

# Supply Chain Resilience: Evidence from Indian Firms <sup>\*</sup>

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## Abstract

We characterize which features of supply chains make them more resilient to large shocks. Using a novel dataset on the universe of firm-to-firm transactions in an Indian state, we identify which firms were subject to a larger supplier risk, following the COVID-19 lockdowns in March 2020. We follow an event-study approach and find that firms whose suppliers were in strict-lockdown districts, experienced separation rates 3.5 pp higher than firms with suppliers in mild-lockdown districts (a 45% increase with respect to baseline). We then look into which characteristics make supply chains more resilient. Firms who buy more complex products, which have fewer suppliers in the market, are less likely to break links after the shock. On the contrary, firms who diversified, and purchased the same product from multiple suppliers, are more likely to break links. Finally, we explore how firms change the composition of their suppliers after the shock. Firms with higher supplier risk start sourcing from closer distances, and concentrate their purchases into larger and better connected suppliers.

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