

THE

COVID-19



INDIA IMPACT SURVEY REPORT



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INSTITUTE for
COMPETITIVENESS

THE COVID-19 INDIA IMPACT SURVEY REPORT

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Contents

04

Key
Highlights

05

Introduction

07

Citizen
Assessment

18

Business
Assessment



Key Highlights

- **Most of urban India views the efforts of the government positively in response to the COVID-19 pandemic (rating it close to 7 out of 10 on an average) and supports the decision for a complete lockdown (86% agree). The support for the government goes up with the age of the citizens.**
- **The job market prospects in the coming months are viewed negatively by the citizenry (50% feel their future income will fall) and the business community concurs with the view (63% foresee a hiring freeze in the future).**
- **Most of businesses have already seen project delays (55%) and reduced cashflows (70%) due to the pandemic.**
- **Businesses are generally optimistic about the prospect of recovering their business (70 percent on an average) with medium-scale firms being the least hopeful.**
- **Businesses do not view the efforts of the government and the central bank quite positively on various parameters.**

Introduction

On the last day of the year 2019, China reported a cluster of pneumonia cases in Wuhan, the capital of Hubei province. A novel coronavirus was eventually identified and named SARS-CoV-2, or simply, COVID-19. By mid-April, over 2 million people had been infected with the virus across the world and over 100,000 were dead.

The virus brought a globalised world to a virtual standstill. The movement of people and goods around the world has come to a halt to an extent that has never been witnessed in recorded history. These measures, which were crucial to slow down the spread of the virus, will leave a devastated global economy in its wake. The global growth prospects were already quite low for 2020, but the onset of a pandemic has provided an added boost to recessionary forces.



Since India has been one of the most stringent in its imposition of a lockdown, the health crisis seems to be in manageable limits. But the repercussions of a complete stop in economic activity are bound to be severe for the Indian economy. With the idea of understanding the crisis better and to inform the country's policy choices within and beyond the pandemic, the Institute for Competitiveness undertook "The COVID-19 India Impact Survey" to assess the impact of the crisis on citizens and businesses, to understand their perception of the efforts being undertaken to resolve the crisis, and to determine their perception about the future.

The survey was conducted for the following purposes:



To assess the public perception about the severity of the COVID-19 pandemic and understand how it has changed over time



To determine the public perception related to government responsiveness and community behaviour



To identify the impact that crises have on public support for the government in general



To evaluate the impact of the crisis on businesses in terms of the current lockdowns and the long-term implications of doing business across borders



To assess the future expectations that citizens and businesses hold in order to understand the disparity between expectations and actual outcomes

The data was collected in the first week of April 2020 from over 500 respondents. The respondents were from across all age-groups and the male to female distribution was in a 60-to-40 ratio respectively. However, there is one limitation in the sampling of the survey. Almost 90 percent of the respondents at least had a graduate degree. So, the sample is heavily biased towards the educated segments of the Indian population. The inference that we can draw from the limitation is that any findings that the report will draw on the potential impact on Indian citizens from the pandemic will only be magnified across the country. Thus, the report is a conservative estimate of the developing situation.

The report elaborates on the findings from the survey in three broad themes from the perspective of both citizens and businesses each. The section on citizens includes their perception about the pandemic and the role of trust during such crises; the impact of the crisis on their livelihoods and mental health; and how citizens are spending their time during the lockdown. Meanwhile, the section on businesses covers the impact of the crisis on their business; the impact on employees; and their perception of state efforts.

Citizen Assessment

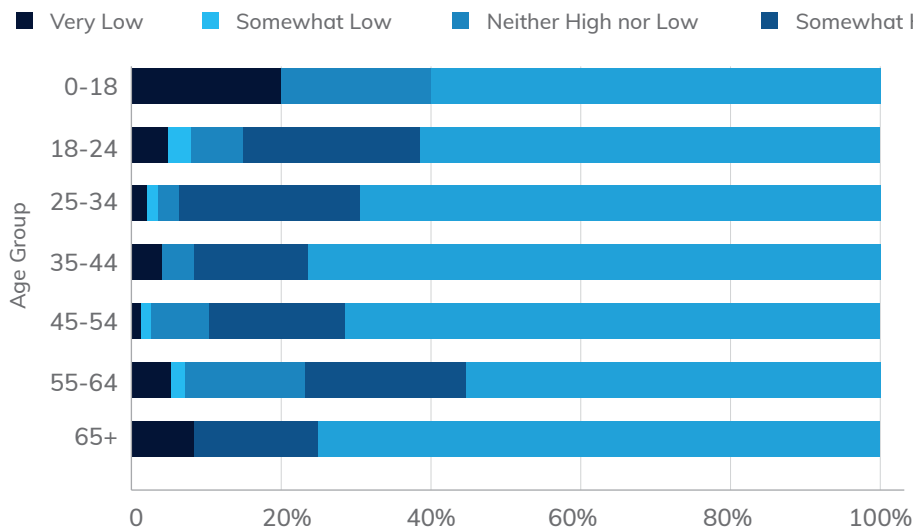
THEME 1: CITIZEN PERCEPTION AND THE ROLE OF TRUST

Severity of the Pandemic

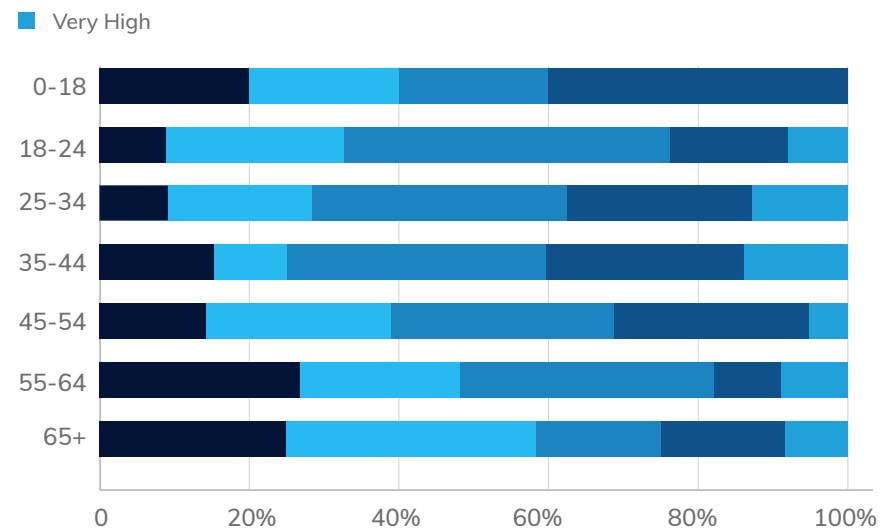
It is encouraging to see that an overwhelming majority of the respondents across all age groups believe that the issue of COVID-19 is quite serious. **On a scale of 0-5, the average score for seriousness of the issue is 4.46.** In such times, for any government action to be successful it is important that people don't take the situation lightly. It is only when they understand the gravity of the situation, they will take necessary actions suggested by the public health officials and the government.

FIGURE 1: SEVERITY OF THE PANDEMIC AND CHANCES OF GETTING EXPOSED

How would you rate the severity of the COVID-19 pandemic?



