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NIRMA UNIVERSITY

INSTITUTE OF MANAGEMENT

NAAC ACCREDITED ‘A’ GRADE

# INTERNSHIP PHASE 2 REPORT

# PRO EX ADVISORS LLP

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**Submitted by:**
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MBA (2019-2021)

## DECLARATION

I, Prachi Garg, hereby declare that this summer project report is an authentic work done by me. It is to the best of my knowledge and belief. This is to declare that all my work indulged in the completion of the summer project report including research and analysis is a profound and honest work of mine.

Prachi Garg
191237
MBA FT (19-21)

# ACKNOWLEDGEMENTS

I would like to thank my organization mentor Abhishek Jain Sir for providing me learning opportunities, teaching me new skills, providing constant support and motivation during my summer training. Also, I would like to thank him for providing me knowledge and insights from the field of finance. I would also like to thank Swati Singh Ma'am who is the HR head of the company for resolving our problems during the internship.

And lastly, I would like to thank my institute mentor Dr. Chitra Khari Ma'am for her constant guidance during the internship. And also the Institute of Management Nirma University for giving me this opportunity to work with a company which specializes in business consultancy services.

# EXECUTIVE SUMMARY

The summer internship programme was an opportunity to learn how the classroom learning could be applied in the real world. This programme also provided an opportunity to work in the corporate world but due to the current scenario we were advised to work from home which also provided a unique learning opportunity for all of us. As my summer training programme I got the opportunity to intern at Proex Advisors LLP as a finance intern.

I had to prepare a report on the business and economic impact of covid-19. The introduction of the report includes the problem of the report on which I was working which included the problem of the impact of the virus on different sectors of the economy and on the whole world. and my objective was to find out what the new normal would be after the pandemic ends. The methodology used by me was the analysis of various company and government organization reports. The last part of the report includes my learnings from this summer internship project.

# PROJECT WORK

## Introduction

### Nature of the problem:

The report researches the problem of different ways the coronavirus pandemic is affecting the world and the different sectors of the economy and business. The report talks in detail about the various impact of the virus and how the world is dealing with it.

### Objective of the study:

The objective of the research is to make people aware about the current situation and the steps that the governments of various nations is taking to protect themselves. The benefits to be expected after conducting this research is making people aware about the effects of this pandemic and the way in which the future would change due to this pandemic.

### Utility of the study:

This study would help impart knowledge about the current pandemic and the different ways in which various countries around the world are fighting it to protect their economies. This report would also help companies to know about how to perform after the pandemic ends and how to keep their employees motivated.

## Methodology

The data collected for this report was both quantitative and qualitative. The qualitative data was supported by quantitative data. Secondary data was used for preparing the report. Data from various trusted sources was referred to which included consultancy company reports like KPMG, Bain & CO, Deloitte, CRISIL and McKinsey. Also, various government sites where also referred to like World Trade Organization (WTO), World Health Organization (WHO), International Monetary Fund (IMF), Organization for Economic Cooperation and Development (OECD) and International Labor Organization (ILO).

In the beginning the problems that the research topic includes had to be studied based upon that papers and reports written by trusted organizations was analyzed and the topics to be included in the report were decided. The initial readings helped me in understanding the goal of my study and filtering the reports based upon that goal. A flow of the report was prepared after that which would help the reader in understanding the global scenario and then understand the impact of the pandemic on India. To make the report easier to understand graphs and charts are included in the reports and also information regarding the surveys done by government organizations.

## Presentation of Data

### Global and Indian Scenario of Covid-19:

The coronavirus outbreak has affected all the countries of the world and as these countries have become more interconnected this virus has disrupted the global economy. The Organization for Economic Cooperation and Development (OECD) projected in March 2020 that the world GDP growth would decline to 2.4% in 2020 as compared to 2.9% in 2019 as the effects of the virus would hamper the growth. The virus has affected the global supply chains, reduced demand for imported goods and services and decline in international tourism and business travel. The world had experienced global supply and demand shock during this outbreak in which factories were closed, labor shortages occurred and the amount of cash flows reduced. The demand shock occurred due to lower spending, reduction in global demand, loss of employment and reduced consumer sentiment. As China plays a huge role in the performance of the global economy so any impact to its economy would be felt around the whole world. It is predicted that the Chinese economy would recover slowly and would be affected by declining exports to the rest of the world.

The uncertainty of the length of the outbreak has increased the risk and volatility in the financial markets. In April 2020 International Monetary Fund (IMF) estimated that the world GDP could decline by 3% in 2020 and would grow to 5.8% in 2021. Also, IMF projects that the oil prices would reduce to $42 in 2020 which could lead to the decline in global economic activities. Many countries are facing a combination of crisis like health crises, domestic economic crises, reduction in prices of goods and falling demand.

According to OECD the GDP of China would be under 5% in 2020 and in 2021 it would be between 6 ¼-6 ½ percent. The economies which are interconnected to China would experience a similar growth pattern. These economies include Japan, Korea, Australia and Indonesia. The economies which are not heavily interconnected with China such as US and Canada would experience mild effects of the coronavirus outbreak. But these economies would still be influenced by disruptions in supply chain, decline in demand and consumer confidence. In the Euro zone growth is expected to be around 1% per annum on average in 2020-2021. This is based on the assumption that free trade agreement for goods would start from the beginning of 2021 for UK and the euro zone. For the emerging economies of the world a slow recovery is expected in the year 2020-21 but this recovery is uncertain. This recovery could only happen if helpful monetary and fiscal policies are formed by the government of these countries.

