

# Impact of COVID-19 on Small and Medium enterprises

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**Abstract:** - *The study aims to make an assessment of COVID-19 on Indian economy by analyzing its impact on growth, manufacturing, trade and micro, small and medium enterprises (SME) sector, and highlights key policy measures to control the possible fallout in the economy. The impact of the pandemic across sectors and in different scenarios of complete, extended and partial lockdown, and at different levels of capacity utilization is massive on the Indian economy.*

*India's economy may barely manage to have a positive growth of 0.5 per cent in an optimistic scenario but also faces the possibility of a 3–7 per cent negative growth in worst case scenarios for the calendar year 2020. The impact is severe on trade, manufacturing and sSME sectors. The likely impact of COVID-19 from best case scenario to worst scenario are as follows: manufacturing sector may shrink from 5.5 to 20 per cent, exports from 13.7 to 20.8 per cent, imports from 17.3 to 25 per cent and SME'S net value added from 2.1 to 5.7 per cent in 2020 over previous year. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures.*

**Keywords:-** COVID-19, lockdown, coronavirus pandemic, impact, reopening, SME'S sector, COVID-19 pandemic, economy, manufacturing sector, labor shock, supply shock, demand shock.

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## Introduction

SME'S stands for Micro, Small and Medium Enterprise (SME'S), introduced by Government of India in agreement with Micro, Small & Medium Enterprises Development (SME'S) Act, 2006 are entities engaged in the production, manufacturing, processing or preservation of goods and commodities.

SME'S sector is considered as the backbone of Indian economy that has contributed substantially in

The socio-economic development of the nation. It generates employment opportunities and works in the development of backward and rural areas. **As per the Government's annual report 2018-19, there are presently 6, 08, 41,245 SME'Ss in India.**

Small & medium Enterprises are the back bone of Industrial Development.

Ministry of Micro Small & Medium Enterprises Contributes Nearly 8% in GDP, 40% in manufacturing output & 45% in Exports.

They provides the largest share of employment after agriculture

They have emerged as a dynamic and vibrant sector of economy.

SMEs were struggling with many challenges, such as disruptions in logistics, restrictions on labor mobility, and declines in market order. The major challenges varied by industry. For example, export firms suffered more than others, due to a decline in

external demand and a lack of key parts that kept them afloat. SMES in the residential service sector were hit particularly hard because of shrinking demand. Agricultural enterprises reported more problems with logistical disruptions.

After reining in COVID-19, authorities largely eased lockdown restrictions in April. As a result, most SMEs had reopened by the time of our second round. COVID-19 has unfortunately spread to almost all countries worldwide. Many countries have adopted lockdown policies similar to India, shutting down millions of SMEs. The governments in the countries desperately want to know what impact COVID-19 is having on SMEs as these businesses struggle with reopening. Thus, the study on the impact on SMEs in India.