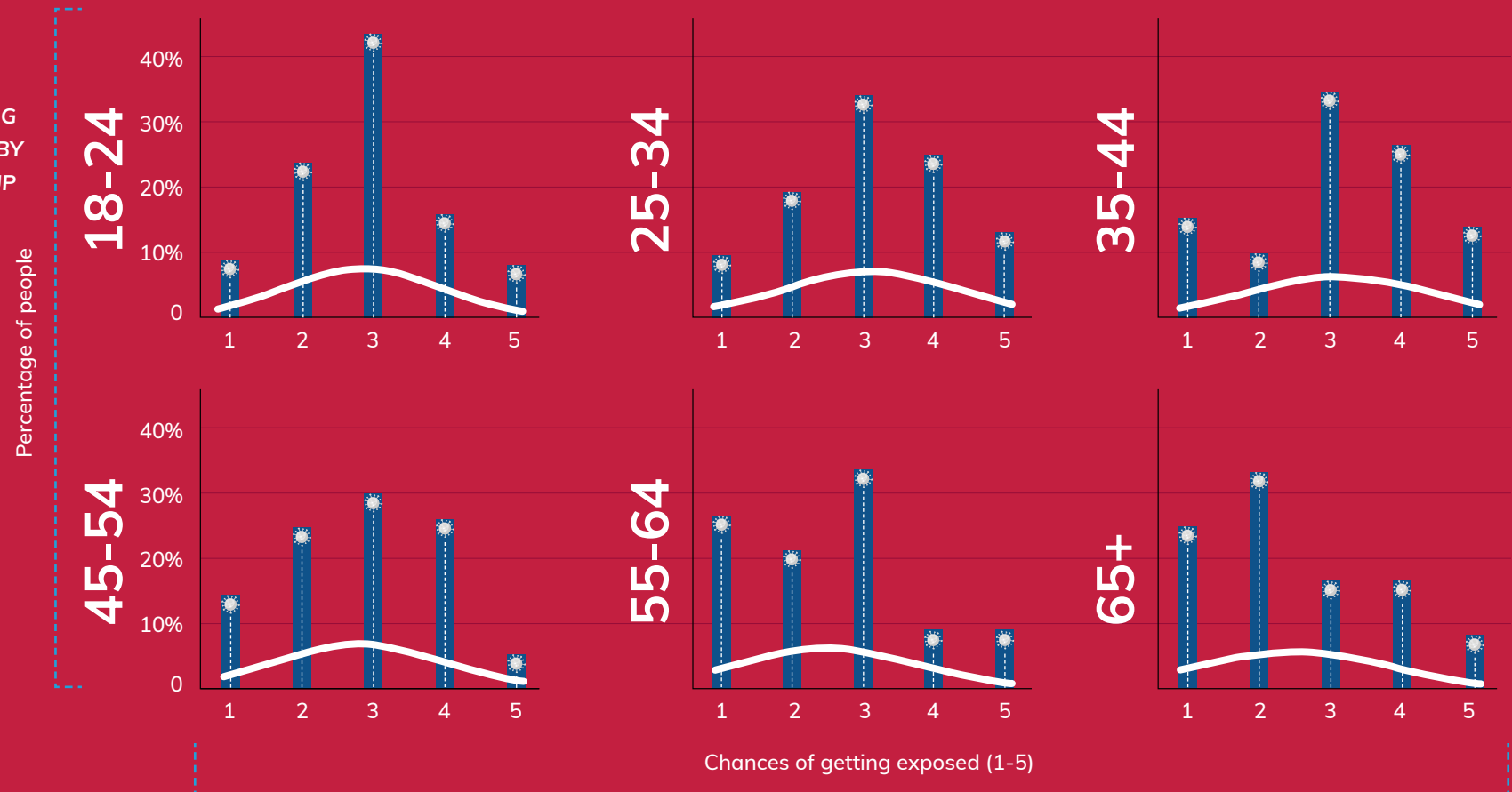
What are your chances of getting exposed to the virus?



While most of the respondents believe in the severity of the issue, they feel that their chances of getting exposed to the virus are low. On a scale of 0-5, the average score for the risk of exposure to the virus is 2.93.

It is interesting to note that the perception of safety increases with age. Figure 1 illustrates this. It shows ratings on a scale of 1-5 for the question “your chances of getting exposed” for 6 age groups. For the age group 18-24, almost 70 percent of the respondents have given a score of 3 or above. While for the age group 55-64, the number stands at around 50 percent. The curve for the age group 55-64 and for the age group 65+ is skewed towards the right. This might feel counter intuitive since the mortality of the disease is highest in the older age group.

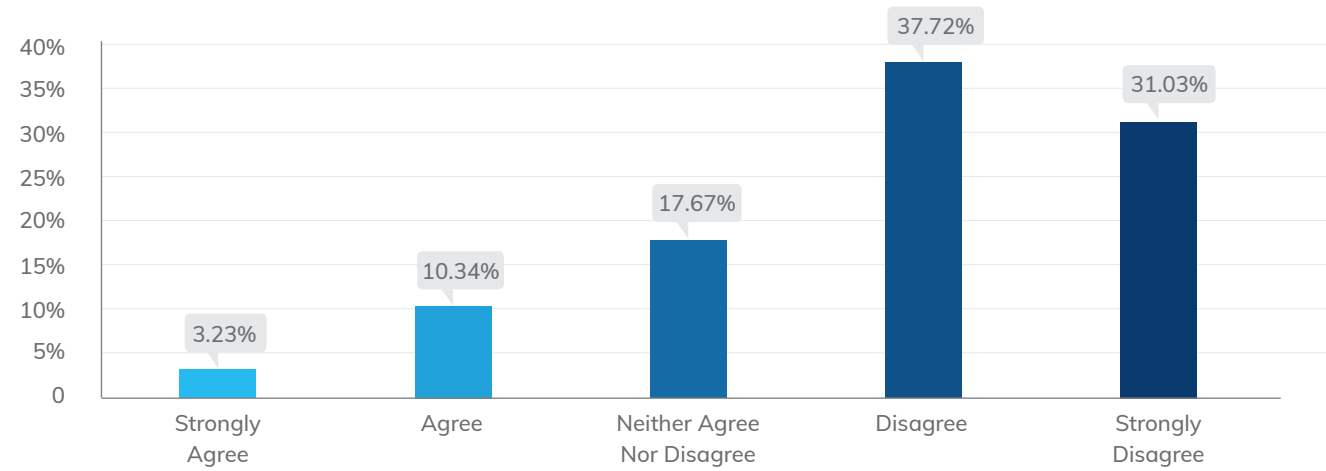
FIGURE 2:
CHANCES
OF GETTING
EXPOSED BY
AGE GROUP



These findings that despite understanding the situation citizens believe that their chances of exposure are low, can be due to two factors. First, their perception of about the healthcare system. Second, their trust on the government.

FIGURE 3: PERCEPTION ABOUT THE HEALTHCARE SYSTEM

Is the country's health infrastructure is satisfactory to handle the situation?



We first explore the perception of citizens about the healthcare system. **There are only 13.58 percent of respondents who believe that India's healthcare system is adequate to handle the COVID-19 situation.** On the other hand, 68.75 percent are in disagreement with the statement that our healthcare system can handle a crisis like the COVID-19. These perceptions could have been developed by people's first hand experiences in hospitals, the high out of pocket expenditure that have to bear for healthcare and the news media outlets that have brought the issue into focus through cross country health infrastructure comparisons since the pandemic began. These results show that perception about the healthcare system is not a reason for the low risk of exposure to the virus.

