

**IMPACT OF COVID-19 PANDEMIC ON INDIAN RETAIL SECTOR: A SEVERELY
AFFECTED SECTOR**

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ABSTRACT

The way coronavirus has not only engulfed the human beings in the world but also affected the global economy and India is not untouched by this either. Indian economy is undergoing unprecedented blow from an epidemic. Countrywide lockdown, transport restriction, sealed states border to curb coronavirus outbreak leading to all economic activities' standstill. The magnitude of the impact on all economic sectors may differ but some sectors have suffered most and are struggling to cope with this unprecedented situation, including retail. Indian retail sector has over 1.5 crore retailers, which employs 40 to 50 crore people. The sector contributes around 40% in consumption and 10% in India's GDP. Presently the situation of retail sector is bleak and could be worse if lockdown persists some more time. The purpose of this research paper is to analyze the impact of COVID-19 on retail sector and describe measures announced by the government and RBI to tide over the coronavirus crisis.

KEYWORDS: COVID-19, Coronavirus, Impact, Lockdown, Retail Sector.

INTRODUCTION

As we all know, COVID-19 pandemic has now turned an economic crisis. However, it is predominantly a health crisis but now hurting an economic activity too. On 24th March

2020, central government announced countrywide lockdown to reduce the intensity of Novel Coronavirus. COVID-19 pandemic has profoundly affected society in a dramatic way. Globally, billions of people are living in some sort of government's restriction and lockdown. Compliance of Social distancing (physical distancing), home quarantine, travel restriction, and seal states border push all economic sector to the brink. Closing of a shopping complex and declining customer footfall has impacted on essential and non-essential items demand. People are not intended to spend on discretionary items due to less income and uncertainty in jobs especially daily wage earners with extensive fear and panic. Further compulsory shut down of plants has affected the manufacturing sector, which disrupts the supply chain and logistics. The magnitude of the turmoil impact may vary from sector to sector but some sector has affected the most and continue to suffer, retail sector is one of them. COVID-19 pandemic has caused an irrevocable dent on Indian retail sector which will be leading a terrifying impact on the economy.

CORONAVIRUS: - Covid-19 is an infectious disease caused by a novel coronavirus. This virus is belonging to the family of CORONAVIRIDAE and subfamily of CORONAVIRINAE. The WHO has officially declared public health emergency as on 30th January 2020 for the sake of global interest over the worldwide outbreak of novel coronavirus. Later on, WHO gives the name of diseases called COVID-19 on 11th February 2020. The 2019 Novel coronavirus (2019-nCoV) first noted in Wuhan, Hubei province, China in last November 2019 (that's why its name including 2019) causing acute respiratory disease to affected patients. In January 2020 COVID-19 got global concerns due to highly transmissible and contagious nature. The coronavirus has infected more than 4 million people in more than 200 countries and has killed around 3 lakh people in the world (till 14 May 2020).

WHAT IS RETAIL? - Retail is the sale of consumer goods from a single point (either market, malls, departmental stores, or online store) directly to the ultimate consumer in small quantities. The word retail was drawn from the French word *Retaille* meaning to "cut a piece off" or "to break bulk" (Levy & Weitz, 2007). Besides, retailing combines a direct link with the consumer and the management of end-to-end business activities right from the idea and developing stage of a product or offering delivery and post-delivery services to the consumer. Retailing is an intrinsic part of the marketing mix. In this marketing mix "place" refer to the distribution and product availability at various location (Kotler & Keller, 2006). Retail stores not only sell the product to

the end-user but also simultaneously get feedback from customers on the performance of the product and their expectations for a product and communicate this information to the marketing manager of the organization.

STATUS OF INDIAN RETAIL SECTOR BEFORE COVID-19

Retail sector has developed as one of the largest sectors providing high revenues, large employment, latest technology, and many more. Indian retail industry got the second rank in global retail development index (Kearney's 2019 global retail development index, GRDI). the change in Indian consumer buying behavior and emergence of modern retail format has changed the face of Indian retail. customer buying in retail industry is being projected as a key opportunity area for re-emergence of Indian economic growth. India is the fifth-largest economy in terms of GDP and the third-largest economy in terms of purchasing power parity (PPP) in the world. Retailing in India is slowly poised to become the next boom industry. The market size of retail sector in India reached US \$950 billion in 2018 and expected to grow US \$ 1200 billion in 2021 and US \$ 1750billion in 2026 with registering growth at a CAGR of 10.97% between 2002-2026 (IBEF, 2020). Retailing contributes to India's GDP and employment is 10% and 8% respectively.

