly, as a sign of positive economic revival, the belief that the change in consumer spending is a long-term irreversible phenomenon has gone down by a significant 10.11 percentage points, post-lockdown.

Emerging Trends: Change in perception regarding re-orienting businesses towards altered consumer demand patterns

- Even in post-lockdown, 90 percent of respondents believe that consumer spending patterns have changed towards spending only on essential items.
- Greater percentage of respondents in post-lockdown believe that the changed consumer demand will exist for 1-2 years as compared to lockdown, with even lesser faith post-lockdown that the consumer demand patterns will go back to normal within 6 months.
- As a sign of the revival of economy, lesser percentage of respondents post-lockdown believe that the changed consumer demand patterns are not a long-term, irreversible phenomena.



03

WORKFORCE
ADJUSTMENTS

As companies tried to find means of survival during this pandemic and Lockdown, many organisations have had to resort to massive salary cuts and laying off staff to reduce operational costs. 27 of the top 100 Indian companies face a high risk of

not being able to pay wages if their revenue were to dip by 30 percent or more^[20]. With personnel adjustments becoming the new norm, the following section highlights the businesses economic relation to their labour force.

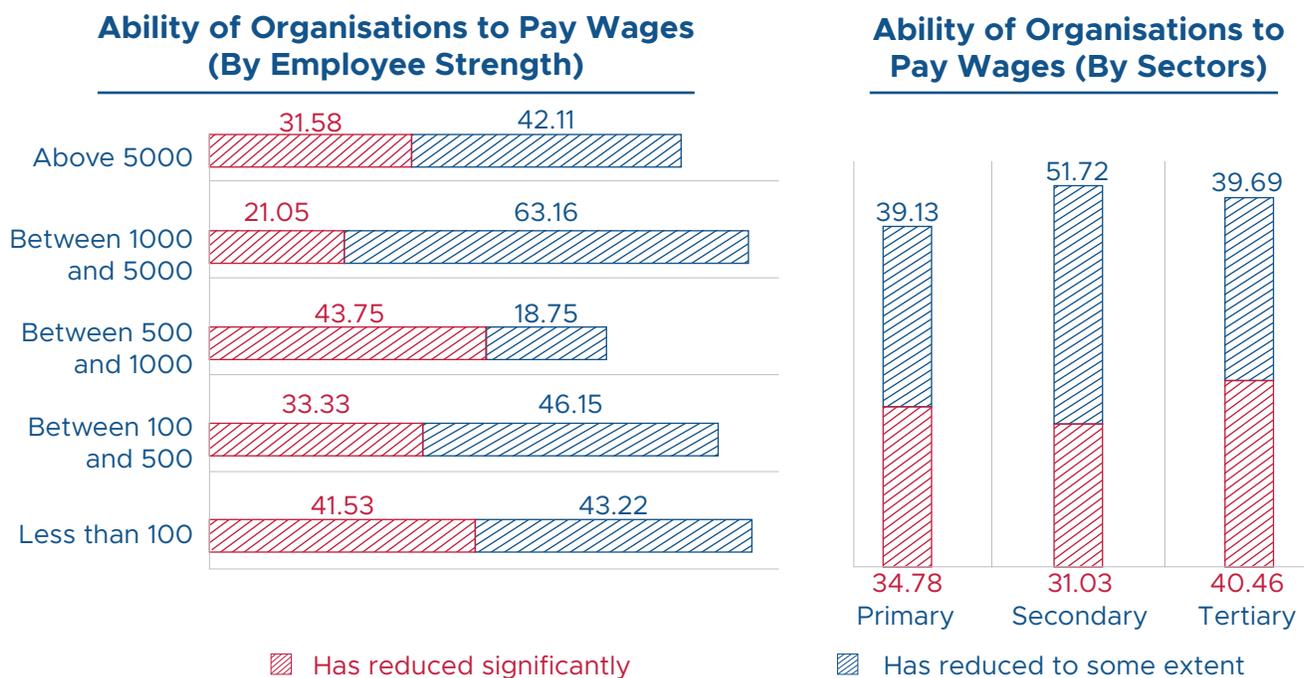


Figure 22: To what extent has the Covid-19 pandemic affected the ability of organisations to pay wages? – views during Lockdown

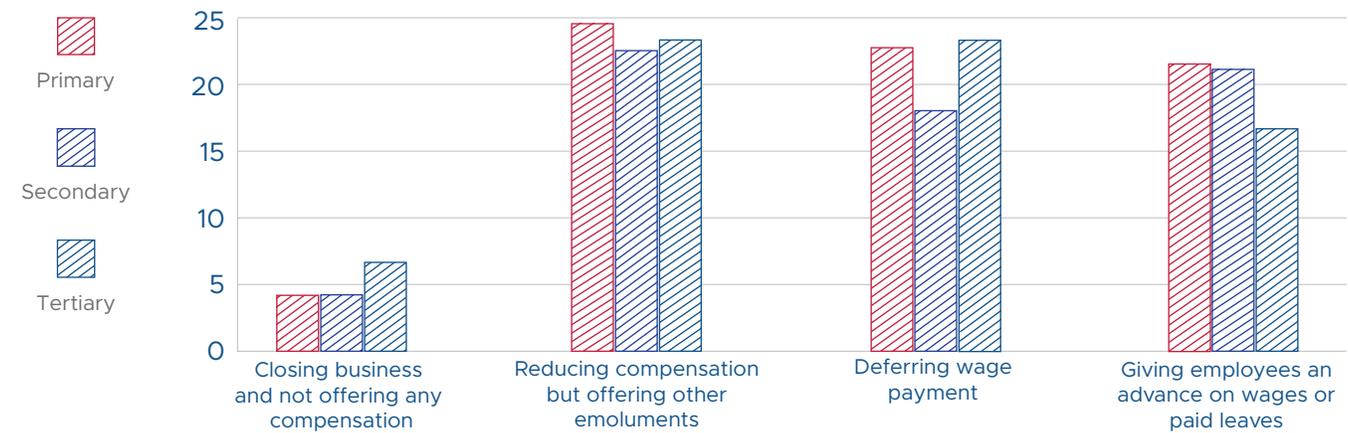
The overall responses to businesses’ ability being affected by Covid-19 has shown a stronger preference towards the category “reduced to some extent” (43.13 percent). However, this trend has been mostly driven by the responses of secondary sector businesses (51.72 percent) as compared to the other sectors. Surprisingly, the tertiary sector businesses report a higher possibility

of significant reduction in ability to pay vis a vis other sectors (40.45 percent).