The Trust Factor

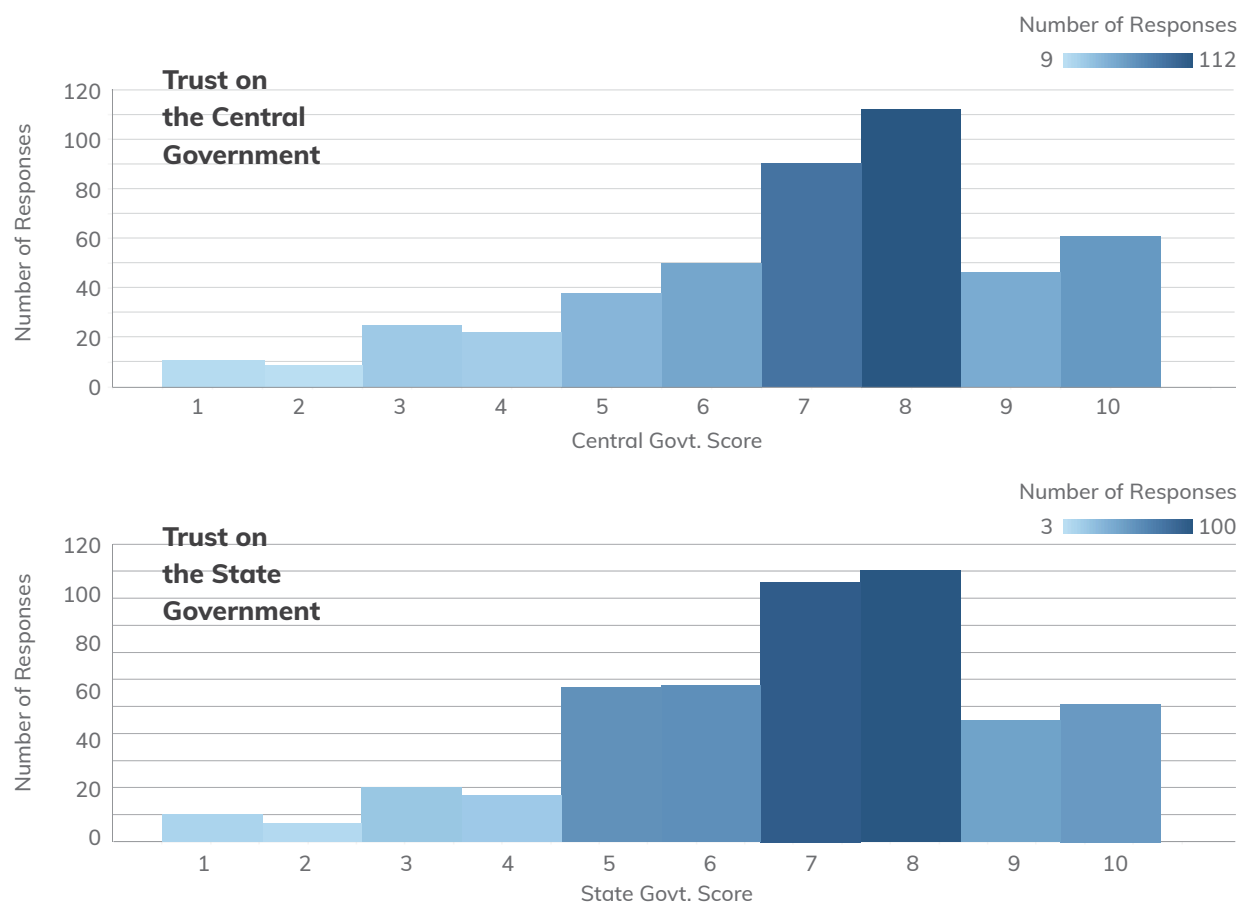
Trust can be best explained as "holding a positive perception about the actions of an individual or an organisation". It plays a crucial role in governance, especially in combating situations like the COVID-19 pandemic. Citizens' perception of fairness, in the process as much as in outcome, is a critical dimension of trust¹. If citizens feel heard and that their voice is being reflected, they will comply with the public officials. If they feel otherwise, they will even prefer negative consequences for themselves, such as financial penalties over compliance. It will generate high transaction costs for the government as well as the citizens.

It is an important point to remember in this situation. Due to the non-availability of a vaccine at the moment, public authorities are left with no option but to control the spread of the virus through measures such as travel restrictions, lockdowns etc. In autocratic nations, citizens can be compelled by government authorities, but this is not possible in democracies such as India. Governments do not have the ultimate power over the citizens. Therefore, it is important that citizens trust their government as it will significantly impact their ability to govern. Consequently, it is an efficient means of lowering transaction costs in any social, economic and political relationship. If people don't trust the government with their lives and taking care of their health, they are less likely to follow the recommendations made by the leaders and in turn cause huge risk for the nation.

The results show that citizens have trust on the government. This is highlighted by direct as well as some indirect questions.

The respondents were asked to rate the level of trust they have on the central and the state government on a scale of 1-10. **On an average, the trust on the central government is 6.9 while the trust on state government is 6.8. In such uncertain times, these results reflect that citizens believe that the government is working in their interest.**

FIGURE 4: TRUST ON THE CENTRAL AND STATE GOVERNMENT (RATING ON A SCALE OF 1-10)



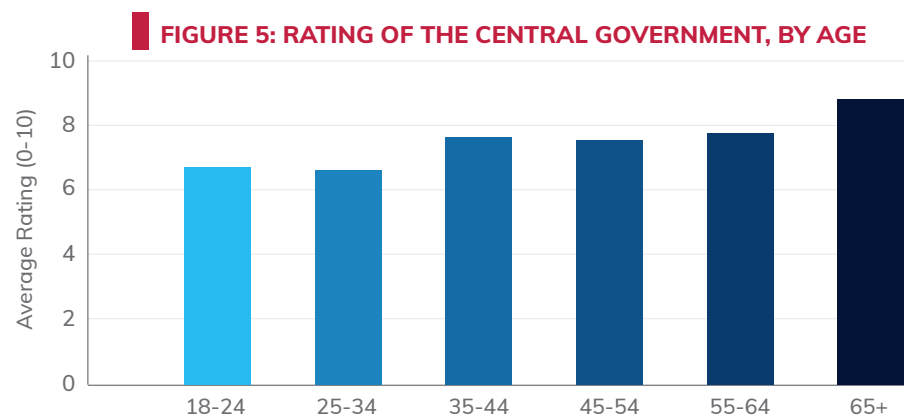
The detailed results, depicted in Figure 4, show that:

77.38 percent of the respondents have rated the central government more than 5 while 47.2 percent have rated them more than 7.

75.43 percent of the respondents have rated the state government more than 5 while 42.24 percent have rated them more than 7.

While the average score for the state government and the central government is almost the same, the distribution shows that a significantly higher proportion of people have given a score of more than 7 to the central government than the state government.

It can be seen from Figure 5 that while majority of the respondents have rated the efforts of the central government highly in tackling the crisis the scores have an increasing trend with age group. The age group “25-34” has given a rating of 6.4 to the central government’s efforts and the age group “55-64” have rated them at 7.5. This is increased to 8.5 for the 65+ population. The results point out that the older generation has more trust in the governmental institutions and the leaders leading us than the younger generation. A similar trend has been evidenced by many studies from New Zealand, Norway etc about trust on the government².