The organized retailing (modern trade) is steadily paving the way for tremendous transformation. Indian retail sector is divided into two parts one is organized retail and other is unorganized retail which holding the lion's share of the retail market. The changing format of retail industry significantly influences buying behavior of consumer and their lifestyle drastically. Traditionally, the retail market is predominantly of Kiranashops and independent owner stores markets in India. The organized retail sector is on the nascent stage in India. They are dealing in just few product lines such as apparel, footwear, and grooming with significant presence over the last four-five years. They are going to grow much faster despite facing competition from unorganized (traditional) retail sector, which has been established for some centuries. The organized retail in India is rising at CAGR by 22-25% per year and projected organized retail share to reach 18% and e-commerce retail share to cross 7 % of the total retail market by 2021. on the other side, unorganized sector, expected of owning 75% of the overall retail market by 2021 (IBEF, 2020).

IMPACT OF COVID-19 PANDEMIC ON RETAIL SECTOR

The novel coronavirus outbreak and the subsequent nationwide lockdown has deeply impacted the retail sector. To curb the spread of coronavirus most of the stores (except food, grocery, pharmacy) have been closed. Therefore, the growth has seen a massive drop off. The less essential retail such as electronic, furniture, footwear, Apparel, jewelry, etc. are almost closed and reported 90 to 100% reduction in sales and profit. Apart from this, retailers selling essential commodities are also suffering losses because they are not permitted to sell the high margin non-essential items. Thus, coronavirus who has caused havoc in the world, has not only affected the non-essential retail but has also affected the essential retail. Although, a complete assessment of coronavirus impact on retail sector can only be made when the situation unfolds once the lockdown is lifting. But based on some reports and assessments by reputed agencies, economists, and analysts, following are the impact of Indian retail sector.

IMPACT ON REVENUES

Coronavirus disease has hardly hit the revenue of retail sector due to nationwide prolonged lockdown. The future is gripped with a lot of uncertainty so it is not possible to estimate the situation until the lockout is lifted and the condition is normalized. According to some reputed institutions and association: retail trade has suffered extensive losses of Rs 3.15 lakh crore amid lockdown and this loss could be higher if lockdown extended. Non-essential products retailers have to close their shop during a lockdown and expecting zero revenue until the lifting of lockdown. RAI survey-based report says Non-food retailers plan to gain 40 percent in the next 6 months relative to last year's sales, and most food retailers often sell non-essential items in the same and/or different stores. In the lockout, Non-food trade in the shops has ground to a halt leading to more losses. Hence, food retailers plan to gain 56 percent over the next 6 months compared with last year's revenues. Moreover, around 30% of essential product retailers are being able to continue providing their services due to many hassles in obtaining pass from the authorities. Non-essential products retailers could see more significant impact over the next 3 to 4 quarters.

IMPACT ON JOBS

The retail sector is the largest sector comprises of 1.5 crores small& big, modern, and traditional retailers who employ 40 to 50 million peoples. The retail sector contributes around 40% in consumption and 10% in the GDP of India. Shutting down of shops and malls could lead to a whooping job loss because of the cash crunch.They will not be capable of keeping their project running for too long. Small retailers expect 30% of their employees to be laid out, this figure would fall to 12% for medium and 5% for large retailers (RAI Survey). Overall, the layoff could be about 20 to 30% on the whole basis and the situation would be worse if lockdown persists. Further, Kumar Rajagopalan, CEO of RAI said in his statement thatIf the shutdown lasts until June, we'll see a situation where 30 percent of retail stores have shut down for good, causing 18 lakh people to lose their jobs.

IMPACT ON LIQUIDITY/WORKING CAPITAL

Liquidity is a big concern of retailers in this financial crisis. They have not enough capital to sustain their operation at that time when their shops are closed since prolonged lockdown. They are having to pay rentals employees' salaries and other fixed charges despite deep financial crunch, which leads them towards collapse and wind-up. Besides, non-essential retail such as Apparel, jewelry, footwear, and CDIT (consumer electronics, durables, IT, and Telephones) have come on a ventilator due to mandatorily shutdown. Their economic health is so fragile. They cannot stand up and walk even after lockdown lifting unless the government comes up with relaxation and stimulus package. Many analysts and associations are expecting the credit cycle and Money's movement in the business will take 40 to 60 days after lifting of Lockdown.

IMPACT ON DEMAND SPIKES AND SHIFT OF CONSUMER PREFERENCE

Presently, food and grocery item demand are very high. Online retailing has witnessed massive surge in demand even large e-commerce companies like- Amazon, Flipkart, Bigbasket, and Grofers are currently out of stock due to panic and bulk buying, which impacting their services to an extent. They trying to procure and maintain stock to deliver all their orders. The household Staples and hygiene products are in high demand these days. Kirana stores are also playing a pivotal role in meeting consumer demand and turning as lifeline amid this pandemic crisis. Now

people are going to neighborhood Kirana stores despite supermarkets, market shops, and e-commerce to purchase food and grocery items. On the other hand, the demand for Non- food products has plunged due to compulsory nationwide lockdown. The CAIT (confederation of all India traders) has stated that in upcoming weeks after the lifting of Lockdown, malls, market place, supermarket, etc. will see large customer footfall because of coronavirus is persists among them, therefore, the customer will be hesitated to visit a crowded place or markets. Nevertheless, people intend on spending less on discretionary items. The purchase only essential or what they want leading to evaporated demand for fashion, personal grooming, and big-ticket items. Another shift in consumer behavior from offline to online shopping. People who were avoiding online shopping earlier are now pushing yourself towards online shopping due to avoiding physical contact and restriction in force.