Among businesses categorised by employee strength, companies having employees between 500 and 1000 and less than 100 have been adversely impacted in their ability to pay wages.

^[20] Financial Express. (2020, April 30). 27 of India's 100 largest companies can't pay employees beyond a month; salary cuts soon. Retrieved from <https://www.financialexpress.com/industry/salary-cut-soon-large-companies-no-cash-pay-wages-employees-coronavirus-lockdown/1944388/>

Handling of Human Resources Issues Resulting from Covid-19 By Sector



Handling of Human Resources Issues by Employee Strength

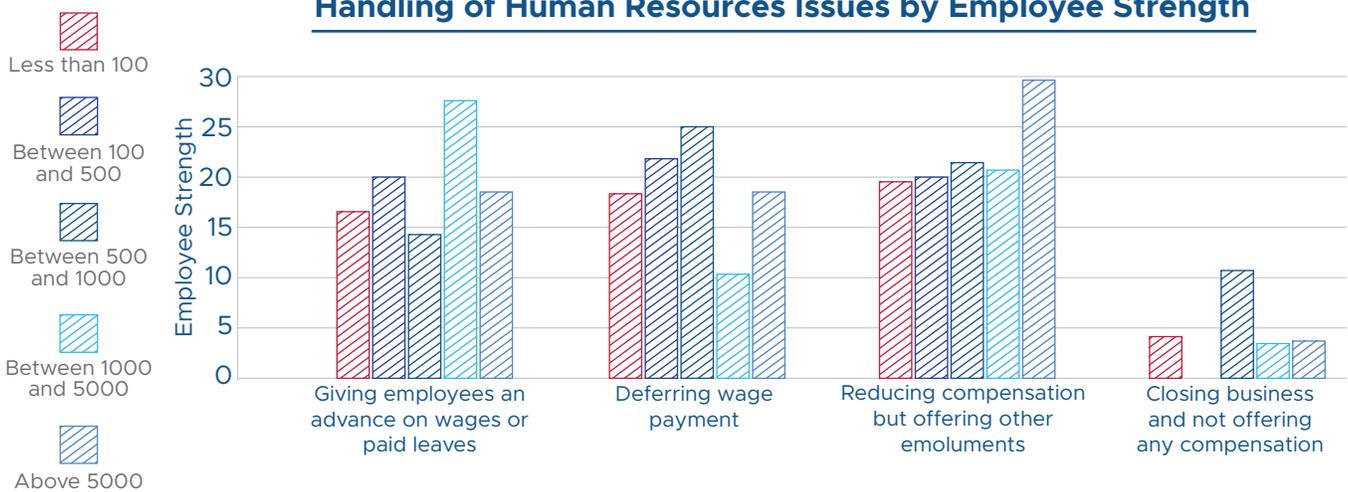


Figure 23: Handling of human resources issues related to Covid-19 – views during Lockdown

The above-mentioned finding about possible salary cuts can be further substantiated with Figure 23, which highlights business responses regarding human resource issues. The tertiary and primary sector leads in two major responses – reducing compensation but offering other emoluments and deferring wage payment. The tertiary and secondary

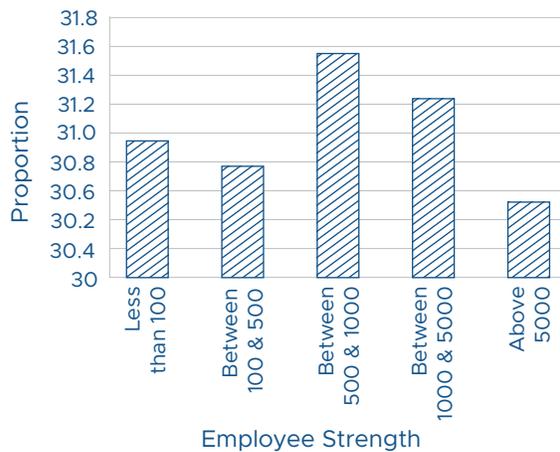
sector has also focused on giving employees an advance on wages or paid leave – several companies such as Tata Steel, Bharti Airtel, Dalmia Bharat Group, Oppo, Lava International, NTT-Netmagic and Schneider Electric have gone against the trend to assure financial security to their employees^[21].

^[21] Bhattacharya, R. (2020, March 31). India under lockdown: Jobs, salaries safe despite disruption, companies tell employees. Retrieved from <https://economictimes.indiatimes.com/jobs/jobs-and-salaries-safe-despite-disruption-cos-tell-staff/articleshow/74837119.cms>

Across industries categorised by employee strength, approximately 30 percent of companies having employees above 5000 have reported reducing compensation but offering alternative emoluments. Additionally, 27.5 percent of companies having an employee strength of 1000 to 5000 have given

employees an advance on wages or paid leave. However, although overall only 5 percent of respondents have reported closing businesses and not offering any compensation, 10.7 percent of respondents having an employee strength between 500 and 1000 have reported doing so.

Proportion of employees taking salary cuts categorized according to employee strength



Hiring Freeze (Percentage of businesses who said yes)

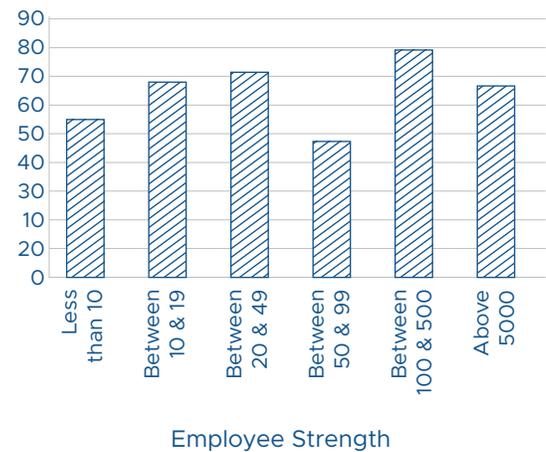


Figure 24: Proportion of businesses carrying out salary cuts and hiring freeze, categorised by employee strength – views during Lockdown

Across sectors, the proportion of employees taking salary cuts is approximately 30 percent. However, when analysed according to the employee strength of the businesses, it can be highlighted that companies having between 500-1000 and 1000-5000 employees have had to carry out even more salary reductions, to the extent of 31.5 percent and 31.2 percent respectively.

