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HOW TO REBUILD BUSINESS FOR THE NEW NORMAL

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Introduction

Business across countries is struggling to deal with the present situation. The HSBC has conducted a survey among 2,600 businesses across 14 countries, markets and territories to study the impact of Covid 19 on business around the world and found that 5 per cent of the businesses ceased their operations fully because of this pandemic (HSBC, 2020). Some of them already diversified their business for two reasons, mainly to retain their employees and secondly to fight against the pandemic through producing goods and services which will reduce the hardships of people around the world. The result is more masks, more ventilators at cheap rate and supply of essentials to the needy people around the world. The so called Multi National Corporations, Micro, Small and Medium Enterprises and sole proprietors all came together to deal with the pandemic situation with social commitment. However the business community around the world is in chaos and struggling to plan even the near future.

Keywords: *Covid 19 pandemic, Multi-National Corporations, CRAR, Non Performing Asset*s

The Background

The Covid 19 pandemic has put the world in a stand still situation leaving no scope for any sector in the business arena. Business across countries is struggling to deal with the present situation. The HSBC has conducted a survey among 2,600 businesses across 14 countries, markets and territories to study the impact of Covid 19 on business around the world and found that 5 per cent of the businesses ceased their operations fully because of this pandemic (HSBC, 2020). Some of them already diversified their business for two reasons, mainly to retain their employees and secondly to fight against the pandemic through producing goods and services which will reduce the hardships of people around the world. The result is more masks, more ventilators at cheap rate and supply of essentials to the needy people around the world. The so called Multi-National Corporations, Micro, Small and Medium Enterprises and sole proprietors all came together to deal with the pandemic situation with social commitment. However, the business community around the world is in chaos and struggling to plan even the near future. Here arises the need to have a strategic plan to suit all the sectors across political boundaries.

Who sustained during the pandemic?

Undoubtedly, the agricultural sector showed its strength and importance in human life. Governments and even the common man working in different sectors began to speak about agriculture and allied activities. All realised the fact that survival of human being is possible only when agriculture is strengthened. Initially, online delivery companies and gadgets industry got an opportunity to increase their turnover as people had little options to buy necessities and to provide education to their children. Irrespecive of age and educational background electronic gadgets became an integral part of everyone's life. But the IT industry and the gadgets industry can survive only in the short run as the macroeconomic situations of low income and poor performance of other sectors in the economy will definitely have an impact on them in the long run. It can be concluded that agriculture will be the only sector in the economy which will survive during any adverse situation as food is the necessity of human beings living on earth.

Now, we should discuss the real issue in the business world. Which is the most trustworthy business model that we can adopt across sectors and countries? The corporate world is under shadow as the investors

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might have new priorities during and after the pandemic.MSME s will also need to fix their damages already caused to them during the pandemic. Financial institutions are also in a panic stage because of the projected Non-Performing Assets (NPA) level. Partnerships and sole proprietors are in dilemma to deal with loan repayment, rent payments, and employee retention.

However, the Co-operative societies across political boundaries are showing their potential to survive in this pandemic situation. The major reason for their cool presence in the economy with confidence can be assigned to Co-operative principles upon which they are incorporated. The principle of democratic management, all for one and one for all concepts, principle of autonomy and independence, and finally mutual help strategy rather than usual business concept of wealth maximization of members makes co-operative institutions unique and distinct. It is to be noted that because of their deep-rooted structural strength they have concentrated more on the social wellbeing of the society in which they work during the period of the pandemic. The Gujarat State Women's SEWA Co-operative Federation Ltd., India has adopted a threefold strategy to safeguard its members. They provided health kit to members, tried to restore livelihood through direct cash transfer and ensured food security during lockdown (International Labour Organisation, 2020). Co-operative Banks in Paris extended credit to hospitals and healthcare centers amounting to around 100 million euro. The retail co-operatives in Italy showed revenue increase during the pandemic period and they decided to donate millions of Euros to public hospitals and community co-operatives which are playing a crucial role in supporting the local people (your public value, 2020).Similarly, Co-operatives all over the world are actively supporting a large number of needy people who are suffering with Covid 19 pandemic.Hence,it can be noticed that co-operatives are the only business model which are surviving during this period. After the global financial crisis of 2008 many economists identified co-operative credit institutions as structurally strong financial institutions unlike the giant corporate bubbles. The remaining part of this article examines the scope of applying co-operative business model to the existing profit oriented firms to overcome the hardships of Covid 19 pandemic.

