

## **THE IMPACT OF COVID-19 ON ORGANIZED RETAILING IN INDIA**

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### **ABSTRACT**

Coronavirus disease 2019 (COVID-19), a highly infectious disease, was first found in Wuhan, China, in December 2019. The virus has spread to 210 different countries worldwide and has (confirmed) affected more than 2 million people. Retailing in India is business activity which evolves from ancient and medieval period. It has faced many developments and changes in multiple folds in the last three decades. This COVID19 has brought so many changes around the world in all aspects. It has marked an imprint on retail sector also. It has given so many challenges to the modern retailers and provided a lot of opportunities to both traditional and modern retailers. All these challenges and opportunities made the retail sector to take a new facet.

**Keywords** : Retailing in India, GDP, MNREGA, Covid-19, Indian economy.

### **I. INTRODUCTION**

From over past few quarters the Indian economy has experienced major slowdowns. The conomy expanded at a six-year reduced rate of 4.7 per cent in the third quarter of the current financial year. In last quarter of current financial year, there had been a good possibility of improvement. However, in the near to intermediate term, the latest coronavirus outbreak has made recovery incredibly challenging. The disease has now challenged Indian economy with fresh challenges, causing major disruptive effect on both demand and supply side aspects that has the capacity to disrupt India's development story. India reported its first confirmed case on January 30. And till now, the cases are increasing rapidly. From the last one month, per day count of cases in India is more than 50,000. <sup>[1]</sup> And the condition of economy is already going down, after independence, this is the second in India that the GDP has fallen to -23%. COVID-19 has greatly affected a developing nation like India. The objective of this paper is to understand the opinion from the business fraternity regarding the downside risks to the

Indian economy on the backdrop of outbreak and spreading of this virus. World Health Organization (WHO) defined coronavirus as a family of viruses that range from the common cold to the Middle East Respiratory Syndrome (MERS) coronavirus and the severe acute respiratory syndrome (SARS) coronavirus.<sup>[2]</sup>

### **II. IMPACT OF COVID-19 ON INDIAN ECONOMY**

As per a UN survey, the export effect of the coronavirus outbreak for India is estimated at about \$348 million & nation figures among top 15 economies most damaged as production slowdown in China disturb world commerce. Whereas the Covid19 outbreaks could cost the economic growth between \$387 million and \$29.9 billion in private consumption loss as per the Asian

Development Bank (ADB). For India, the export effects is projected at \$129 million for chemical industry, \$64 million for manufactured goods, \$34 million for the automotive industry, \$12 million for electronic equipment's, \$13 million for leather goods, \$27 million

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for metal - based goods and \$15 million for wood and hardware. China saw its manufacturing Purchasing Manager's Index (PMI) sharply decrease to 37.5, its lowest reading since 2004. This decline implies an annual reduction of 2 per cent in production. This has come about as a direct result of corona virus spread (COVID-19).

### **[3] III. IMPACT ON THE LIFESTYLE OF PEOPLE**

India continues to struggle, and is therefore not sure when the peak will arrive. Research teams are interested in developing hypotheses and models for forecasting. It is likely that perhaps the cases affected during the first period of COVID-19 lockdown have been under control. It should be noted that Indian people respected the laws imposed by the government and were

well aware of the severe impact of COVID-19 while attempting to comply with the regulations. The transmission was reduced by lockdown and many countries were successful with it. First week of March 2020, many countries such as China, Italy, Spain and Australia were battling the COVID-19 pandemic by taking stringent steps such as national lockdown or cordoning off areas suspected of population spread threats. India is facing today terrible consequences from COVID-19 and its combination scenario of fear and lockdown; most Indians can face unemployment that will cause them into hunger, poverty. Although it is not yet clear if coronavirus or hunger is a promoter to which Indians are subjected every day. Anyway, it is clear that COVID-19 has produced a complex effect on society that includes the economy, lifestyle and climate. It's hard to believe that the COVID-19 pandemic's devastating events will be easily ignored or vanish altogether over period. There may be increasing lack of confidence between the citizen and institutional body. There really is no place to rejoice or pursue any plan, as the second wave has a chance.