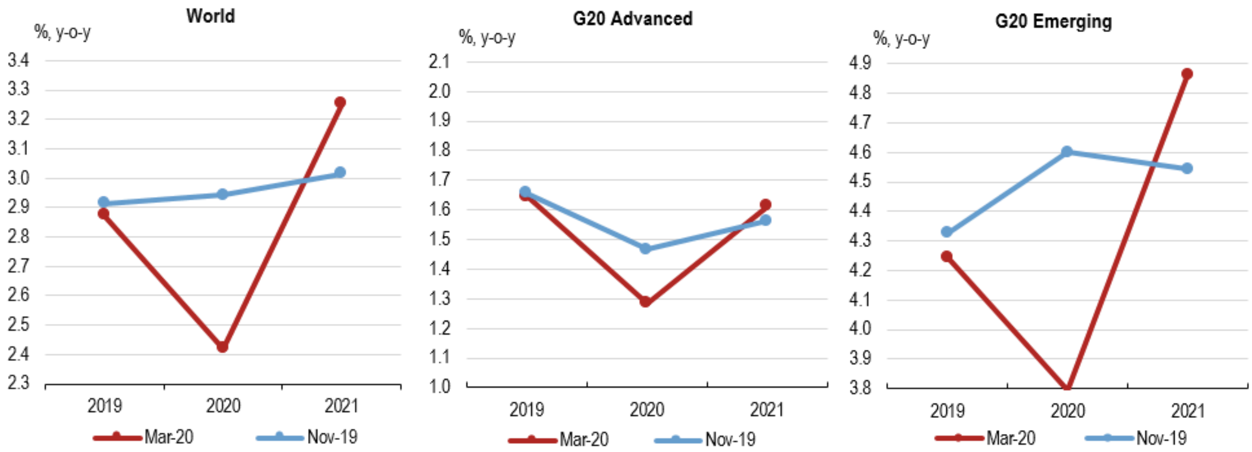


*Figure 1. GDP growth projected by OECD*

According to IMF the advanced economies would face an economic contraction in 2020 with 7.8% GDP. The US economy would decline by 5.9% in 2020. The Euro zone would experience a decline of 7.5% in the GDP. And almost all of the emerging economies would face a decline of 2% in GDP due to decrease in global trade and commodity prices.

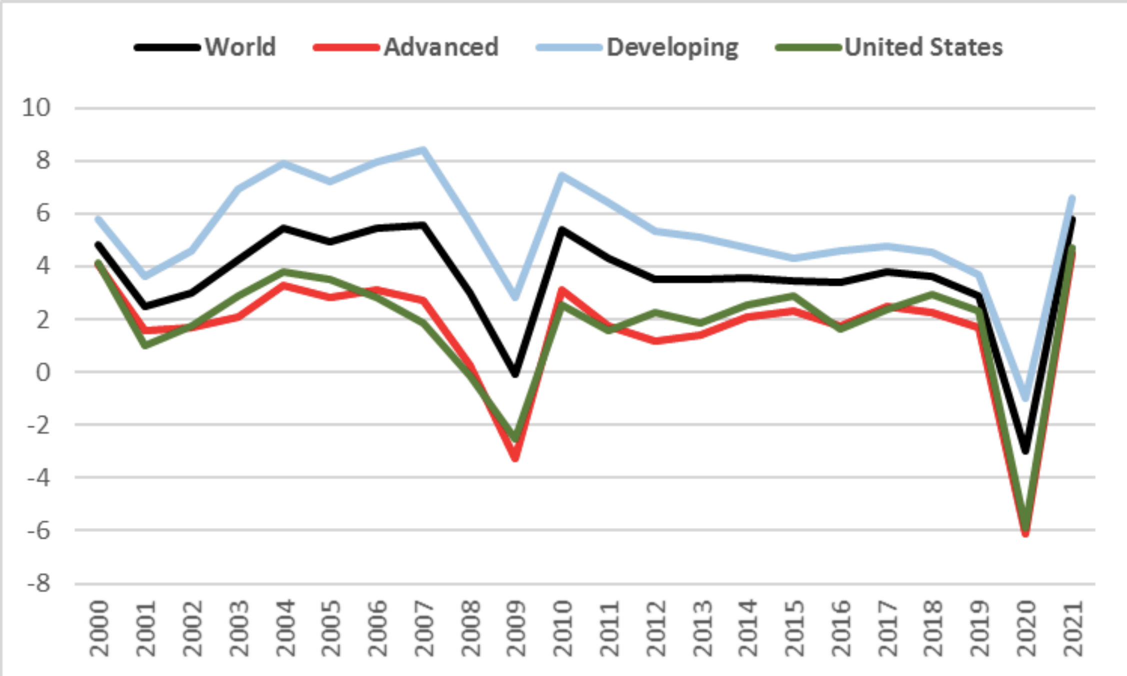


*Figure 2. GDP growth in percent change by IMF*

World Trade Organization (WTO) forecasted the world trade scenario based upon two assumptions: an optimistic scenario with a decline in trade in the beginning of 2020 followed by a recovery in the second half of 2020 and a second more pessimistic scenario in which the economy experiences a decline in the beginning followed by a lengthy incomplete recovery. According to WTO global trade is expected to decline between 13% to 32% in 2020 due to the Covid-19 outbreak. Upon comparing the coronavirus crisis with the 2008 financial crises WTO concludes that the impact of Covid-19 crises on global trade volumes could exceed the decline in the global trade during the 2008 crises.