Responses from the “Covid-19 India Impact Survey Report” published by Institute for Competitiveness, has also highlighted that 63 percent of business respondents across sectors have planned to carry out hiring freeze in their respective organisations. Additionally, businesses having employee strength between 100-500 (79.17 percent) and 20-49 (71.43 percent) are in majority of those who are planning to not hire employees in the immediate future.

Change in Perception: Fewer cases of personnel cutbacks

The post-lockdown phase has given relief to the workers as they have become relatively less susceptible to pay-cuts and deferred wage payments. As businesses get back on their feet, they have found some stability, allowing them to meet their

personnel costs. This not only ensures the use of optimum labour-force but also manage to provide much-needed security to many workers who are seriously dependent on these jobs to endure the pandemic.

Change in Perception: Human Resources Issues

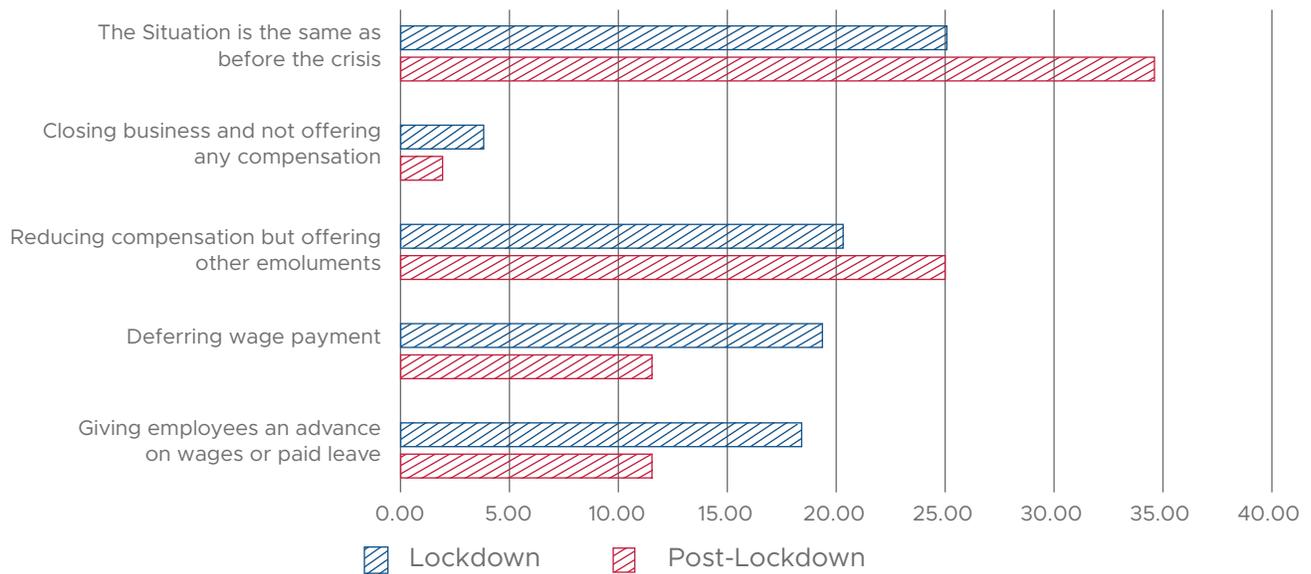


Figure 25: Handling of HR issues - a post-lockdown promise

Firms, during the lockdown, were facing major problems as responses showed more cases of businesses shutting down and deferring payments. However, in the post-lockdown phase, firms are able to continue with their activities without reducing wage payments. Some of the firms have smartly modified their operational strategies and

have turned to the offering of other emoluments to their workers to make up for the reduced compensation. The above strategy has worked in favour of both workers and firms as fewer cases of salary cuts have been observed in the post-lockdown phase when compared to the lockdown period.

What proportion of employees in your business have taken salary cuts (voluntarily or otherwise)?

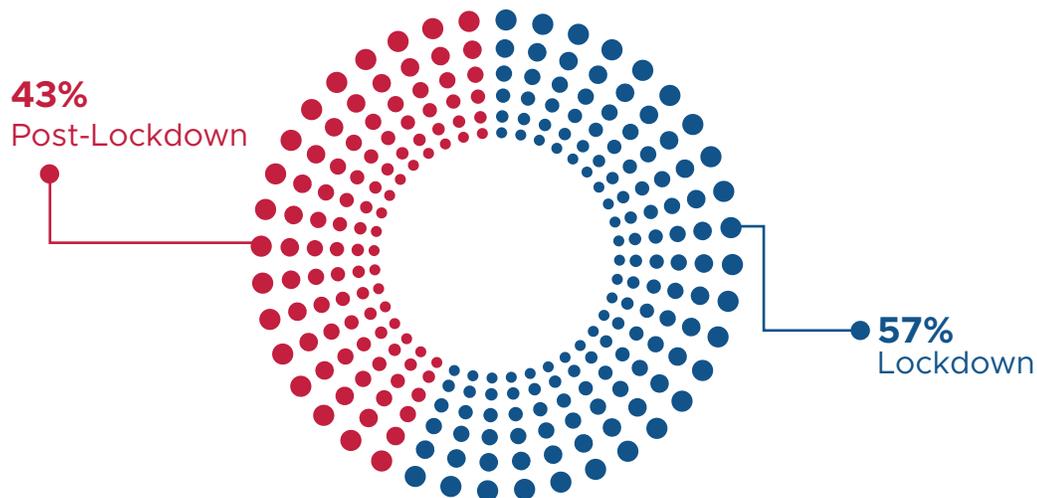


Figure 26: Fewer Employees are taking salary cuts in the post-lockdown phase

Salary cuts are often perceived as an alternative to layoffs as the former allows retention of the workforce with lowered costs. However, in the post-lockdown period, surveyed

businesses have shown that they have struck a right balance which ensures limited layoffs and lesser instances of salary cuts, thus securing the workers' welfare in such difficult times.