IMPACT ON KIRANA (MOM AND POP) SHOPS

To break the chain of coronavirus Central government has been declared complete lockdown since 25th march 2020. Most of the workers have returned to their home as all business activities shut due to which E-Commerce companies are unable to meet customer demand with less manpower and disruption in logistics. Neighborhood Kirana stores are taking advantage of this and are acting like a "warrior" in the lockdown that has been caused by COVID-19 pandemic. Since massive disruption in supply chain and distributors are not able to supply food and grocery, mostly mom and pop shop owners have been running to procure as much food and grocery as they can from one distributor to another for meeting up the spike in demand. The McKinsey report stated that the Kirana store has seen a 39% growth in the sale of grocery and food items amid lockdown. People are preferred to shop at their neighborhood grocer. Further E-Commerce companies have low penetration in India limited only with cities. While about 70% of India's population lives in a rural area in that case Kirana stores are enjoying supremacy and meeting an unprecedented spike in demand.

IMPACT ON INVENTORY

Companies and entire industries have been shut down due to the outbreak of this epidemic. There is potential for stress in the supply chain as a retailer dependent on sourcing products from Asian countries and manufacturing. While there is a greater demand for essential commodities (food,

grocery, hygiene products), retailers cannot meet consumer demand as of supply chain disruption. The delaying of inventory by supply chain is leading inventory drying up at stores, which impact on product supply to the end-user. Meanwhile, Non-food retailers have been facing piled-up inventory in their stores from the last three months and expected a large drop off in customer footfall in upcoming months. They will have to sell inventory at a lower price, which will lead to profit evaporation and cash crunch.

MEASURES TAKEN BY THE CENTRAL GOVERNMENT AND RBI TO TIDE OVER COVID-19 CRISIS

- Government extended GST filing for March April and May to 30 June 2020.
- Under Pradhan Mantri Garib Kalyan package 24% of monthly wages (12% of employee and 12% of employer contribution) to be credited into their provident fund account for the next three months (March, April, may) for wage earners below Rs. 15000 p.m. in a business with less than 100 workers. This facility will be extended by the next 3 months (June, July, and August 2020).
- 5 crore employees who are enrolled under the employee provident fund to obtain a non-refundable advance of 75% of the sum of three months' pay, whichever is less.
- Extended the last date for filing income tax return from July to November 30, 2020, and tax audit deadline from September to 31st October 2020.
- Indian reserve bank reduced cash reserves ratio (CRR) from 4 percent to 3 percent on March 27, 2020, resulting in a rise in the liquidity of 13,700,000 crores. This dispensation is valid for a one-year duration (March 26, 2021).
- A moratorium of 3 months in respect of all term loans on payment of installments and payment of interest on work capital facility, further extended by the next 3 months (from 1st June to 31st August 2020).
- EPF contribution reduced by 2% to 10% each for all organization covers by EPFO for June, July, and August. Although, scheme will be applicable only for those, who are not eligible in 24% EPF support by PMGKP.

- To provide more disposable funds in the hand of taxpayer, the government reduces Tax Deduction at Source (TDS) for non-salaried specified payments rendered to residents and Tax Collection at Source (TCS) for specified receipts by 25% of the existing rates from 14 May 2020 to 31 March 2021.

CONCLUSION AND SUGGESTIONS

Nationwide lockdown to reduce the coronavirus outbreak triggered the economic activities downturn. Retail sector is beset with many problems such as cash crunch, loss of revenue, demand spikes, a shift in consumer preference, job loss, and many more in the context of the compulsory shutdown of all stores except food, grocery, and pharmacy. The non-essential retail reported a 90 to 100% reduction in sales and expected a whopping job loss. they are unable to sustain their operation until the government comes up with a simulation package, otherwise, they will lead to collapse and winding up. However, central government has given Rs. 20 lakh-crore for an economy to overcome the recession caused by COVID-19, which will help to accelerate the economy in the long run. But the retail community is totally "ignored" from this huge stimulus package. Earlier measures announced by RBI and government such as contribution in EPF, reduction in TDS/ TCS, extended deadline for GST filing, and income tax are not enough to provide financial support for keeping a business continue. The industry needs immediate financial support to tide over adversity due to lockdown. Financial support will provide them some succors by easing liquidity at the time when they are on a steep downturn. They can pay employees' salaries to avoided massive job loss, rentals and other fixed charges to sustain their operations. The government must ensure that people have enough disposable income at their hands in rural and urban areas when all economic activities are standstill and people are empty-handed especially daily wage earners and low-income groups of people. It could lead to an increase in the spending capacity of the consumers. Moreover, the government provides additional short-term credit lines for eight to twelve months at a low rate of interest to meet increased working capital demand.

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