| | Historical | | Optimistic scenario | | Pessimistic scenario | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2020 | 2021 |
| **Volume of world merchandise trade** [2] | 2.9 | -0.1 | -12.9 | 21.3 | -31.9 | 24.0 |
| **Exports** | | | | | | |
| North America | 3.8 | 1.0 | -17.1 | 23.7 | -40.9 | 19.3 |
| South and Central America | 0.1 | -2.2 | -12.9 | 18.6 | -31.3 | 14.3 |
| Europe | 2.0 | 0.1 | -12.2 | 20.5 | -32.8 | 22.7 |
| Asia | 3.7 | 0.9 | -13.5 | 24.9 | -36.2 | 36.1 |
| Other regions [3] | 0.7 | -2.9 | -8.0 | 8.6 | -8.0 | 9.3 |
| **Imports** | | | | | | |
| North America | 5.2 | -0.4 | -14.5 | 27.3 | -33.8 | 29.5 |
| South and Central America | 5.3 | -2.1 | -22.2 | 23.2 | -43.8 | 19.5 |
| Europe | 1.5 | 0.5 | -10.3 | 19.9 | -28.9 | 24.5 |
| Asia | 4.9 | -0.6 | -11.8 | 23.1 | -31.5 | 25.1 |
| Other regions [3] | 0.3 | 1.5 | -10.0 | 13.6 | -22.6 | 18.0 |
| **Real GDP at market exchange rates** | 2.9 | 2.3 | -2.5 | 7.4 | -8.8 | 5.9 |
| North America | 2.8 | 2.2 | -3.3 | 7.2 | -9.0 | 5.1 |
| South and Central America | 0.6 | 0.1 | -4.3 | 6.5 | -11.0 | 4.8 |
| Europe | 2.1 | 1.3 | -3.5 | 6.6 | -10.8 | 5.4 |
| Asia | 4.2 | 3.9 | -0.7 | 8.7 | -7.1 | 7.4 |
| Other regions [3] | 2.1 | 1.7 | -1.5 | 6.0 | -6.7 | 5.2 |

*Figure 3. WTO Forecast: Merchandise Trade Volume and Real GDP 2018-2021*

**1 Figures for 2020 and 2021 are projections.**
**2 Average of exports and imports.**
**3 Other regions comprise Africa, Middle East and Commonwealth of Independent States (CIS) including associate and former member States.**

The high population density of India puts it at a high risk of spreading the virus at fast rate. Also, the poor health infrastructure of the country makes it difficult to control the situation. To reduce the rate at which the virus spreads the government has initiated lockdown measures in the country but those measures pose a threat to the economy in various ways. The GDP of the country was the lowest in comparison to the last six years in the third quarter of 2019-2020. The spread of Covid-19 has brought new difficulties in the nation as economic activity has stopped which has affected both consumption and investment. Some sectors would be able to revive themselves as they don't rely heavily on imports but their exports would be affected. Due to the virus global and domestic demand, supply disruptions, stress on financial institutions and decrease in oil prices would happen which would reduce the GDP growth of the country. But the decrease in oil prices could benefit the Indian economy.

The demand side impact would be that the consumption of the Indian economy would be affected by the reduction in transactions by urban consumers. Also, reduction in domestic consumption and consumer sentiment would force the firms to delay their investments which would affect the growth of the economy. The economy would experience loss of employment especially in the informal sector which could be another reason for decline in consumer spending. Demand of exports in the top few export countries (US, China and Euro zone) would be affected. After the pandemic ends some economies are planning to shift their manufacturing bases from China, this could act as a great opportunity for India as through this opportunity the Indian economy would be able to create more job opportunities and investment opportunities for the country and this would help in the growth of its GDP.

The supply side impact would be the shutdown of factories and the delay in supply of goods to China could ultimately result in the shortage of raw materials and intermediate goods for the Indian companies that are importing goods from China. Also due to the lockdown the firms would face the problem of shortage of inputs for the domestic companies when they restart their operations as the economy is facing disruption in global supply chains.

The banks would face the problem of high number of defaulters due to loss of employment or income. The banks would have to deal with a greater number of stressed industries and MSMEs. In the financial markets the rupee depreciated against the dollar which affected the trade deficit in the country. The rupee depreciated from INR 71.7 per US$ on 3$^{rd}$ January 2020 to INR 75 per US$ on 20$^{th}$ March. Borrowing would become more expensive due to increase in bond yields which would reduce bank margins.

The Brent Crude Oil fell from US $68.5 per barrel on 3$^{rd}$ January 2020 to US $28.2 per barrel on 20$^{th}$ March 2020. The falling oil prices is beneficial for the Indian economy as 80% of its oil requirements are fulfilled through imports. The government of the country used the situation of falling oil prices to improve their fiscal position. In 2018-19 the government earned more than INR 2 trillion in excise duty on oil imports and after the fall in the prices the government earned a revenue of INR 390 billion by imposing excise duty INR 3 per liter on petrol and diesel.

The government of the country is finding ways to handle the ongoing health crisis, protecting the income and employment of the vulnerable sections of the country and supporting the corporates by reducing the economic impact and providing them with ways to recover quickly.

- To tackle the public health crisis the government has to keep records of all the medical resources being used to treatment the patients and in the event of a shortfall of the required resources strategies has to be made to provide support to the patients. The private and public hospitals should be segregated and the provisions for additional space should be made. Financial assistance should be provided to research institutions and medical equipment companies.
- Under the Pradhan Mantri Garib Kalyan Yojana 2020 the government has provided some assistance to the poor sections of the society. Direct cash transfers have been given to the organized sector workers which would be covering 80 lakh workers having an income of less than INR 15,000 per month in 4 lakh business establishments having less than 100 workers. The state governments would also give assistance in building and other construction workers from the Building and Other Construction Workers (BOCW) Welfare Fund. This fund has a total of INR. 31,000 crores and would provide assistance to around 3.5 crore registered workers. The government has also addressed the employers to not terminate their employees, especially those belonging to the vulnerable section of the society.
- To protect the corporates from earning losses in the Reserve Bank of India has introduced various monetary policies in the economy. They have introduced a reduction the policy repo rate by 75 basis points to 4.4 percent which has been the lowest rate till now. It has also planned to inject more liquidity into the economy. RBI has also advised all lending institutions to provide a three-month moratorium period on the loans provided to the corporates. These steps would also help the SMEs and MSMEs to survive in this changing economy.