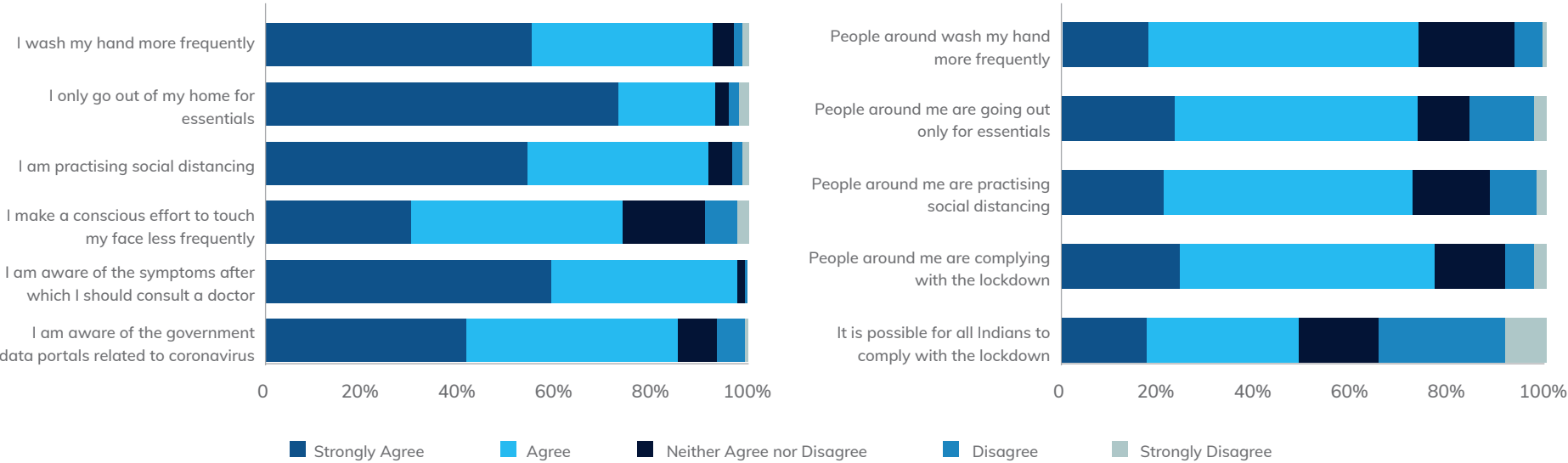


The indirect trust on the public authorities can be observed from the behaviour of people and their approval of the government’s actions.

The behaviour of people on various important factors such as practicing social distancing, complying with the lockdown etc can be observed from Figure 6. Almost 90 percent of the respondents have agreed with all the statements. It is interesting to note that while people think they are fully complying with all the measures that are necessary to keep us safe during this health emergency, they are critical of their community. The trust on other members of the community too is low. The average score given by the respondents on various actions (depicted in Figure 6) to the community is 2.1. This is in sharp contrast to the average score for themselves i.e. 2.95.

¹ Trust and Public Policy, OECD Public Governance Reviews

FIGURE 6: PERSONAL BEHAVIOUR AND PERCEPTION ABOUT COMMUNITY BEHAVIOUR



We then move on to rate the efforts of the government. An overwhelmingly large majority of the respondents, i.e. 407 respondents out of 464, said that a complete shutdown of the economic activity, and the stringent lockdown measures taken by the Indian government are fully justified.

Is a complete shutdown justified?

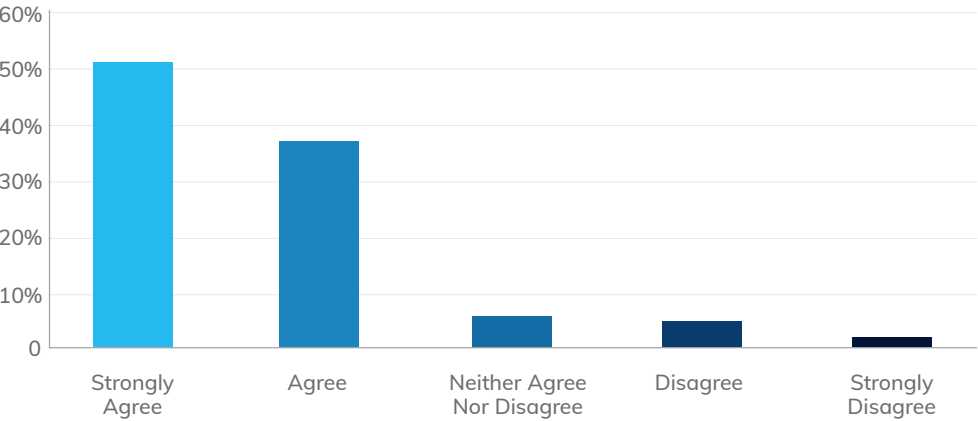


FIGURE 7: IS A COMPLETE LOCKDOWN JUSTIFIED?

These results show that despite facing difficulties people believe that the government is on the right track by shutting down the economy and they believe that this will help in controlling the spread of the virus.

THEME 2: TIME SPENT DURING LOCKDOWN

The lockdown has forced a lifestyle on people to which most were hardly accustomed; that of remaining within the boundaries of their homes. Therefore, it was interesting to understand how people were managing their typical day. The respondents were asked to mention the number of hours spent working, on household chores, with family, on entertainment, and reading books. The results show that:



Around 33 per cent of the respondents work more than 5 hours from home



Over 70 per cent of the respondents spent more than 3 hours with their family



Around 45 per cent spend more than 3 hours on entertainment



The least time spent on reading with close to 90 percent respondents spending less than 2 hours, out of which around 40 percent less spend no time on reading

Therefore, working and spending time with family are the two activities where people have spent a majority of their time during the lockdown.

FIGURE 8. TIME SPENT ON AN AVERAGE DAY DURING THE LOCKDOWN ON VARIOUS ACTIVITIES



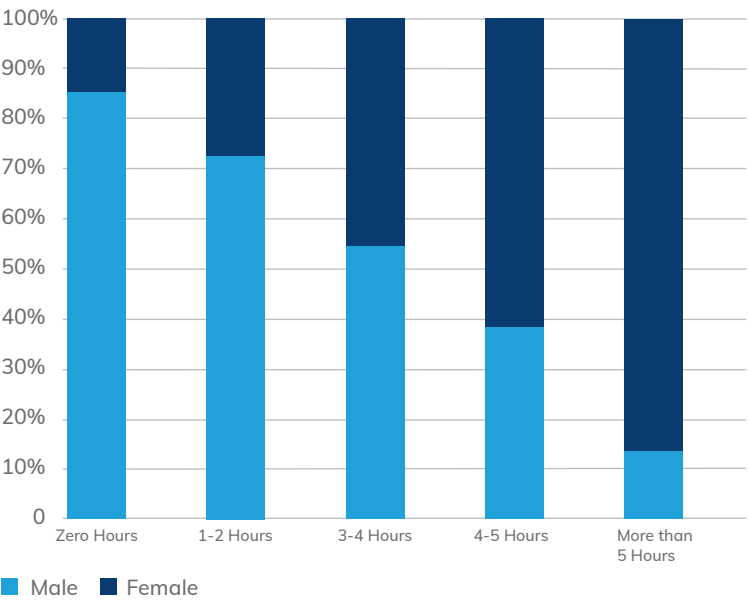
The survey also asked respondents about the time they spent on **household chores**. While **almost 60 percent of them said that they spent about 1-2 hours on it**, more interesting insights were obtained on looking at the data with respect to gender.