#### **Literature Review:-**

- Mahajan describes the factors that drive Indian millennials to a particular online retailer in India and perceptions of millennials towards these online retailers. The paper studies the same in the Indian context. It is found that millennials are more or less satisfied with the services of selected online retailers. It was also found that four factors were statistically significant for millennials for selecting a particular online retailer (Mahajan, 2017; Mahajan, 2015).
- The effect of MCOs on SMEs was categorized as organizational challenges (i.e. instability of businesses; disturbance in the supply chain; planning of potential course in the business) and financial difficulties (i.e. disparity of cash flow; access to funding packages; danger of bankruptcy). In the meantime, strategic and communication techniques address key elements in modern survival methods. The paper proposes few guidelines for potential studies, companies and agencies (Ahmad, 2020).
- Narula claimed that the threats and opportunities would be different in the long term based on the SME form. Instead of a one-size-fits-all solution, policy initiatives can also be sensitive to various forms of SMEs. The policy mix would have to transition from its original emphasis on short-term sustainability to a longer-term, strategic solution that will encourage transformation and development through creativity, internationalization and networking. The policy mix will be a significant subject of concern (Narula, 2020).
- Yi Lu and his co-authors observed that, because of lack of disease prevention resources, workers' failure to return to work, production lines interrupted, and a decreased business demand, most SMEs were unable to restart work. A number of SMEs often experienced cash flow problems, and while they did not have many to no sales, they also had to compensate for different fixed expenses. Because these delays in the resumption of work have placed immense strain on the viability of several small and medium-sized businesses, guidelines relating to cash-flow relief for China and the other countries involved, work restarting and stimulating demand help SMEs thrive and recover from catastrophe. (Yi Lu, 2020).
- The economic impact of COVID-19 is expected on every sphere including growth, international trade, financial markets, unemployment, income, poverty and many more variables. The impact of the virus spread is expected to lead to a huge loss as global trade is severely affected. The Indian growth model depends on the export-led-growth (Mishra, 2019).
- Utilized the computable general equilibrium (CGE) modelling and reported that global GDP would be reduced by around US\$2.4 trillion in 2020 under a low-end pandemic considering the Hong Kong Flu as a reference point. However, the fall can extend to the tune of over US\$9 trillion in 2020 in case of a serious outbreak similar to the Spanish flu. Ozili and Arun (2020).
- The spillover effects of COVID-19 and hailed that the social distancing measure of virus controlling led to the shutdown of financial markets, corporate offices, businesses and events which in turn may have significant impact on economic growth. As per the

International Labour Organization (ILO) estimation, the total value added of industrial enterprises in China declined by 13.5 per cent during the first 2 months of 2020 (National Bureau of Statistics of China, 2020).

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- Hence can experience massive impact on growth due to lockdown amidst the virus spread. On the international trade front, it is expected to plunge in a range of 13–32 per cent under optimistic and pessimistic scenarios, respectively (WTO, 2020).
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**Objective of the Study**

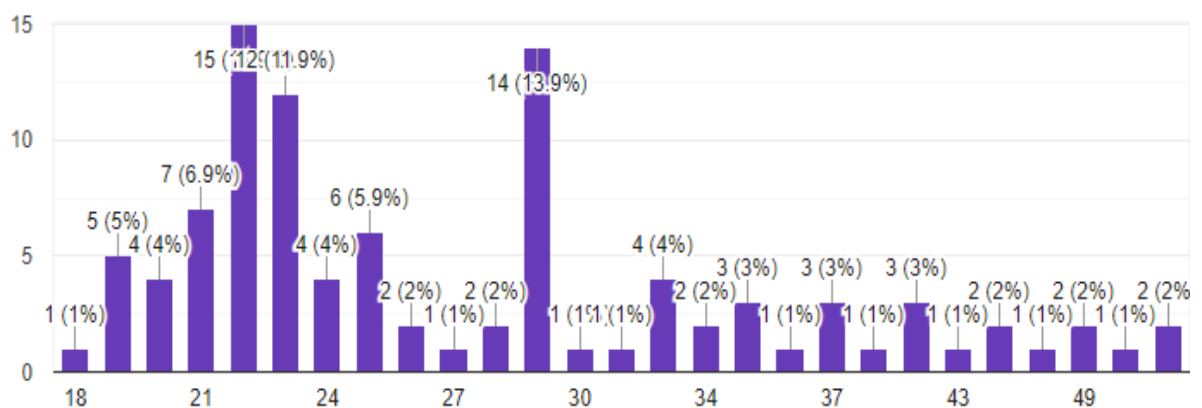
- To examine the market sector after covid-19.
- To know the problem faced by business after covid-19.
- How they handle their business from finance market, demand, supplier, rawmaterial, etc.
- How they handle they employee even after finance problem and how they manage their electricity bill, and more.
- To manage their installment, emi and all finance related problems.
- To understand the problem which all business faced by covid-19 and how they handle their problems.
- To study the impact of coronavirus on SME’s in India
- To study the impact of coronavirus pandemic on employment in SME’s in India.
- To suggest measures to improve the present situation of SME’s in India

**Data analysis & result:-**

This data has been collected through Google form and through this the data obtained from different respondents have been analyzed using Google forms and spreadsheet to conduct an analysis and interpretation.