The Indian economy is also shifting its focus to agriculture to increase the country's overall GDP growth. The agricultural sector contributes around 15% to the GDP of the country and employees the highest number of people. However, the sector could face some challenges like delay in the sowing of seeds, difficulties in procuring fertilizers and seeds due to poor cash flows and logistic support. The government has introduced some policies to provide support to the sector in the form of PM-Kisan in which benefits of around 8.89 crore would be provide to the farmers. This policy would provide income assistance to the farmers. Some states are also planning to provide seeds and farming equipments on rent to the farmers but the number of farmers that have received the support are less.

## Study of Business and Financial Sector:

As mentioned earlier the virus has impacted businesses all around the globe due to changes in demand and supply patterns in the economy. Due to interruptions in production around the world many firms suffered the shortage of necessary inputs. Also, the demand across the world declined as consumers preferred to reduce their spending. According to the Purchasing Manager's Index (PMI), China had a reading of 40.3 in February, 2020 which indicates recessionary conditions. This index helps the business owners to make decisions regarding their businesses by analyzing the market conditions from the point of view of purchasing managers.

The virus has affected the supply chains in the manufacturing sector and is responsible for the decline in energy and commodity demand. This recession has affected both manufacturing and service sector. According to a KPMG report restaurant diners globally have declined to 89% year-on-year as on 18$^{th}$ march 2020. This would force many restaurants to lay off their staff or to close down completely. According to the report on 14$^{th}$ March 2020 weekly unemployment in the US increased to 33%. It is predicted that sectors like aviation, tourism and hospitality would lose demand in this year which could be irrecoverable. Airlines are expected to lose $103 billion in 2020. Also, industry experts have predicted that some airlines might go bankrupt by the end of 2020 due to the travel restrictions imposed by different countries. Other sectors could experience delayed demand like the sector of consumer goods where the consumers would increase their purchases in the future.

In a report published by Bain & Co. they have introduced an index known as Bain's Situational Threat Report (SITREP) Index. This index is responsible for helping business leaders in planning and coordinating their business contingency policies according to the changing business environment. This index uses a mix of quantitative and qualitative information to assist business leaders. The index ranges from 0 (normal operations) to 10 (global scale disruptions in operations) and includes three classes of data namely: scientific or epidemiological, economic and social. Scientific includes information regarding the level of harmfulness and the capacity of the virus to spread. Economic includes information regarding the effects of the virus on the consumer buying behavior and business behavior. Lastly social provides information regarding the government initiatives and public reactions to those initiatives. The changes in the scale are made based on the current and future events which are expected to occur.

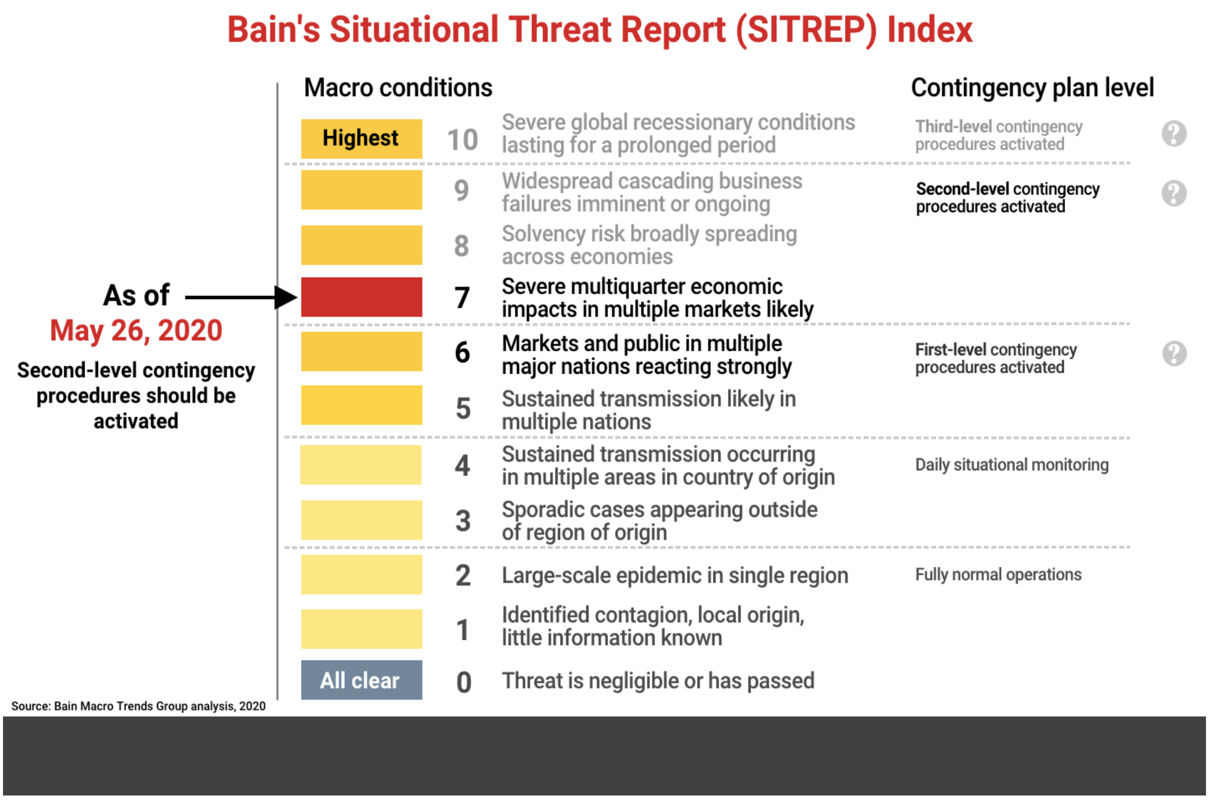


*Figure 4. Source: Bain & Co.*

On 25th February, 2020 the company raised the index from 4 to 5. This was done as at the time the virus had started spreading in other parts of the world and the number of cases in those countries was increasing. On 12th March the company raised the index to level 6. On this level first level contingency plans were implemented. This was done as many businesses in Europe and US were trying to find ways to fight the virus. Many companies were considering work from home for their employees and also many public events were being canceled. Public behavior was changing as they started avoiding public spaces and preferred to stay at home. On 13th April the index was raised to level 7 due to the different safety measures taken by the governments of various countries to control the spread of the virus. This level implied that the businesses should implement second level contingency plans. This includes separating essential operations from non-essential ones. And focusing on high-priority consumers for the time being.