A Co-operative society is community based business model which can be considered in any industry irrespective of the capital requirement of the firm. These are registered entities under applicable co-operative law. Mutual help among members is the motto rather than profiteering. The current situation warrants the co operation of business entities in similar industry and to eliminate competition which is considered as a growth engine under capitalism. This article specifically deals with rebuilding of firms in the tourism industry which are affected adversely.

Rebuilding the Banking Sector in the New Normal

Since December 2019, when the pandemic was first reported from China, Banking sector around the world showed its strength of adaptability to the emerging situation. Banking regulators quickly responded and encouraged digital finance recognizing the opportunity that widening the access to digital channels will ultimately result in improved financial inclusion. Financial inclusion was a necessity due to the lockdown across coutries.Governments relied on direct cash transfer to the needy and under privileged sections of the society which is possible only through a larger financial inclusion. Table 1 shows the policy initiatives by regulators in various countries towards digital finance in response to the pandemic.

Table 1 Financial Inclusion level and measures taken to encourage digital finance in response to Covid 19

Country	Financial Inclusion Level	Policy Measures			
	2017 per cent	Declaring CICO* as essential service	Reduction/Removal of fees	Relaxation of KYC Procedures	Increased Transaction Limits
Egypt	32.8			✓	✓
Ghana	57.7		✓	✓	✓
India	79.0	✓			
Jordan	42.5			✓	
Kenya	81.6	✓	✓	✓	✓
Pakistan	21.3	✓	✓	✓	
Russia	75.8		✓	✓	
Singapore	97.0		✓	✓	

Source: Nana Yaa Boakye-Adjei, Covid-19: Boon and bane for digital payments and financial inclusion, Financial Stability Institute (FSI) of the Bank for International Settlements (BIS), July 2020
*CICO –Cash in/Cash out services

On the other side, the capital market witnessed a tsunami like situation and no banking company left unscathed. Now there is a modest stabilization favouring only the better capitalized and more profitable banking companies. However, the long term rating outlooks have been revised to negative for majority of the banks (Iñaki Aldasoro, 2020).

As far as we analyse the situation from the banks' perspective as an industry, a series of challenges are ahead. These challenges need to be analysed and managed to rebuild the banking sector. Financial inclusion has been accelerated at the global level and fin tech companies were succeeded in finding new business at least in the short run. But it increased the spending of banks for technological up gradations and safety enhancement. Similarly, the policies of reduction/elimination in transaction fee, lifting the transaction limits etc. curtailed the revenue of banks. The announcement of moratorium on bank loans also made the banks under stress. In addition to these explicit challenges, the banking industry needs to expect certain unprecedented challenges which may lead to the collapse of certain banks. The major challenge is to adhere to the prudential norms stipulated by the Central bank. The prudential norms introduced all over the world since 1988 with the rolling out of Basel 1 norm by the bank for International Settlements. In India also we implemented these norms in a phased manner. Later Basel 2 and 3 were also introduced in the Indian banking sector. Major norms were on Non Performing Assets and Capital adequacy. While we consider the Indian Banking sector, there was a shift from the branch banking to universal banking system. In addition to that mergers in the banking sector is still going on with good pace. Capital infusion is needed for some banks to achieve the required CRAR as per the Basel norms.