It highlighted the **imbalance in the division of household labour**. Figure 9 shows that the male participation falls incrementally in every hour band with more women than men devoting more than 4 hours to household work. **The lockdown, therefore, has had an adverse impact on women.**

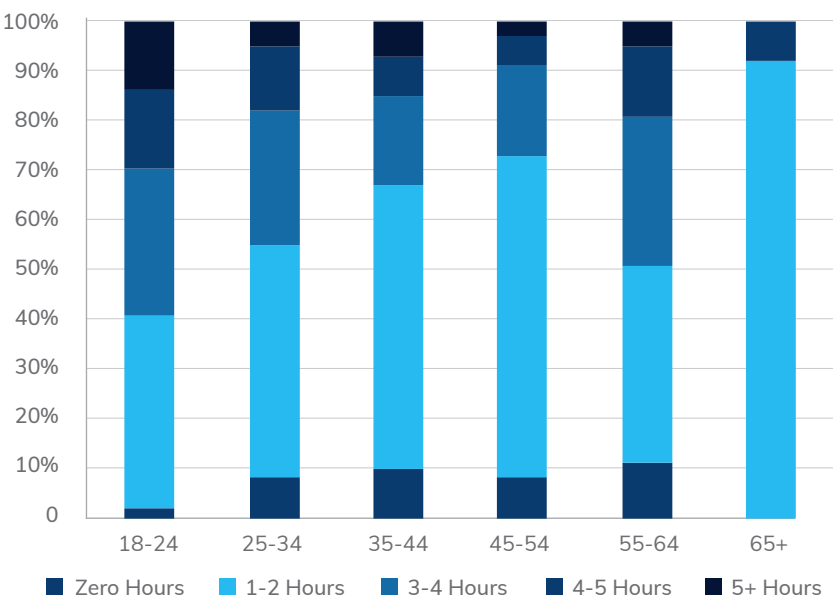
Figure 9 also shows an age-wise analysis of an average number of hours spent on entertainment activities. It shows that the **proportion of time spent on these activities decreases with age**. While about 60 percent of respondents between 18 and 24 spend more than 3 hours on entertainment activities like Netflix and gaming, less than 30 percent of people in the bracket of 45-54 do so. But, the share of time on entertainment finally increases beyond the age of 55, which amounts for those beyond the working age group.

FIGURE 9. THE GENDER DISPARITY IN HOUSEHOLD CHORES AND THE AGE FACTOR IN ENTERTAINMENT

Time Spent on Household Chores During Lockdown



Average Number of Hours Spent on Entertainment Activities by Age



THEME 3: IMPACT ON CITIZENS

The survey has assessed citizen impact of the COVID-19 pandemic under two sub-heads: the economic effect and the impact on mental health. The results of these parameters are outlined in this theme.

Economic Effects

A lockdown to tackle a health crisis is bound to have economic repercussions. As economic activity across the country is brought to a nought, jobs immediately become difficult to sustain. According to the survey, which was taken two weeks after the lockdown, **around 28 percent of the respondents claimed to have a loss in their monthly income due to the pandemic and 3 percent of them said they faced a job loss.** This is shown in Figure 10.

However, the survey generally covered people in the organised sector as it was difficult to reach out to those employed in the informal economy given the lockdown, the results are more conservative than the reality. This can be seen in the estimates of the Centre for Monitoring Indian Economy (CMIE), which reported that unemployment in India shot up from 8.4 percent in mid-March to an unprecedented 23 percent in the first week of April.

It is interesting to note the future expectations that the respondents hold from the crisis that will emerge out of the COVID-19 pandemic. **Against 64 percent of the respondents who experienced no impact from the pandemic, merely 39 percent felt that the pandemic would not impact them in the future as well.** Meanwhile, **more than half of the respondents felt that their monthly income would be negatively affected in the future** against 28 percent with whom such a situation had already arisen. Over 8 percent of them also felt that they would lose their job in the coming future.

The results are even more interesting when seen with a breakdown of the age groups of respondents. Figure 11 shows the breakdown for respondents who had experienced no impact from the crisis and those who had witnessed a fall in their monthly income. It can be seen that in the first group, the majority of the respondents were from the youngest cohorts. On the other hand, **among those who had seen their monthly income fall, most of the respondents are from the age cohorts that fall in the working age.** These would be the segments of the population who would typically have a family to support. Thus, the impact of COVID-19 on the Indian population is already showing concerning trends in terms of the job market and livelihood of people.

FIGURE 10. IMMEDIATE IMPACT OF COVID-19 ON INDIAN CITIZENS AND THEIR FUTURE EXPECTATIONS

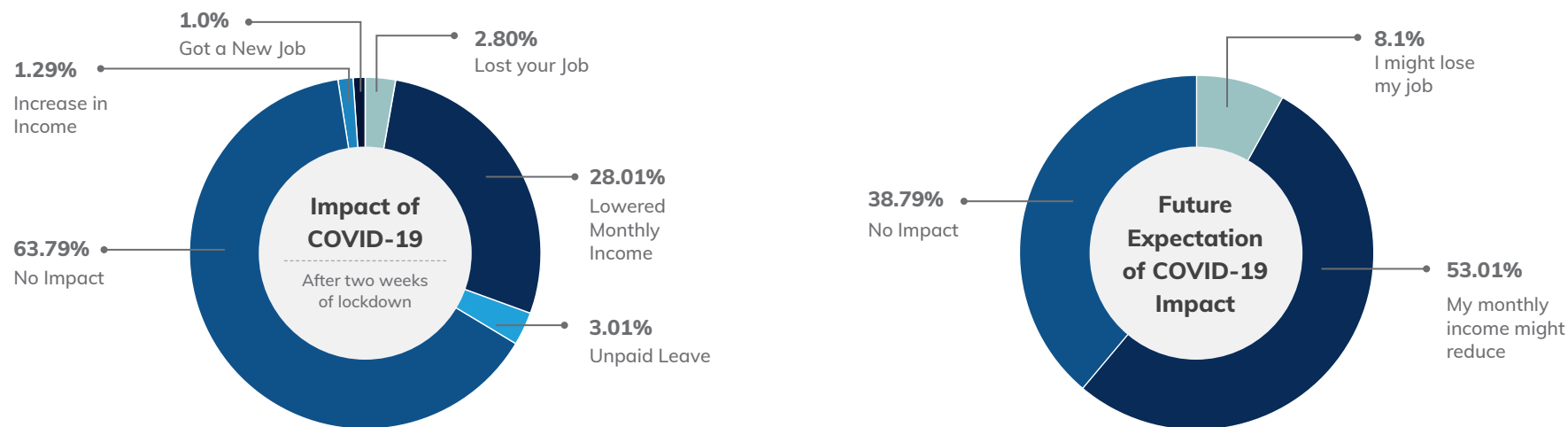
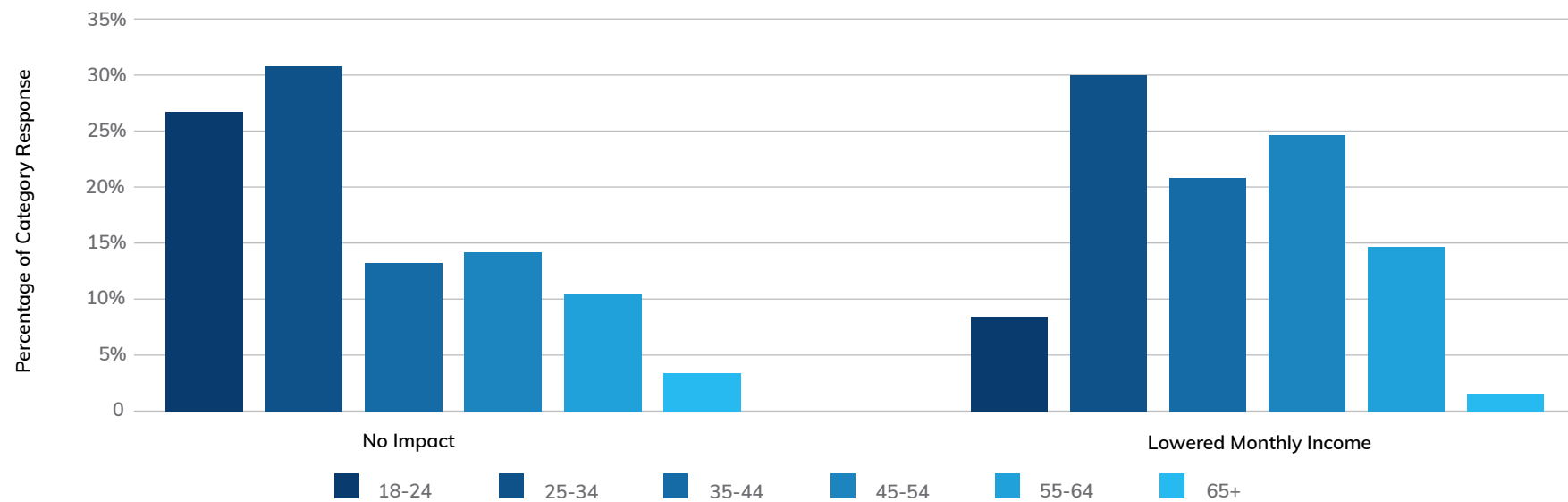