According to International Labor Organization (ILO) the government could help the businesses during the covid-19 pandemic in three phases:

1. General reduction in economic activity due to measures to prevent spreading: the government can help businesses deal with recession by reducing the taxes, spending more on public protection and increasing public investment. The focus should be on helping businesses to continue their operations even after the pandemic ends. The government has the responsibility of providing relevant and timely information to the businesses regarding the status of containment measures. The government could help the businesses in temporarily providing products and services which are needed by healthcare professionals and other essential service workers. Many MNCs have started producing goods that were not in production before like face masks and hand sanitizers. The government should help these businesses in covering their fixed costs like rent, utilities, tax payments, debt and other overheads. The government could set up a platform where the business owners could interact with their peers and get necessary information easily. Also, after the pandemic ends the government should find ways for the companies to communicate with the customers.
2. Re-activation of business activity once the virus is contained: in this phase the government has to find ways for the businesses to get access to the financial markets after the virus has stopped spreading, initiate measures for market recovery, help businesses in using alternative supply chains and build a conducive business environment. The businesses would require access to credit from financial institutions to cover their short-term cash flows. Due to social distancing and lockdown new ways of doing business has emerged. The government can make use of this opportunities by help these new businesses start their operations after the pandemic and the government could also help the existing businesses to alter their processes.
3. Recovery of economic growth and rethinking of new ways of doing business: after the crises ends the government would have the responsibility of reviving back the companies and helping them sustain in the changing business environment. The government could invest in improving the infrastructure of the companies which would

help the companies in getting easy access to the suppliers and customers. this would also help in improving the level of employment which would increase demand.

In India the sectors which are affected the most by the virus includes air travel, hotels and restaurants, financial services, real estate, machinery and equipment, textiles and leather, consumer durables, automobiles, gems and jewellery. These sectors would face the problems of revival even in the fourth quarter.

- In the textile sector the demand shock is going to affect this sector and the price of domestic goods would increase due to the lockdown in China. In the manufacturing industries employment would be affected due to limited demand in both domestic and international market. The domestic retail market could be affected if the current situation continues.
- In the automobile and consumer durables sector the two-wheeler and four-wheeler market would be affected due to lower consumer sentiment and lower purchasing power. In the commercial vehicles market demand for those vehicles would decline which could affect its profits. Also, cash crunch would affect its sales in the future. In the next few months consumers would prefer to spend only on repairs rather than purchasing a new product. Similarly, in the consumer durables the consumer would prefer to use the existing product instead of purchasing a new one.
- In the aviation sector the covid-19 crises have severely impacted the aviation and tourism sector of the country. It faces a greater threat than the 2008 financial crises. It is predicted that the tourism industry would shrink up to 25% by the end of 2020 and would result in a loss of 50 million jobs. In India the job loss is around 38 million. This would also affect the hotel industry as the number of tourists would decrease.
- In the financial services and real estate sector investments made by the public would decline as they would prefer to save instead of investing as the economy is going through a cash crunch.

This outbreak has affected the financial markets of all the countries and forced the governments and banks to change their monetary and fiscal policies. According to the Global Financial Stability Report by IMF the prices of risk assets in the markets have declined and the market has become more volatile. In emerging markets financial situations have tightened but by making changes in the fiscal policies investor sentiments was stabilized during late March to April which helped the market in recovering some losses.

According to IMF the volatility of the market has led to deteoiration in the liquidity of the financial markets including the US Treasury market. To stabilize the financial markets across the globe central banks have taken various. Firstly, they have decreased the policy rates in the advanced economies. In the emerging economies half of the central banks have cut the policy rates. Secondly, the central banks have provided liquidity in the market through open market operations. Thirdly, many central banks have agreed to increase the provision of US dollar liquidity through swap line arrangements. Lastly, central banks have launched various programs during the crises to ensure that households and firms have access to credit facilities at affordable prices.

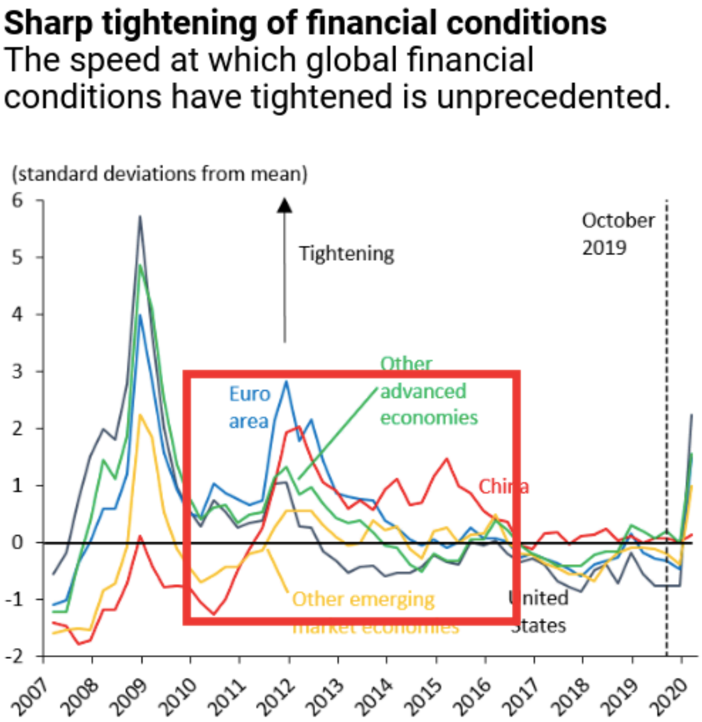


*Figure 5. Source: IMF*

The tightening of the global financial conditions would lead to the decline in global growth to below zero that is to -7.4% in comparison to 2.6% in October 2019. The emerging markets would bear the highest amount of risk. Also, these markets have experienced the sharpest portfolio flow reversal which is about $100 billion or 0.4% of their GDP.