Key Emerging Trends: Stabilising workforce adjustments from Lockdown to Post-Lockdown

- Businesses, while recovering during post-lockdown, have found means to limit personnel adjustments.
- A promising sign has been fewer cases of deferred payments during post-lockdown (11.5%) in comparison with lockdown (19.4%).
- Some of the firms have smartly modified their operational strategies and have turned to offering of other emoluments to their workers to make up for the reduced compensation.
- Also, fewer instances of salary cuts have been observed during post-lockdown period (43%) when compared with the lockdown phase (57%).

Anticipating

04

ANTICIPATING

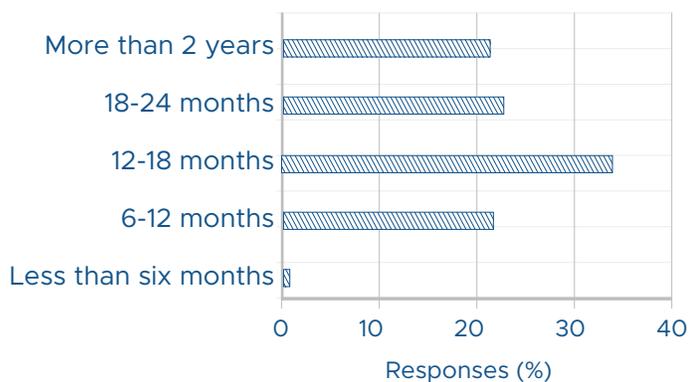
INDIAN
ECONOMY'S
REVIVAL

After considering all the possible modifications and alterations that a business can carry out to adjust with the crisis, it ultimately boils down to the macroeconomic understanding of the revival of the economy. Most of the expenditure planning and revenue projection depends on this anticipation. Hence, this survey tries

to seize the businesses' perception regarding future trends which focusses on normalized operations and consumer behaviour.

Respondents were asked about their expectations concerning the economy returning to its normal position.

How Long will it take for the Economy to get back to Normal



Normalized Business Operations

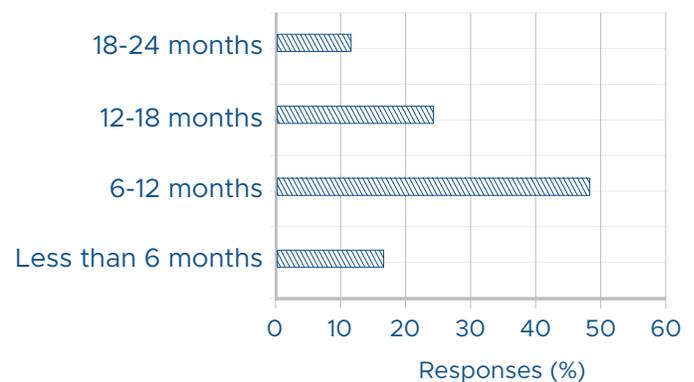
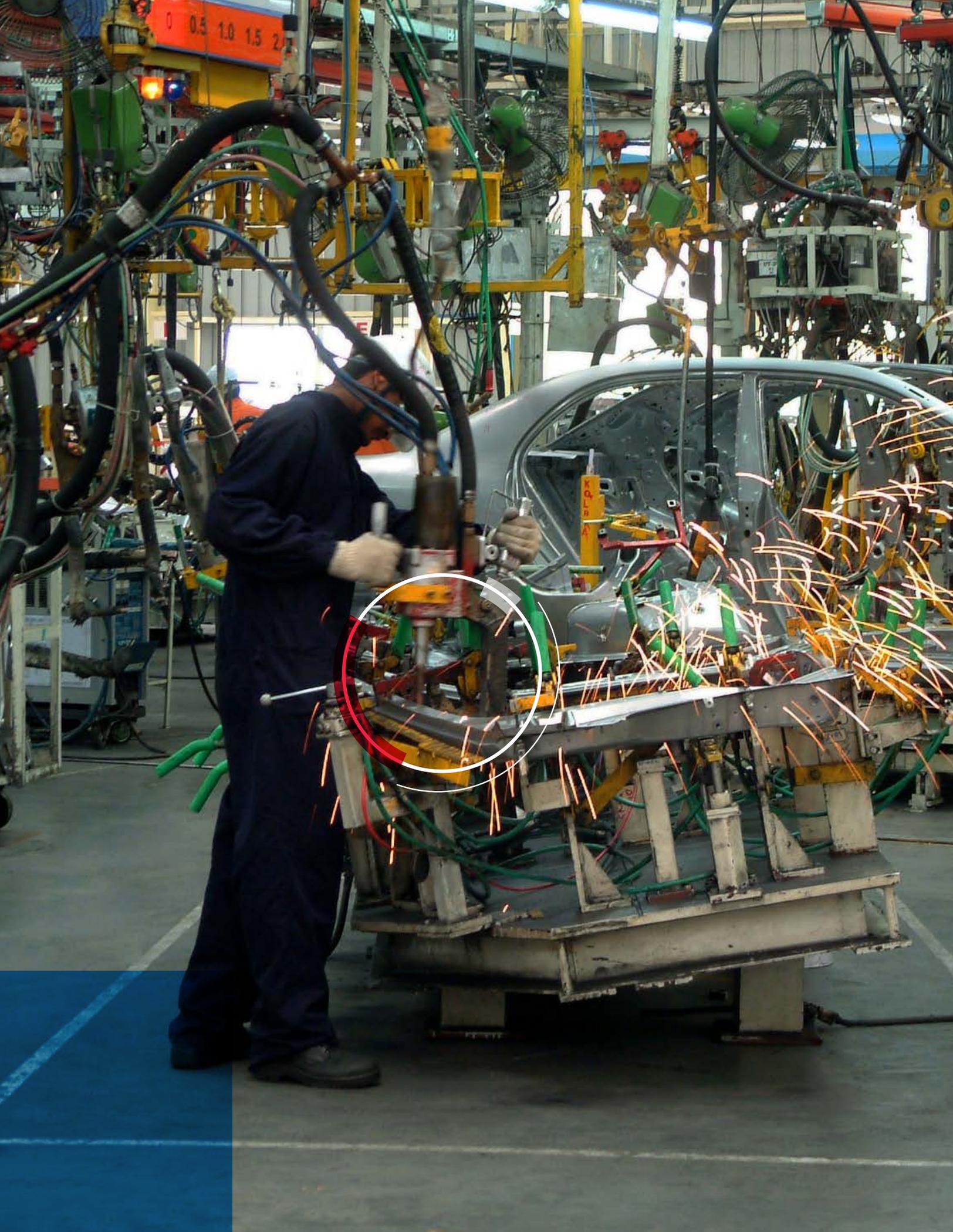