FIGURE 11. AGE-WISE IMPACT OF COVID-19 ON INDIAN CITIZENS



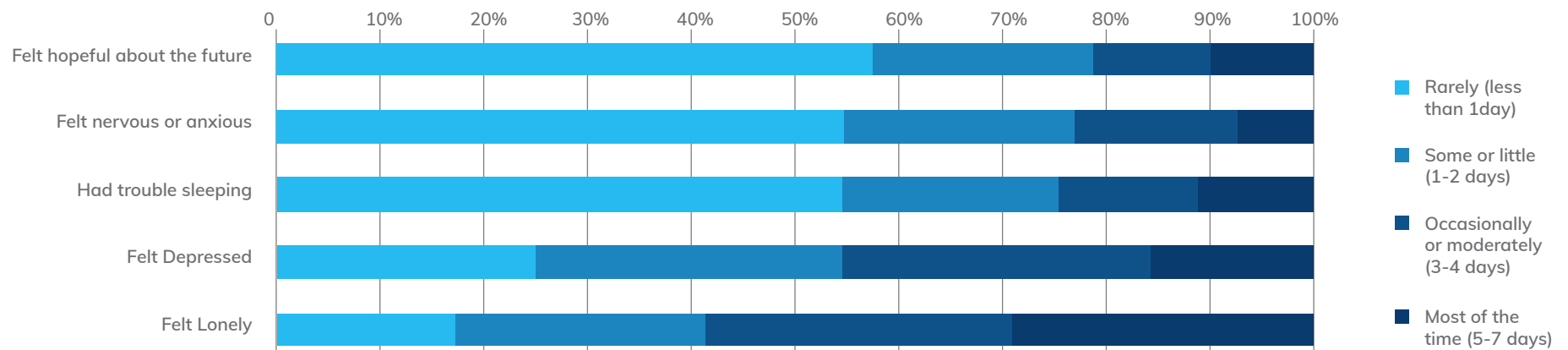


Impact on Mental Health

The COVID-19 pandemic is the biggest health crisis that the world is facing in living memory. Therefore, it is bound to have repercussions on people that fall beyond the realm of the economy. A crucial effect of crisis that is often overlooked is that of mental health. This becomes much more pertinent in an environment of uncertainty and lockdowns. So, the survey asked the respondents how they have felt during these times on five issues that are outlined in Figure 12.

The results show that **more than half the respondents felt hopeful about the future and rarely felt sleepless, depressed or lonely.** However, **one must also pay attention to the fact that 10 percent (or more in some cases) of them lie on the other end of the spectrum,** which should be a cause for concern. Nervousness, on the other hand, was more common among respondents. Thus, while mental health in India might not seem like a cause for concern, even the minority of serious cases should be acknowledged and addressed.

FIGURE 12. THE STATE OF MENTAL HEALTH OF INDIAN CITIZENS DURING LOCKDOWN





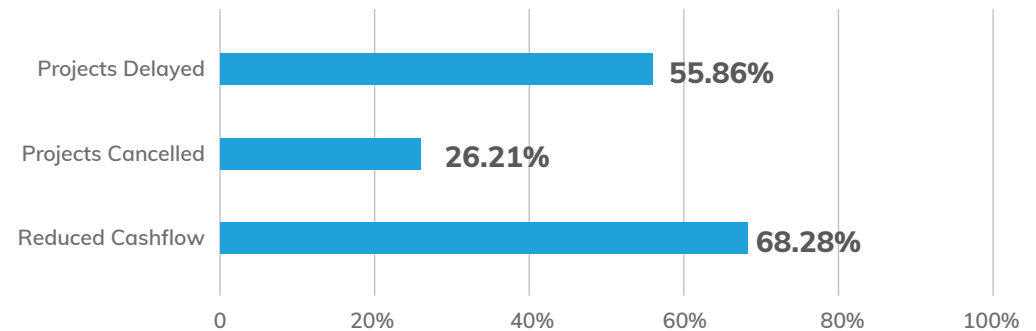
Business Assessment

THEME 1: IMPACT ON BUSINESSES

The impact on citizens that we have noted in the first section of the report stems from the impact that the COVID-19 is having on business activity to a significant extent. Business activity determines the economic performance of an economy and, thus, the state of livelihoods for the people affected by it. So, the survey delved into the extent of the impact that the pandemic.

The finding of the immediate impact of COVID-19 can be seen in Figure 13. It shows that among the businesses surveyed, **almost 70 percent of them had witnessed reduced cashflow and over 55 percent of them had their projects delayed** as a result of the uncertainty arising out of the crisis. These findings are particularly concerning considering that they are coming less than a month into the rise in the severity of coronavirus in India. More than a quarter of the respondents also experienced project cancellations. **The situation is only expected to worsen with time.**

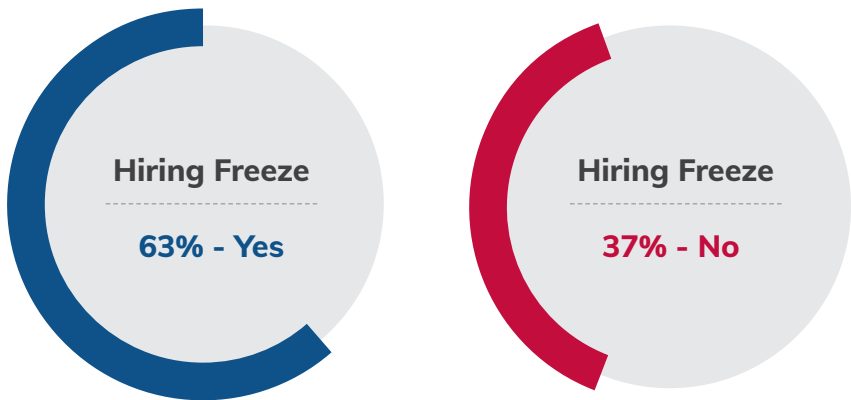
FIGURE 13. IMPACT OF COVID-19 ON BUSINESS ACTIVITY



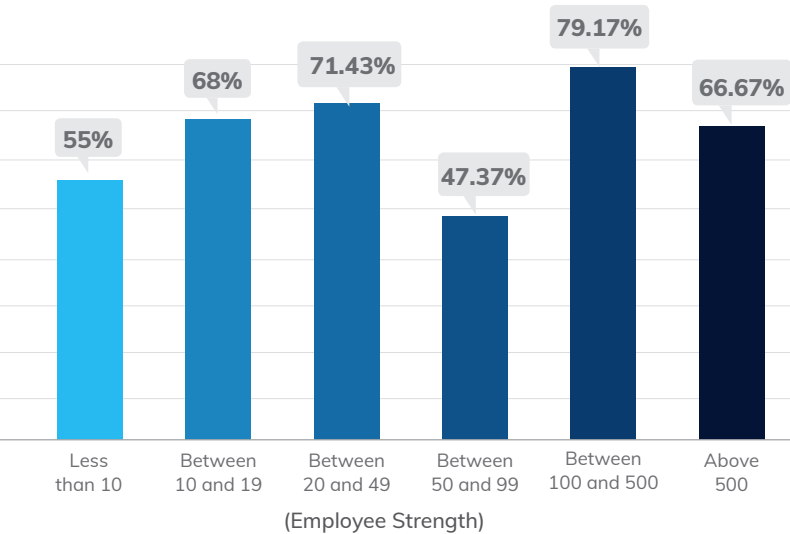
As a result of these adverse business outcomes due to the advent of coronavirus, a majority of businesses are expectedly planning to dial back on their hiring activities over the coming months. As per the findings of the survey, **about 63 percent of businesses claimed that they would be planning a hiring freeze in the coming months.** This seems to hold true uniformly across businesses of all sizes. Combined with the subdued expectations of citizens of their job prospects, the hiring freeze of businesses is bound to create an abysmal employment scenario in the country.