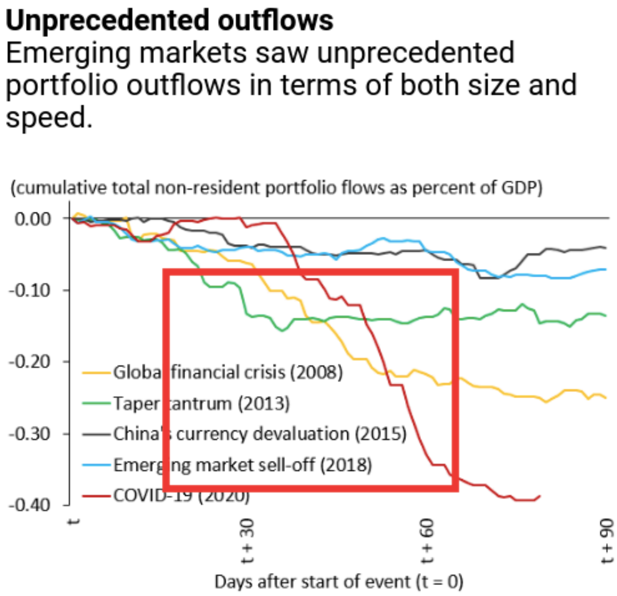


*Figure 6. Source: IMF*

As more and more firms are experiencing distress and the default rates are going up, there is a possibility that credit markets might face problems especially in riskier segments like high yield, leveraged loan and private debt markets. Since March high yield spreads have increased at a fast rate particularly in sectors like air travel and energy. Leveraged loan prices have decreased dramatically due to which rating agencies have revised forecasts to recessionary levels and the defaults in markets have also increased. Also, the increase in default rates would result in the decline of the assets of the banks which would make it difficult for them to give loans and would create solvency issues.

In US to combat the crisis of covid-19 the Federal Reserve introduced various monetary and fiscal policies that were prominent at the time of the 2008 financial crises. In its monetary policy the Fed reintroduced quantitative easing and forward guidance to ensure smooth functioning of the financial markets. In order to provide more liquidity, the Fed reduced its reserve requirements to zero for the first time. It also plans to lend cash to financial markets through repurchase agreements with primary dealers like large government security dealers. The Fed also encouraged banks to borrow money from the Fed's discount window to meet their liquidity needs. Also, the Fed plans to provide emergency credit facilities to the Nonbank Financial System. In terms of the fiscal policy the US has given around $8.3 billion in emergency funding to fight Covid-19. The government would also provide free testing, paid sick leave, unemployment benefits and food assistance to the healthcare workers.

In Europe the European Central Bank (ECB) is planning to provide low cost loans to eurozone banks to increase the level of liquidity. In UK, Spain and Italy the financial market regulators have decided to control the bond and stock markets to stabilize the prices. The government of Germany would provide unlimited loans to businesses that are experiencing negative economic activity. Also, the ECB has decided to create a $800 billion Pandemic Emergency Purchase Program to purchase public and private securities, expand the securities and ease some collateral standards.

China's economic growth is expected to be negative in the first quarter of 2020 and would fall below 5% if the crises continues. The central bank of China has injected $57 billion in its banking system, put a limit on the interest rates charged by banks on loans for major companies and extended deadlines for banks to stop shadow lending.

In India the financial markets have been majorly impacted due to the global market volatility and the preference of investors to avoid investing in risky assets. According to a Crisil report the bank credit growth is expected to slow down to 2-3% in 2021. To increase the level of liquidity in the market RBI has taken various measures like reduced the by 75 bps to 4.4%, widened reverse repo rate by reducing it to 4%, reduced cash reserve ratio requirement of banks from 4% to 3% and introduced Rs. 50,000 crore liquidity facility for mutual funds. The credit growth of private banks would be impacted as economic slowdown would decrease consumption demand. The profitability of the banking sector would be impacted due to increase in credit costs. In the NBFCs sector the players with a strong balance sheet would be able to absorb the impact of the pandemic.

## Study on SME's and MSME's:

As the company for which I have interned for is involved in providing consultancy services to small and medium enterprises so my firm mentor recommended that I also include the impact of the coronavirus on the SME's and MSME's in my report as that would help me gain a better knowledge of the effect of the virus on small sized enterprises.

The coronavirus pandemic has been specially difficult for the small and medium sized businesses due to their limited number of assets and cash reserves. The employment rate would also be affected due to this outbreak. According to International Labor Organization (ILO) the lockdown decisions have affected almost 2.7 billion workers.

According to a report published by All India Manufacturer's Organization (AIMO) a quarter of over 75 million MSMEs in India would be forced to shut down if the lockdown continues for more than four weeks. The closure of these MSMEs would create a high impact on the economy as they provide employment to around 114 million people and contribute around 30% to 35% to the GDP. The MSMEs have been impacted in various areas like the production and retail sector has been affected due to the lockdown. Also, the micro enterprises in the services sector has been hugely impacted. The MSMEs engaged in hotel, logistics and tourism sector has lost a huge amount of business.