Figure 27: Perception regarding the time duration that it will take for the economy and the individual businesses to revive – views during Lockdown

A greater percentage of respondents (33.5%) stated that the economy would revive itself within 12-18 months. Interestingly, breakdown of this analysis on a sectoral level shows that respondents from both the secondary and tertiary sectors have set longer time-frames, i.e. between 18-24 months.

The above anticipation also reflects on when the businesses analysed the chances of their operations

normalizing in the future. The respondents were asked when could they expect their business operations to achieve its respective normal status. **It was observed that the majority of the surveyed businesses (48%) realize that their operations will attain normalcy in the next 6-12 months. This is a surprising observation because firms believe that their businesses will revive much faster than it will take for the economy to revive.**



The differing anticipation for business normalization from the overall economy is quite fascinating. **The majority of the same respondents**

(73%) also believe that for the remainder of the financial year, their respective cost plans are going to be less than last year's.

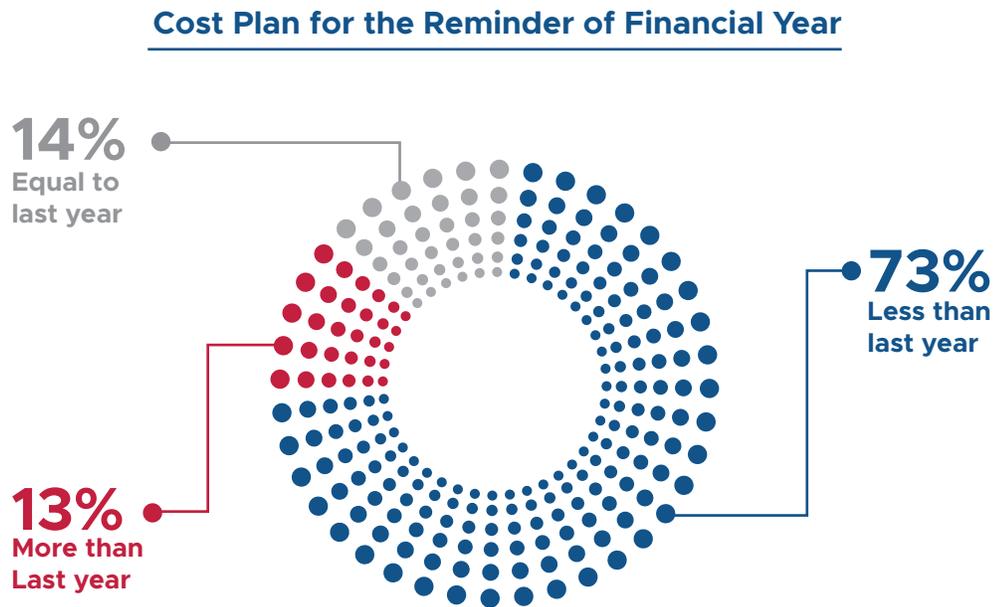


Figure 28: Anticipating Cost Plans for the remainder of Financial Year – views during Lockdown

Those respondents who are expecting the cost plan to be more than last year are mostly working in the Tertiary sector. Hence, the next 6-12 months is probably

an important timeframe as the businesses would adjust with a reduced cost plan despite enjoying better prospects as compared to the current financial year.

Change in Perception: Re-adjusting business plans and anticipation of normalcy

The transition from Lockdown to post-lockdown has led to a change in the expectations of the businesses regarding the return to normalcy. In the lockdown phase, it was largely expected that businesses would resume normal operations within the next 6-12 months. Now, during

the unlocking period, firms are expecting the delayed return of the normal functioning (in the next 12-18 months). While their other responses show signs of recovery, firms are still sceptical about their position being as good as it was in the pre-lockdown period.