FIGURE 14. INITIAL ESTIMATES OF THE EXTENT OF HIRING FREEZE IN THE COMING MONTHS

Hiring Freeze



Hiring Freeze (Percentage of business who said yes)

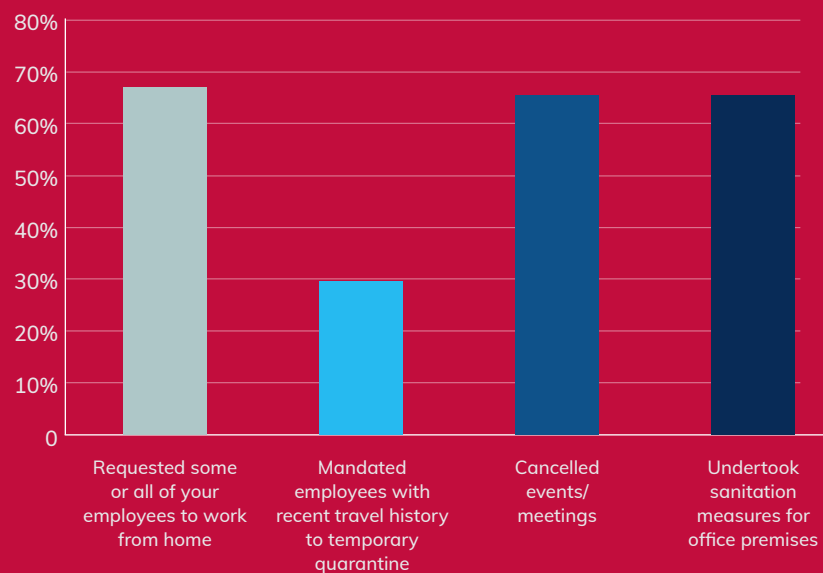


THEME 2: WORKFORCE ASSESSMENT

A key to success over the fight against coronavirus will be the proactive nature of businesses to prevent the spread of the virus at the workplace. Even before the lockdown was announced, a lot of businesses were undertaking various measures to contain the spread and encourage social distancing whenever possible. A continuity in approach even after the lockdown will help bolster India's efforts in successfully dealing with the virus. So, the survey made an assessment of the proportion of businesses that were undertaking such measures.

The extent of measures taken by the business organisations is shown in Figure 15. It shows that among the organisations surveyed, over 65 per cent of them requested employees to work from home, cancelled events/ meetings and undertook sanitation measures for office premises prior to the lockdown announcement. Although when it comes to identifying the employees with a travel history and mandating temporary quarantine, the response was not that proactive. Only 30 per cent of the total businesses surveyed undertook this measure. It might also be the case, however, that these include businesses that do not have travel requirements for employees and no employee might have taken a personal trip.

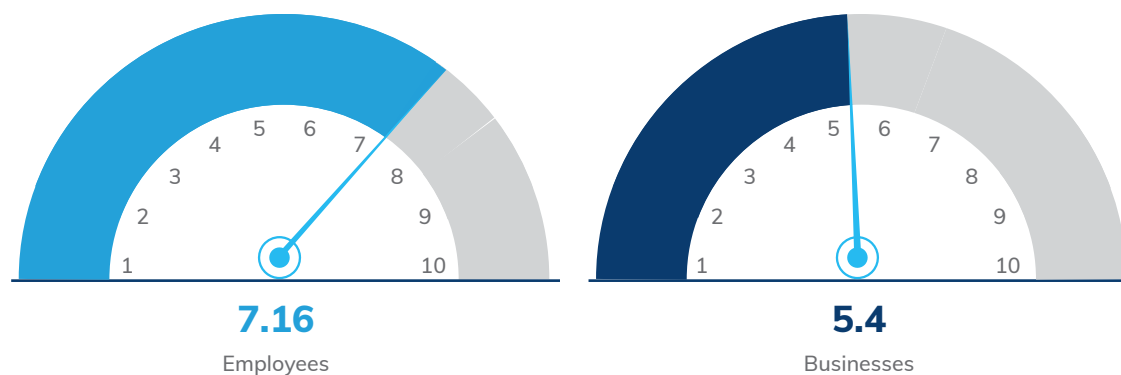
FIGURE 15. PRECAUTIONARY MEASURES TAKEN BY BUSINESSES BEFORE THE LOCKDOWN



The survey also attempted to understand the long-lasting impact of the lockdown on the nature of business operations. One such impact could be a boost in the work-for-home given to employees. However, the survey shows that there are significant differences in the views of the employers and employees when it comes to continuing working from home in the future. When asked to rate their preference for employees to be given work from home in the future, on an average the employees responded with 7.16 (out of 10) while the employers only registered an average of 5.4. The difference in ratings shows the employees inclination towards working from home and the employers lack of it, on an average.

FIGURE 16. DISPARITY IN VIEW TOWARDS WORK FROM HOME BETWEEN EMPLOYEES AND BUSINESSES

Should employees be given Work From Home (Rate on a scale of 1-10)

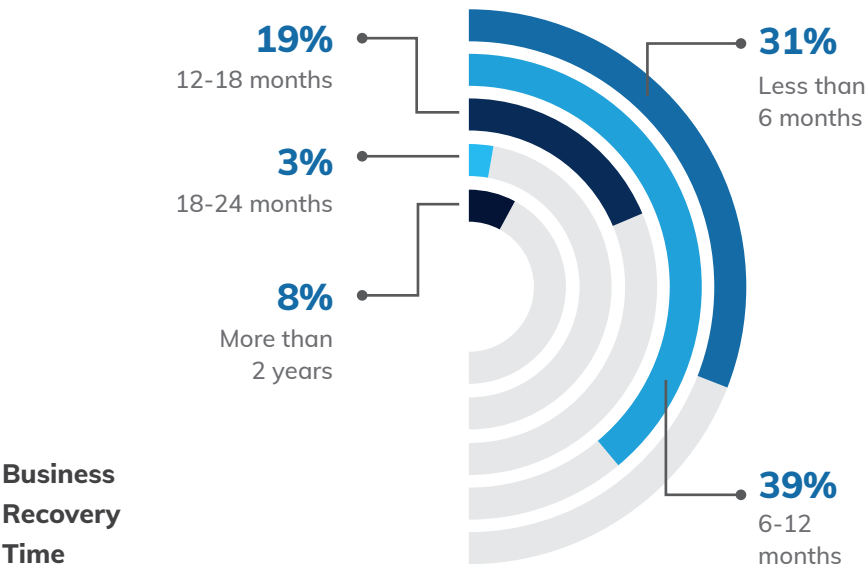


THEME 3: BUSINESS PERCEPTION

Sentiments play a defining role in driving economic activity within any economy. If sentiments are favourable, people will spend more, businesses will invest more, and the economy will boom. Therefore, how economic actors perceive the economic scenario to be within an economy ends up becoming a self-fulfilling prophecy. Perception across the economy is, thus, key to extricating the economy out of the coronavirus-induced economic crisis.