**Age**

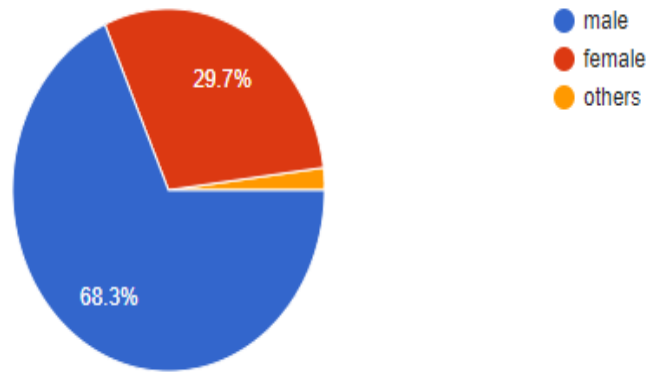
101 responses



This data has been collected from the age between 18 to 69 + year.

Gender

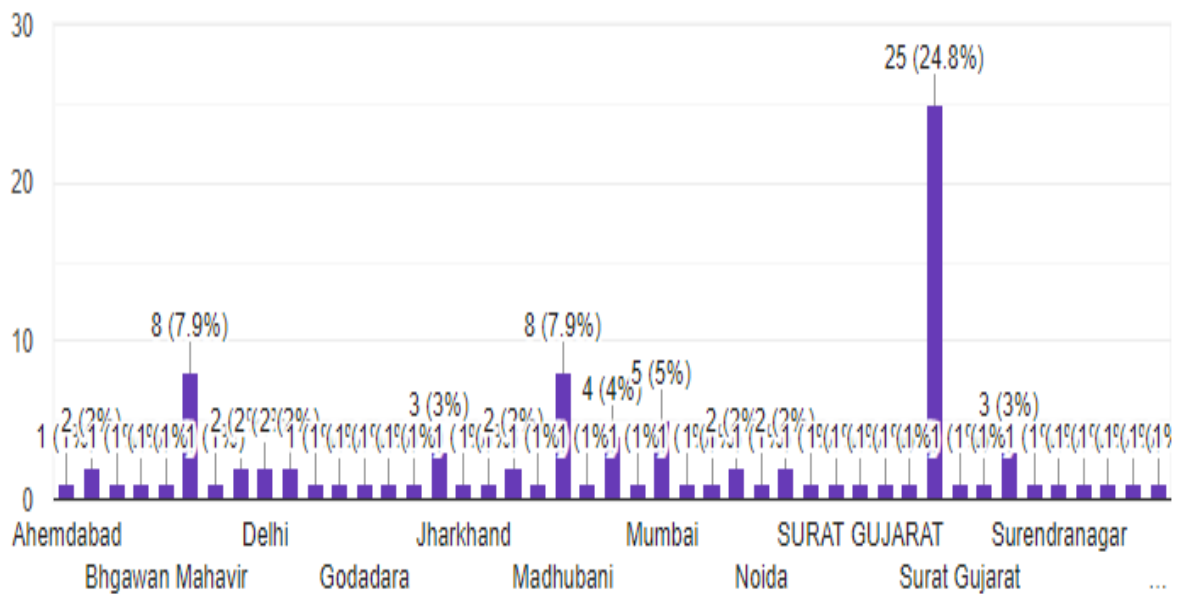
101 responses



In that the highest gender will be men with 69% in terms of business owner after that women with 29.7% and after that 2% others.

place of shop

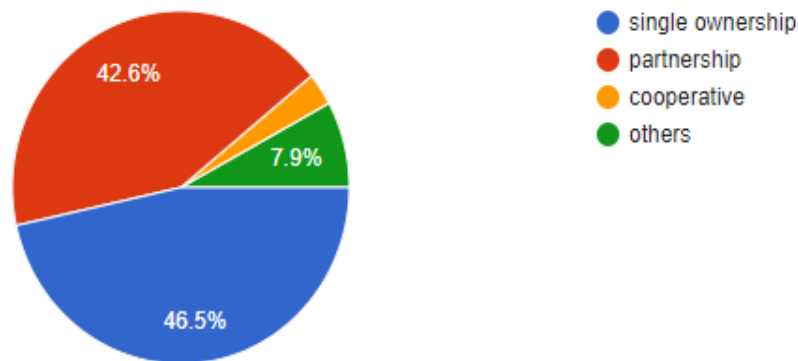
101 responses



In that survey most of the shop has been taken from surat .

what type of legal structure did your business originally use ?