Normalised Business Operation - Lockdown and Post - Lockdown Expectation

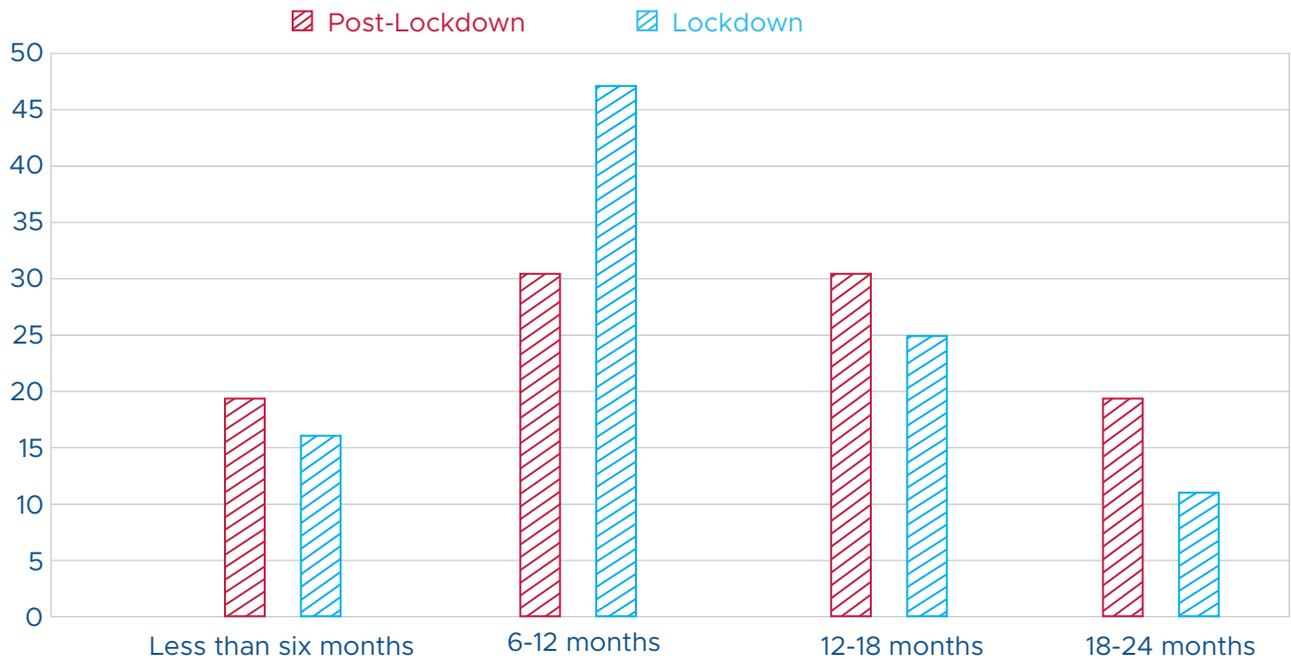


Figure 29: Delayed return to normalcy for Business Operations

Such similar shifts in expectation have also been observed in the macro-level case. Firms expect a delayed recovery for the economy to reach anywhere

near its original position. This could be due to the slow global economic growth, which could affect the export of merchandise and services.

In your view, how long will it take for the economy to get back to normal?



Figure 30: Economic normalcy- shifts in the expectations

Similar to micro-level expectation, the shift isn't that big as the majority of responses have inclined towards 12-18 months for the economy to recover. However, something interesting has emerged, and that is a slight increase in the post-lockdown expectations pertaining to economic recovery being as late as more than two years. But these responses could be very dynamic, and thus favourable policies and global trends could again see faster return to normalcy.

Another important result emerging from these expectations is the formulation of cost-plan for the remainder of the financial year. Majority of firms, during the Lockdown, claimed that the cost-plans would be less than the year prior to this. In the post-lockdown phase, the responses have been pretty similar. Therefore, with no drastic change observed regarding cost-plans, it is obvious why firms are expecting slowed return to normalcy at both micro and macro levels.

Key Emerging Trends: Anticipating normalcy from Lockdown to Post-Lockdown

- While assessing their own return to normalcy, most of the firms feel that the recovery would happen between the next two years (50%). This is a surprising shift from their lockdown phase where majority hoped for recovery within the next 6-12 months (48%).
- Similar expectations have been reserved for the recovery of the Indian economy. Surveyed businesses during post-lockdown have inclined towards this recovery to take place in at least two years.
- Due to delayed anticipation of economic recovery at both micro and macro level; firms have not shown any significant change in their cost plans during both the phases.

05

**BUSINESS
RATINGS**

OF INDIAN
GOVERNMENT'S
PERFORMANCE

Certain institutions hold the power to revive the economy in this post-pandemic era. However, simultaneous steps are needed to be taken to protect the businesses and create an encouraging path towards full recovery. Recently, major steps have been taken by the leading national fiscal and monetary institutions to set up a recovery plan for the Indian economy.

However, it is important to note how these steps are impacting businesses. Through the India Revival Mission, the survey attempts to capture the business perception and understand how do they value the steps taken by the Government.

Rating Government Initiatives

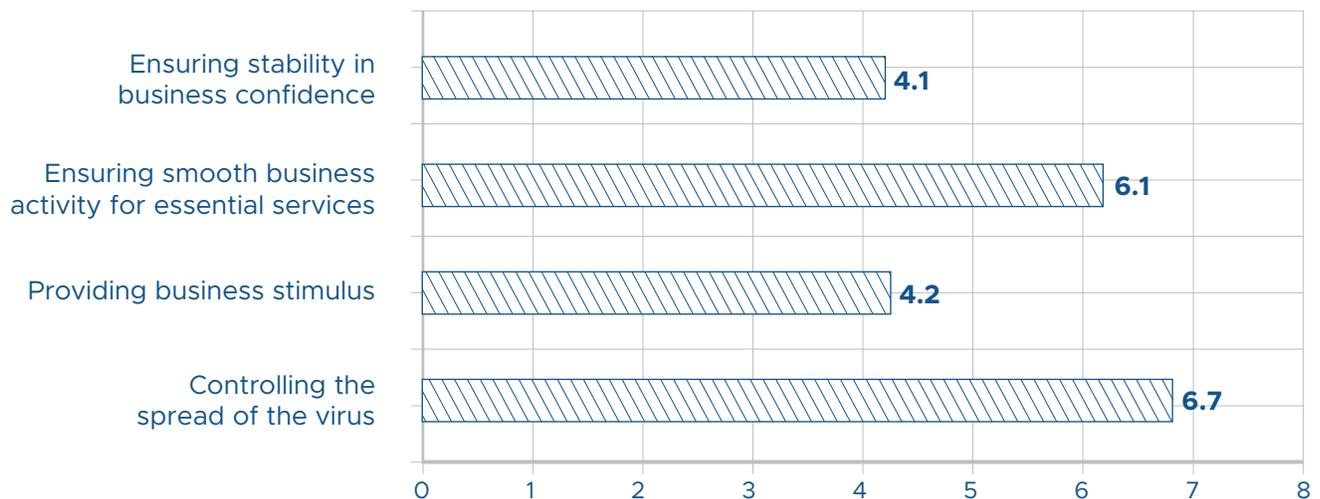


Figure 31: Ranking government initiatives carried to deal with the crisis – during the Lockdown

The respondents were asked to rate the Government's efforts to revive the economic activities on a scale of 1-10. **On average, respondents feel positive about the steps taken by the government to contain the spreading of the virus (6.8/10 rating).** And while they feel that serious steps have been taken to ensure smooth conduct

of business for essential activities, **the responses pertaining to the business stimulus (4.23/10 rating) and confidence (4.2/10 rating) are not overwhelming.** Even though the Government has released a major stimulus package with multiple tranches^[22], the respondents still are not convinced by its potential impact.