### **[4] IV. CHALLENGES FACED BY RETAILERS DURING PANDEMIC**

The novel pandemic has changed the business practices of retailers and made them face many confrontations in doing business. Some of the challenges faced by retailers are as follows:[1]

- Shrinkage of business: Due to the lockdown, the entire economy has faced a slow pace and all the retailers faced the shrinkage in their business volumes. In India, most of the apparel, footwear and fashion retail shops has the habit of doing march year end sale/ march clearing sale in the last week of every March. This financial year end sales have got affected by this lockdown.[5]

- Fall in consumption: The consumption pattern of the consumers has also decreased which tends to fall by 25 to 30 % for the next six to nine months. This lockdown has reduced the confidence of consumption among the consumers, and the decrease in consumption pattern is due to the fear

of disease, loss in income and also fear in job security.[6]

- Diminishing brand loyalty: The recent change in shopping habits of the consumers made them to

stick on to one retail store even for buying necessity items. But, the restrictions laid in commutation during lockdown make people buy the essential items from the nearby retailers itself and avoid them going to their usual shopping areas. This has paved the way to the consumers to use / switch over from nationalized brands to private brands, as small retailers are selling more amounts of private label items.[6]

- Operational difficulties: Apart from the business fall, the retailers have to change themselves in the way of doing their business. Organized retailers have to manage the supply chain disruptions,

restriction in the footfall of the stores due to the social distancing, hygiene improvements as per the local governance, reduction in promotional campaigns so as to avoid over crowd. Even

unorganized retailers are in a position to face these kinds of operational changes such as home

delivery, e-payments, hygiene practices laid by local authorities, etc.[4]

#### V. OPPORTUNITIES FOR RETAILING DURING PANDEMIC

In Spite of having more confrontations and threats by this COVID 19 to retail sector, it has offered a chance to retailers to identify the new way of doing business. Vol. 10 Issue 39 July to September 2020

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Some of the opportunities created by covid-19 for retail sector are as follows:

- Modification of operations: This Pandemic situation made customers to move highly towards

the online retail activities when compared to brick and mortar system. So, organized and traditional retailers have to find out a online platform to sell their products, without pulling the customers towards the physical stores. Many retailers in tier 1 and tier 2 cities has started to do business and services using smart phones through Whatsapp, Messenger etc., and receive payments using online platforms such as Gpay, Pay tm, Pay U, etc. —[7]

- Market penetration: Middle class family of India has got economically affected due to this

lockdown and they form a large proportion of business for the organised retailers. To ensure their continuation in the business, retailers can go for reduction in price and also value and range. The retailers have to concentrate on low premium products when compared to the high end products.

[2]

•Looking beyond the Market Organised retailers have to move to new market or to rural market

which can balance the business loss in tier1 & 2 cities. For example, Maruti Suzuki has planned to open new dealer showrooms apart from tier one or two cities so as to reap the benefit of economic stimulus package announced by central government for rural people. The giant retailers can start to concentrate on tier two and tier three cities to multiple their business volume. Many small retailers in tier 3 cities are facing financial crisis due to this lockdown and may be running out of business. This situation can be easily utilized by the organized branded retailers to open their outlets.[8]

## VI. RECOMMENDATIONS

Here are a few suggestions that the policymakers can consider as they gear up to deal with the economic crisis.

1. First step is to safeguard informal-sector employees, who are going to be severely hit, and still have no savings to tide them over the pain. Although there are two methods that could be used: MNREGA (Mahatma Gandhi National Rural Job Guarantee Act) and Jana Dhana

accounts.

2. For the organized sector as mentioned above, the aim is to bring the banks perhaps less risk-averse in their lending overall while maintaining their power to discriminate between productive and non-productive companies.

3. To improve liquidity and consumer trust, India's government should provide a quarter-long pay roll tax cut to boost demand in these difficult times.

4. MSMEs may receive subsidy working capital loan equal to last year's average turnover of one to 3 months. To help them, since the supply chains are being disrupted globally, SIDBI must also provide subsidy financing to MSMEs for 3 months at a rate of 5 percent. The rate of interest for these funding may be changed as part of GST in the next 3 years.

5. Corporate CSR investment must be geared toward the response fund devoted to handling the pandemic.

6. Throughout the large and heavily populated nation, a disaster management system geared to controlling global pandemic would become important.[3]

## VII. CONCLUSION

Indian retailing is dynamic in nature and it has to face the changes imposed by the environment. Both the organised and unorganized retailer has got affected by the novel corona virus and it is the time for them to rethink about their business. Instead of categorizing them as organised and unorganised retailers they can be divided as essential item retailers and nonessential item retailers. This covid-19 had a great impact of non-essential items retail business and whereas it has shown ways to essential item retailers to form a new strategy, adoption of technology, operational changes, etc., to stay in the business forever.

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