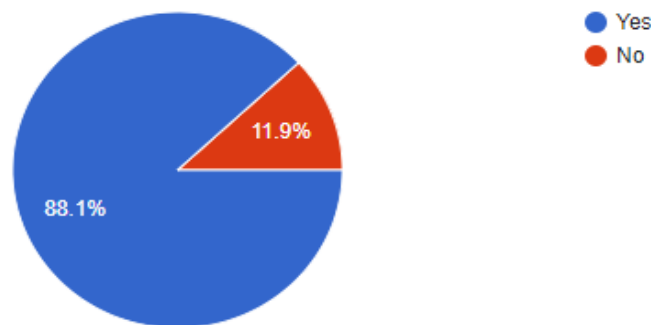
101 responses



Most of the business are single ownership with 46.5% and 42.6% are partnership firm.

Was your company able to survive after the lockdown.?

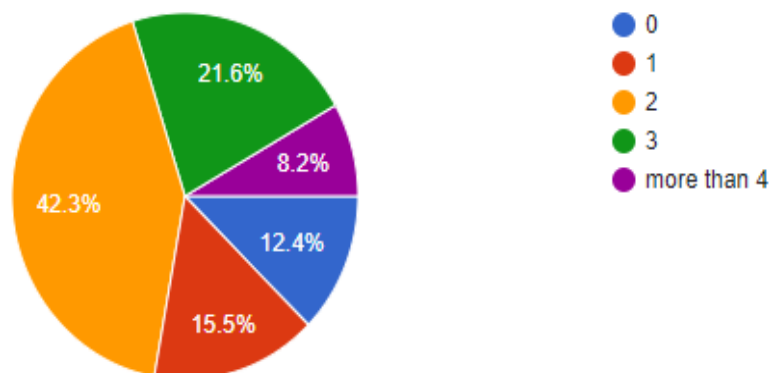
101 responses



In that most of the companies survive after lockdown which is 88.1%.

how many member of your family are working for your business

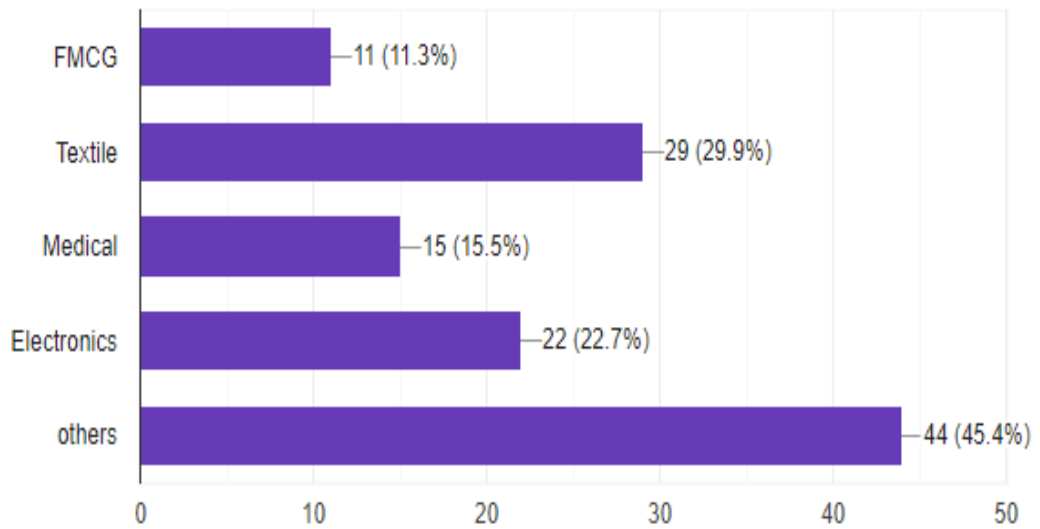
97 responses



Mainly 2 person from each family are working in single business.

what of products your company sell.?