^[22] PIB (2020). Highlights of Finance Minister's Stimulus Package – V.

Similarly, the respondents believe that efforts from the monetary side are average at best. They were asked to

evaluate the initiatives taken by RBI during the Lockdown and rate them on a scale of 1-10.

Rating RBI Initiatives

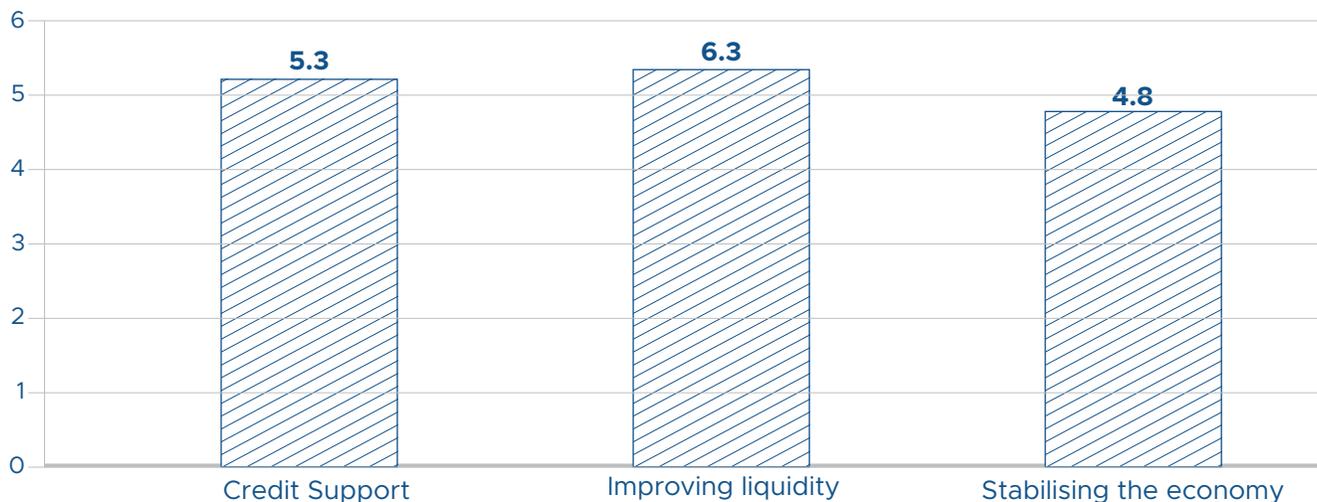


Figure 32: Ranking RBI initiatives carried to deal with the crisis – during the Lockdown

Average scores show that all the three criteria used for evaluation have received similar scores. **While the ‘improving liquidity’ criteria received the highest rating (5.45/10) out of**

the three, it seems that the surveyed businesses remain sceptical of the initiatives and are probably looking for more solutions.



Timeline Change: Rating Government Initiatives

When these responses were analysed from a longitudinal perspective, some unique trends emerged.

Government Rating: Timeline Change

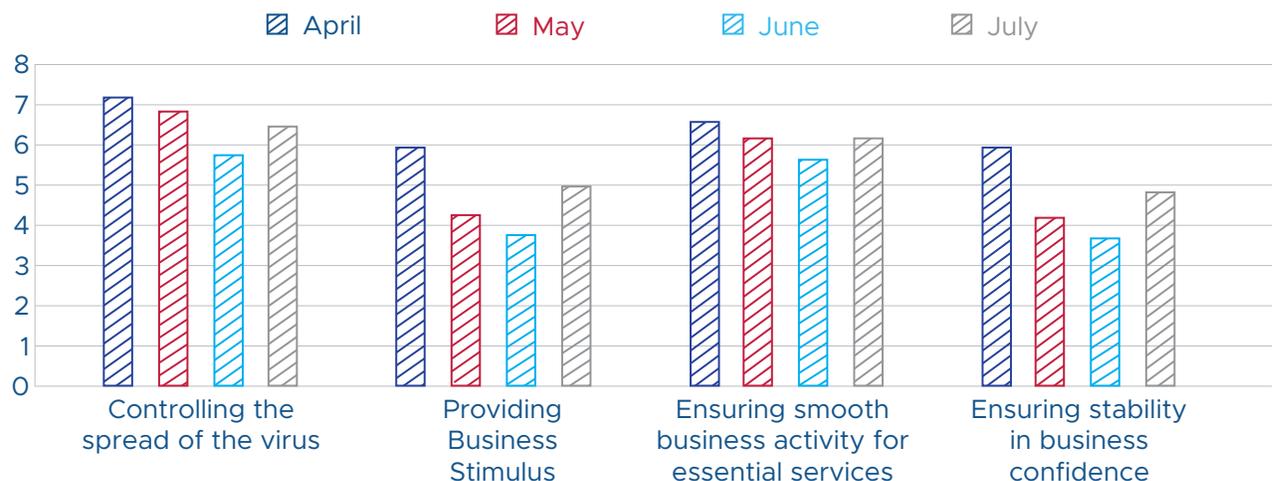


Figure 33: Rating Government Initiatives-Timeline Change

Businesses have positively reacted to the measures taken to control the spread of the virus and ensuring smooth business activity for essential services – hence the logistical support and the sustenance measures adopted by the government during the Lockdown to ensure that the operations are revived have the maximum confidence from the business respondents. However, across the board, average scores for all the measures have seen a dip

until June – especially in providing business stimulus and ensuring stability in business confidence – indicating that the government initiatives with regard to business promotion did not gain acceptance within the larger community of Indian businesses. However, from July, the scores across the board have improved signifying that the business community is regaining confidence in government actions taken to deal with the crisis.

Timeline Change: Rating RBI's Initiatives

The following observations reflect the timeline changes recorded for this question. Thus, similar to Government ratings, RBI ratings could be carefully assessed based on Lockdown and post-lockdown phases.