This pandemic would impact the small and medium business's supply and demand channels. There would be reduction in the supply of labor if they are unwell or if they have to look after their family members. Also supply chains would be interrupted which would lead to shortage of intermediate goods. On demand side the shortage of revenue would create problems for the SMEs in functioning and can cause liquidity shortages. Also, the reduction in the income of consumers would lead to reduction in spending. This happens as some workers would lose their jobs or would not be able to receive their salaries on time. Also, social distancing would create more problems for SMEs than for other companies. Mostly SMEs have a limited number of suppliers which can protect them from such a global outbreak. This happened with the German MSMEs which were dependent on regional supply chains and were not affected by the changing situations in Asia. But the SMEs dependent on countries with higher covid-19 cases were impacted and obstacles in transportation through air, road or sea also affected them. Also, many SMEs would face the problem of connecting with their previous suppliers and rebuilding their network as those suppliers might have made new alliances. Many SMEs would not be able to deal with the costs that would occur due to this pandemic. The costs associated with changes in work processes and adopting new technologies, cost of underutilized labor and capital due to changes in production level. Also, it would be difficult for the SMEs to acquire necessary information regarding government initiatives which could benefit them and new business strategies to adopt after the pandemic ends.

According to ILO the government should adopt different tailor-made ways to reach the SMEs and MSMEs and provide them information that could affect them during the pandemic. The government should also find ways to help cover the fixed costs of these micro and medium enterprises otherwise it would become difficult for them to survive after the pandemic ends. For the MSMEs the biggest problem during this outbreak is getting access to credit facilities. The government can support MSMEs by channeling funds through financial institutions. The government can provide low or zero interest on loans, underwrite the risks, emergency insurance and providing credit. Also, the government could also simply the process of setting up new businesses for MSMEs. The alliance between small and large enterprises after the pandemic could help in the growth of MSMEs. After the pandemic ends the government could provide training to the SMEs and MSMEs to help them manage their finances, learn about new technologies and digitization and improve productivity.

Few policy responses for the MSMEs and SMEs in different countries are:

- The governments of many countries are taking steps to inform small businesses about the changing market conditions due to the pandemic. They are informing the firms how to reduce working hours, providing relief for workers and companies and redundancy payments due to lay-offs and sick leave.
- Various financial support is being provided by different countries like in Australia, Belgium and France temporary tax relief is being given to the small companies. In US Disaster Relief Loan Programme has been started. In Japan loans are being given at zero interest with no collateral. And in Australia, Chile and Italy sectoral support has been given.
- In France and Belgium penalties for making late payments to government contacts has been removed. Also, in France assistance is given to solve company and client problems.
- In Queensland mentoring and financial workshops have been setup to provide assistance to small businesses in how to recover after the outbreak ends. Korea is helping the brick and mortar shops in building their business online.
- Central banks in many countries like Korea, Singapore and Malaysia have introduced support packages like emergency loans and flexibility in repayment of existing loans.

In India some policy recommendations would be:

- In the short term the date to deposit advance tax should be extended to help the enterprises in saving their cash flows. All GST and other tax refunds should be immediately given to the businesses so that they can continue operations. In the long term no penalties should be given for delay in filing returns for a period of three months.
- In the short term the banks should reassess their working capital loans so that they could help small enterprises in their day-today expenses. the government could provide assistance for the payment of salaries or wages. A fixed waiver on electricity charges could be given till the time output is pre covid-19 levels as this would decrease the burden on these enterprises. In the long term increasing the Open Cash Credit (OCC) limits would help MSMEs in increasing the amount of liquidity available to them. Also opening digital financial platforms for small businesses would help in infusing funds in those sectors.
- In the short term the small businesses could be encouraged to produce pandemic related items by providing them support in terms of logistics and financial support. Public procurement norms should be made simpler so that MSMEs could be easily introduced into the supply chains. In the long term a focus on import substitution and localization could done which would benefit the small enterprises. A framework should be made for the adoption of Industry 4.0 by MSMEs which would include decentralization and lean manufacturing and would help in future situations. Reforms for labor force in India should be made to protect and to improve their skills.

## Future after the Pandemic:

The spread of covid-19 has disrupted the current working conditions and the way economic interaction happened and after this crisis ends a new way of living would emerge. This pandemic is different from the previous economic or financial crises that has occurred and this pandemic has shaken the whole economic order of the world. According to a report by KPMG there are seven ways in which the world can deal with the changes that this pandemic has brought:

1. There would be a shift towards local production especially for essential commodities as the global supply chains have been disrupted due to the crises. Also, the ongoing geopolitical environment and global recession would lead to more risk aversion and protectionism.
2. Many companies have decided to work from home for the foreseeable future and this has created new ways of doing business. Even the traditional brick and mortar

companies have decided to try digitization. Also, this crisis has shown business leaders the importance of investing in different technologies like cloud, data and cyber security. This would change the way the world operates for B2B, B2C, B2G services, commercial real estate, -commerce, e-governance, process automation, data analytics and self-service capabilities.

3. This crisis has shown businesses that it is important to conserve cash and be prudent. The companies that are over leveraged and living on the edge would be the most vulnerable at the time of crises.
4. During this crisis many businesses learnt the importance of reducing costs. This could be done by converting the fixed costs to variable costs wherever possible. They can do this by outsourcing activities which cannot be performed by the businesses and lowering fixed costs. This would also impact the labor force and supply chains across the world.
5. Alternate data systems can offer information that traditional tools may not be able to offer especially information that is scarce and keeps on changing. Governments have decided to invest in digital control towers and sensing capabilities to provide more transparent information. Like analytics companies are now mining alternative data such as traffic jams and food orders to track the shock of covid-19.
6. Resilience capabilities would have to be developed to protect the supply chains against the changing market conditions and to keep them competitive. This would also help in establishing a better way of doing business. This could be done through the initiatives of internal businesses and a wider network.
7. The pandemic has forced companies around the world to change their business processes and become more agile. The focus of the companies is to stay customer-centric, meet the employee needs and reinforce stable team dynamics in the changing environment. In the future companies have to make policies that would deal with such crises more quickly and efficiently.