The survey asked businesses on the expected time in which their business would recover. **Around 70 percent of businesses felt that their business would recover in a year or less.** Over 90 percent of them expect their business to recover in less than 2 years. Thus, **businesses seem optimistic about recovery**, which is a positive sign for the economy. Figure 17 also shows that the smaller businesses are more optimistic about the future. **It is mostly the medium-scale enterprises, which has a higher share of respondents believing that it would take more than one-and-a-half years for recovery.**

FIGURE 17. EXPECTED TIME TAKEN FOR BUSINESS RECOVERY



The business will recover within 1.5 years

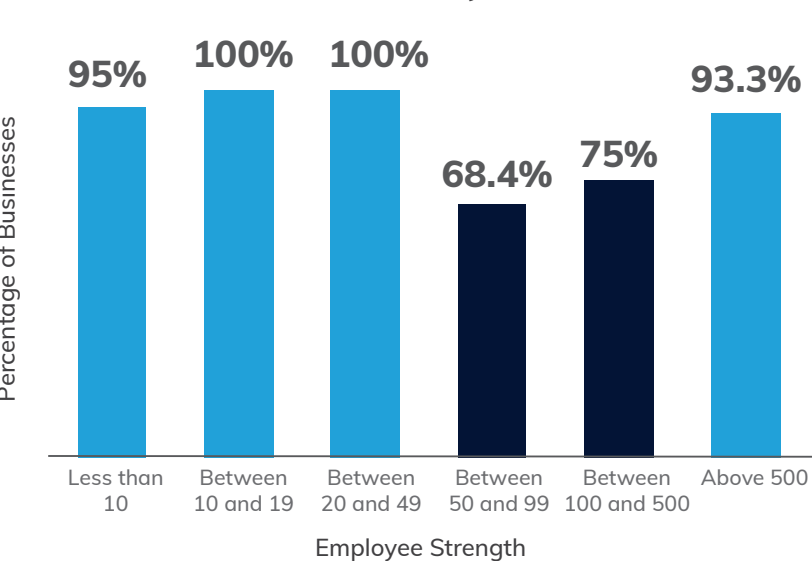
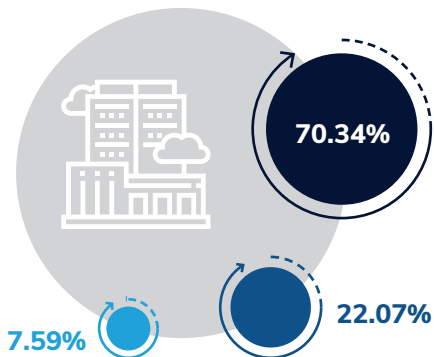


FIGURE 18. DISPARITY IN EXPECTATION OF BUSINESS RECOVERY AND ECONOMIC RECOVERY

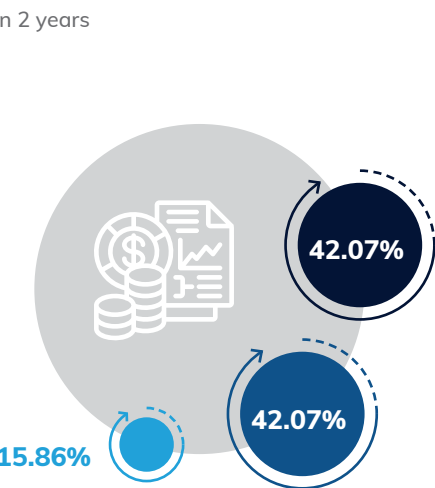
There was, however, an interesting disparity in responses on how they felt about the recovery of their own business compared to how they felt about the overall economy. Figure 18 shows that against 70 percent of businesses that feel they could revive their business in a year, only 42 percent of all respondents felt that the economy could recover in the same time period. There can be two explanations for this trend. **Either the businesses are quite confident about their capabilities of reviving an enterprise or they lack trust in the government's capabilities to revive the economy or both.** The perception of businesses with respect to the government is explored below.

Business Recovery Time (%)

● Within a year ● One to two years ● More than 2 years



Economy Recovery Time (%)



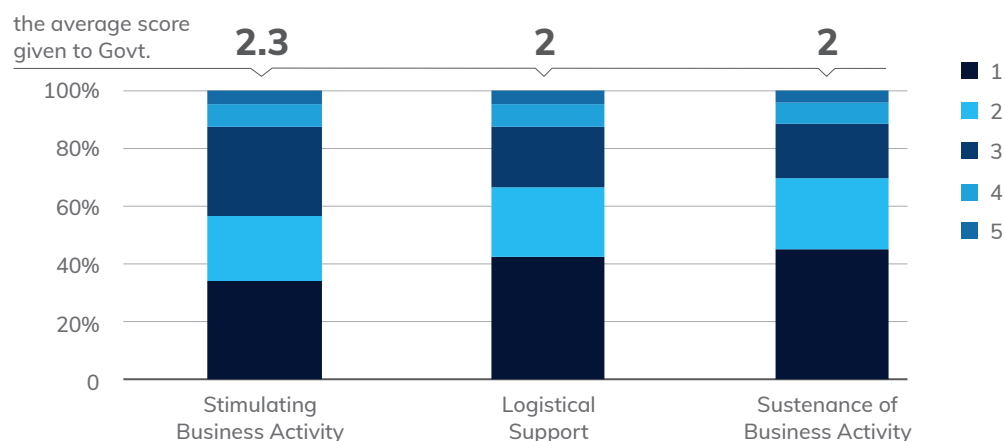
The survey asked businesses what they think about the efforts of the central government on three measures:

- Stimulating business activity
- Logistic Support
- Sustenance of business activity

As against the citizens who have rated the central government very high, the majority of the business have scored the efforts of the central government maximum at 2. Figure 19 shows these results. 56 percent business rated 2 or less in stimulating business activity and this number stands at 66 percent and 69 percent for logistic support and sustenance of business activity respectively.

FIGURE 19. PERCEPTION TOWARDS CENTRAL GOVERNMENT ACTIONS TAKEN DURING THE COVID-19 PANDEMIC

Rating Central Government Efforts by Businesses (Rating Scale: 1-5)



The business have a slightly better view about the efforts taken by RBI. Figure 20 shows the perception towards RBI by the size of the company. Companies with employee strength less than and more than 100 have given RBI an above average score i.e. more than 2.5 on all three aspects – Credit, Liquidity and Economic Stability. In contrast to this, the companies with employee strength between 10 and 19 and between 50 and 99 have scored RBI below average on all three parameters.

FIGURE 20. PERCEPTION TOWARDS RBI EFFORTS TAKEN DURING THE COVID-19 PANDEMIC (RATING SCALE: 1-5)

| Employee Size of Business | RBI Credit | RBI Liquidity | RBI Economic Stability |
|------------------------------------|-------------|---------------|------------------------|
| Less than 10 | 2.75 | 2.70 | 2.75 |
| Between 10 and 19 | 2.40 | 2.40 | 2.16 |
| Between 20 and 49 | 2.40 | 3.14 | 2.57 |
| Between 50 and 99 | 2.20 | 2.21 | 2.00 |
| Between 100 and 500 | 2.90 | 2.90 | 2.58 |
| Above 500 | 2.90 | 2.90 | 2.60 |
| Average Score by Businesses | 2.68 | 2.69 | 2.49 |

However, it is interesting to note that the variation between the scores is very low. The scores lie between the between range 2 and 3.14.



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