Figure 34: Business ratings of RBI's performance- Timeline Change

The ratings take a jump from April going into May. This is interesting given that in late April 2020, the RBI had already rolled out a series of measures to uplift the economy such as lowering repo rate and ensuring additional liquidity for NBFCs^[23]. But

it is a concern how the ratings have gone down for June. While the fiscal measures have been appreciated, monetary transmissions are yet to be fully felt by the majority of the businesses.

^[23] www.business-standard.com/article/economy-policy/rbi-introduces-measures-to-fight-covid-19-slowdown-cuts-repo-rate-to-3-75-120041700485

However, from July onwards, we observe a rise in the average ratings across all the measures. As businesses face lesser restrictions and find an

opportunity to finally restart, they value improving liquidity options and measures taken by RBI to stabilise the economy.

Emerging trends: Shift in perceptions regarding Government and RBI actions

- Businesses have positively reacted to logistical and sustenance measures taken by the government to tide over the crisis – namely actions related to controlling the spread of the virus and ensuring smooth business activity for essential services.
- Nonetheless, across the board till June, scores have dipped especially for government activities related to business protection and promotion.
- From July, however, average ratings for government actions have improved across the board – indicating regaining business confidence.
- Similarly for actions taken by the RBI – scores have dipped across the board especially in June – with slight improvement in July.



06

WAY AHEAD FOR SOLUTIONS

UNDERSTANDING
THE SHIFT FROM
LOCKDOWN TO
POST-LOCKDOWN

The survey attempted to gather the appropriate economic response that would be required for the recovery of businesses across the nation. This includes both potential short-term (6-12 months) and long-term (1-2 years)

actions that could improve business activities. These responses could help in understanding the lower ratings for government initiatives on business stimulus and confidence.

Short-Term Solutions – Understanding Change in Perceptions from Lockdown to Post-Lockdown

Short-Term Solutions	Lockdown Rank	Post- Lockdown Rank
Increase the size of the stimulus	1	1
Provide tax breaks to businesses	2	2
Provide support for wage payment	3	4
Give cash transfer to people to boost consumer demand	4	3
Availability of cheaper credit	5	6
Ensure additional support for MSMEs	6	5

Figure 35: Preference regarding short-term policy solutions – shift from Lockdown to post-lockdown

The above list presents the preferred solutions opted by the respondents in that order. Respondents were asked to rank the above activities from 1-6 to understand the most preferred short-term solutions to improve business activities. **The results show that increasing the size of the stimulus is the most preferred option for the respondents, closely followed by providing tax breaks to businesses.**

However, there has been a shift in the ranks when the perceptions are viewed during and post-lockdown. While the majority still want more focus on increasing the size of the stimulus and providing tax breaks to businesses, there is now a greater need for giving cash transfers to people to boost consumer demand than needing support for wage payment. This indicates that companies are slowly finding the capacity to pay their employees but are still facing a crunch in terms of

sales. Moreover, ensuring additional support for MSMEs has gained more attention than the need of cheaper credit, post-lockdown – signifying that MSMEs would need more hand-holding to tide through this crisis as well as the business community might be sufficiently pleased with the availability of cheaper credit made available through RBI measures and Atmanirbhar Bharat Loan Programme.

The Finance Ministry recently announced several measures that were taken and one of the major steps was to provide extensions on tax payments^[24]. Similarly, the Ministry has also included provisions to support wage payments. This includes increasing the MGNREGA rates, forwarding wages through the BOCW funds for the construction workers. However, major steps could be taken to further ease the businesses from impending tax-related obligations.

THESE STEPS COULD INCLUDE:

1. The GST on essential goods and services could be reduced.
2. Income tax breaks could also be given to essential workers.
3. Tax refunds could be expedited to bring in extra liquidity in the economy.
4. Tax rebates could be given to specific manufacturing units who are looking to reorient their businesses to produce essential commodities.

^[24]pib.gov.in/PressReleaseSelfframePage.aspx?PRID=1608345

Long-Term Solutions

Long -Term Solutions	Lockdown Rank	Post- Lockdown Rank
Revamp Health and Education Infrastructure	1	1
Undertake Labour Reforms	2	2
Reform Agriculture	3	4
Large-scale Takeover of Bad Loans	4	3

Figure 36: Preference regarding long-term policy solutions- a lockdown and post-lockdown comparison

The above options were ranked on a scale of 1-4, and the respondents have shown clear preferences during both phases. **Both infrastructure (average score of 2.95 out of 4) and labour reforms (2.94 out of 4) are the preferred long-term priorities.** However, a minor change has been noted as agricultural reforms have been given ranked last in the post-lockdown phase. This could be due to the fact that the primary sector faced limited contraction during the Lockdown.

The preference unsurprisingly reflects the current challenges the national economy is facing. With mass migrant

movements, business prospects have been affected. And thus, labour reforms are a much-needed solution which would allow rightful addressal of labour rights without compromising on the conducive business environment^[25]. Rationalisation of labour acts to remove provisions that disincentivise formalisation while maintaining transparency between the workers and the contractors. This could all start with introducing modifications to the Industrial Disputes Act and Inter-State Migrant Workmen Act, 1979.

Similarly, revamping health and education infrastructure would

^[25]Sharma, A. N. (2006). Flexibility, employment and labour market reforms in India. Economic and Political Weekly, 2078-2085.

prompt increased investments which would further boost business activities. As a result, businesses, while keeping the social benefits in mind also find an opportunity to raise the economic benefits. This could also

translate into a healthy investment via CSR channels that would foster long-term social development. There are significant long-term steps that can be taken to revamp both the sectors' infrastructure:

HEALTH INFRASTRUCTURE –

1. Increased government spending on public healthcare services to reduce the private out-of-pocket expenses
2. Developing better, decentralised district health systems with increased real-time data collection
3. Increasing funding for primary healthcare and preventative public health interventions
4. Promotion of innovation in healthcare research and development

EDUCATION SYSTEM –

1. With increasing digitalisation in education systems, the curriculum of school syllabus and skill development programmes should be modified accordingly
2. It is also necessary to ensure that the socio-economically backward students can access and utilise the e-learning systems.



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