According to a McKinsey report the leaders of the different businesses can plan ahead after the virus ends based upon five parameters:

1. Resolve- the leaders have to address the immediate challenges that the virus would create for the employees, business partners and customers. The leaders should provide empathy, cultivate awareness and compassion to the people who work inside the business and the leader should show concern for shareholders, personal care and

attention should be given to the stakeholders and the organization should be portrayed in a positive way as a company which has a plan for the post-crises situation.

2. Resilience- leaders should address the short-term cash management challenges that the company might face and broader resiliency issues that might occur due to the shutdown. Also tracking the change in the consumer sentiments and how it could change after the lockdown ends.
3. Return- creating a detailed plan regarding returning to business after the virus ends. This would include focusing on four main strategic area which are recovering revenue, rebuilding operations, rethinking the organizations and increasing the adoption of digital solutions. The leaders can also plan to return by having a conversation or doing research on the return plan of large companies from different sectors. The national economies could be restarted by thinking on two frameworks that are first to help governments, private sector and nonprofits on deciding when to open and the second is on the approach of how to open these economies.
4. Reimagine- thinking what the new normal would look like and how the businesses processes should be re-invented to adapt to the changes. There are various steps a business leader could follow to change the company's processes and culture.
5. Reform- knowing how the regulatory and competitive environment in the industry of a particular business would change. Businesses have to shift to an agile culture to sustain in the changing business environment.

According to another McKinsey report business leaders can take seven immediate actions after the lockdown ends:

1. Protect employees- the organizations have to follow all the health guidelines given by the top global and local health authorities like WHO and CDC. The business leaders can start their operations by drawing up strategies and policies that protects their employees. Some companies are benchmarking their policies against one another to determine the right policies for their employees. Also, the leaders must communicate with their employees at timely intervals.
2. Set up cross functional response team- companies to appoint a person who directly reports to the CEO and the company should appoint members from every function to assist. Also, the employees would have to do work which is not part of their everyday job roles. A few common areas of work would be employee's health, welfare and ability to perform their roles, financial stress testing and development of a contingency plan,

supply chains, marketing and sales and communication with relevant constituencies. These sub teams would have weekly goals that need to be adjusted based on company's planning. Also, the meetings held by these teams should conclude with a decision.

3. Financial stress testing and contingency plan- businesses should be able to make scenarios according to the needs of the business. They can use analytics and expert input for revenue and cost numbers. In every changing scenario the company should change its financials accordingly and also find triggers that might impact the liquidity and find ways to stabilize the company in such a scenario.
4. Supply chain- the companies have to define the extent and duration of their supply chain areas that are being affected from the transmission. Companies should start making plans for supplying those products that would experience high demand after the pandemic. In some cases, longer term stabilization has to be done and for that the company has to search for new suppliers and make use of its network.
5. Marketing and sales- the companies that are able to handle disruptions experience success in their businesses. This could be done by creating presence in all platforms of the market like during the current crises the companies that have created online presence have been able to ensure continuous demand for their products. Immediate stabilization would be in the form of inventory planning, discounts and prices changes in near future. Longer term stabilization would be in the form of investments and microtargeting for priority segments.
6. Practice plan with top team through in depth table top exercise- the companies can practice planning in different scenarios by using tabletop simulations. The simulation should define the decision owners, roles of each top-level manager is clear, call out the person that may slow down the process and ensure that when such a situation arises then the action plan for it is clear and the investments are available.
7. Demonstrate purpose- the companies have to make sure that the communities in which they work are strong. They support the response effort by providing equipment, money or expertise. Like some companies have started producing medical masks and clothing.

## LEARNINGS FROM THE SUMMER TRAINING

- The internship helped me develop some soft skills in the form of e-mail writing and communication in meetings. It also helped me learn how to take criticism for my work without getting demotivated and how to improve upon my work.
- My mentor helped me by guiding me in my career path and provided me with more insights regarding working in the finance field in the future. He taught me how to be practical while making decisions or completing a task. The continuous feedback I received from my mentor helped me in completing my tasks effectively.
- My internship project taught the correct way of writing a report and the way in research has to be conducted to obtain useful information. Also, the project helped me improve my observational and analytical skills as I learnt how to filter out required data from the huge amount of data available to us.
- Having learnt the theoretical approach of report writing in Term 1 and 2 this internship gave me the opportunity to write a report on a professional level and get a practical experience.
- Through reading reports of various consultancy firms and government organizations for my project I learnt about the way professional reports are written and it also helped me improve my reading skills.
- I was also taught how to analyze the financial statements of various companies and to predict the company’s growth based upon the statements. This helped me apply my theoretical knowledge of Financial Management learnt in my first year in a practical way.
- And lastly, I learnt about the small and medium scaled industries and how they function as Proex Advisors is involved in providing services to these small-scale firms.

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# ANNEXURE- COMPLETION CERTIFICATE

Naapbooks Private Limited

CIN : U72900GJ2017PTC096975

eMANAGING TECHNOLOGY

Dated: $04^{th}$ July 2020

**TO WHOMSOEVER IT MAY CONCERN**

This is to certify that **Ms. Prachi Garg,** student of MBA, Institute of Management, Nirma University has successfully completed an eight-week internship program in **Finance Department** from $25^{th}$ Apr 2020 to $25^{th}$ June 2020 at Naapbooks Private Limited.

During the period of her internship program, she was found punctual, hardworking and inquisitive. Her diligence & dedication in order to achieve the best possible results is really admirable.

We wish her every success in her life.

Sincerely,

For **Naapbooks Private Limited**

Naapbooks Private Limited Ahmedabad

Authorised Signatory