The COVID 19 has negatively affected all the sectors of the economy as well each and every individual around the world. It will be difficult for the institutional as well as individual borrowers to repay their debts. Such a situation will certainly increase the NPA levels in all banks. Similarly, capital infusion in banks will be difficult in the near future at least to the public sector banks as the government is in an unprecedented financial crunch. These factors will certainly affect the CRAR of the banks. Along with these regulatory pressures the banks will find it difficult to attract genuine borrowers. This is due the possible depression in the economy.

How to Rebuild the Banks

The new normal itself will be a challenge to the banks like any other industry. The above discussions revealed the existing and possible challenges of the sector. A mere negligence from the part of regulators and governments may result in a collapse in the banking system. Even a small destruction in the sector will lead to damaging of the entire financial system and it will affect the public at large.

At the Central Bank Level Reduce Regulatory Pressure

The Banking sector plays a key role in helping economies to mitigate the macroeconomic and financial shock caused due to the Covid 19 pandemic. Banks shoulder the responsibility of supporting the pandemic affected borrowers and further it ensures flow of credit to various sectors of the economy in the new normal. Hence, it is the responsibility of the regulators to ensure financial stability of banks which are still trying to overcome the negatives of 2008 global financial crisis. Monetary policy and fiscal policy measures will not be sufficient to deal with current situation. Prudential regulation as well as supervision needs to be tuned in favour of banks. Some of the regulatory measures to be taken for the new normal are:

1. Delay the Basel 3 compliance dates including the capital adequacy norms.
2. The declared moratorium by governments/banks should not result in revenue loss of banks.
3. The NPA Norms should be revised at least for a period of five years. Currently 90 days overdue of term loans will attract NPA status to such loans. It should be revised to 180 days.
4. The stipulated parameters for considering crop loans, cash credits and overdrafts as NPA should be revised by extending the period of overdue.
5. There should be a comprehensive guideline from the part of regulators to restructure the existing loans in the wake of COVID 19. Restructuring is a practice that allows banks to modify the terms of the loan when the borrower is facing financial stress.
6. Debt consolidation should be allowed wherever possible. Debt consolidation means combining more than one debt obligation into a new loan with a favourable term structure such as lower interest rate structure, tenure, etc. Here, the amount received from the new loan is used to pay off other debts.

At the Government Level consider the following factors

The following measures from the government will be highly supportive for banks for the new normal.

1. Declare banking services as essential in all stages of covid 19.
2. Delay

At the Bank Level consider the following factors

1. Go digital to the fullest extent
2. Doesn’t use the business mantra…..Find opportunity in every difficult situation?
3. Consider new normal for branch operations. It is not possible to return to the old normal branch operations.
4. Banks should consider closing down of less used branches and multiple branches in similar vicinity.
5. Branch visits should be on online appointment basis so as to ensure social distancing and better services to customers.
6. There should be prioritized counters for the vulnerable population.
7. Stand with Customer
8. Enhance employee morale
9. Encourage work from home
10. Offer Skip a payment services
11. Enhance Deposit Insurance so as to build confidence in the minds of Depositors.
12. Extent Credit guarantee for housing loans by DICGC.

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13. Help the customers online or start drive through windows.
14. Avoid advertising and marketing costs at least for 2 years.

Conclusion

The Covid 19 pandemic has put the world in a stand still situation leaving no scope for any sector in the business arena. Business across countries is struggling to deal with the present situation. The HSBC has conducted a survey among 2,600 businesses across 14 countries, markets and territories to study the impact of Covid 19 on business around the world and found that 5 per cent of the businesses ceased their operations fully because of this pandemic (HSBC, 2020). Some of them already diversified their business for two reasons, mainly to retain their employees and secondly to fight against the pandemic through producing goods and services which will reduce the hardships of people around the world. The result is more masks, more ventilators at cheap rate and supply of essentials to the needy people around the world. The so called Multi National Corporations, Micro, Small and Medium Enterprises and sole proprietors all came together to deal with the pandemic situation with social commitment. However the business community around the world is in chaos and struggling to plan even the near future. Here arises the need to have a strategic plan to suit all the sectors across political boundaries.

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