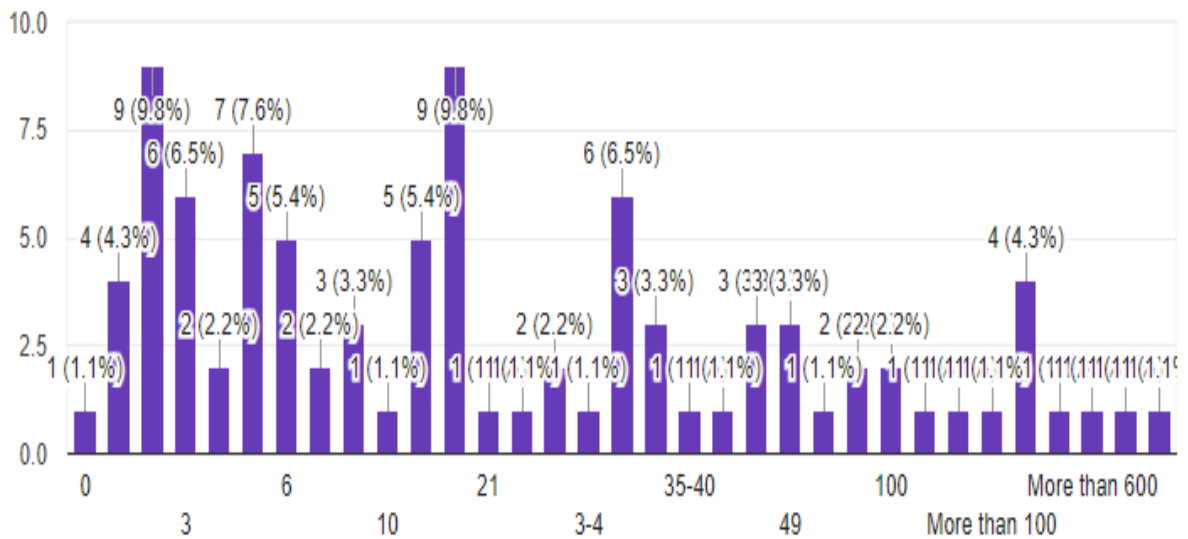
97 responses



In that most of the compnay sell textile products,and electronics things .

Number of employees working for company.

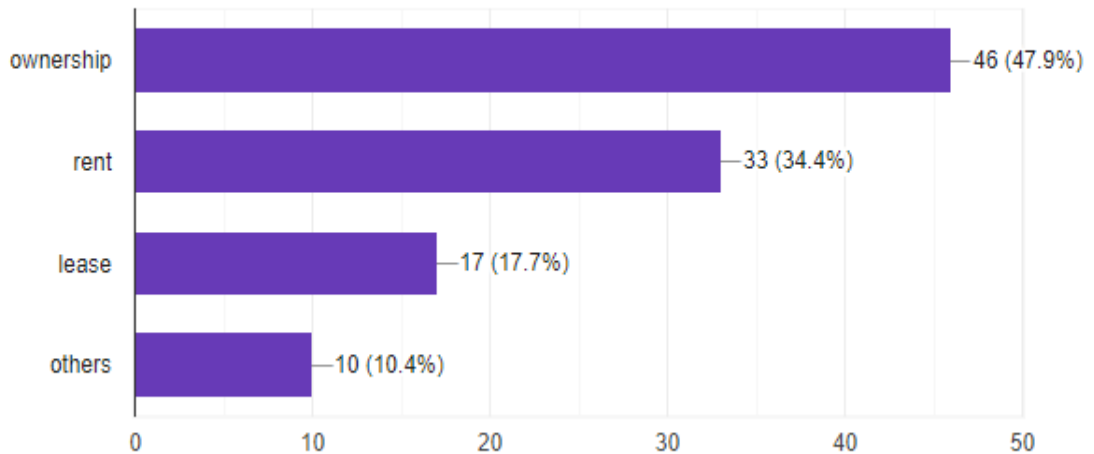
92 responses



With this survey most of the business have more than 600+ employees.

which type of shop you have.?

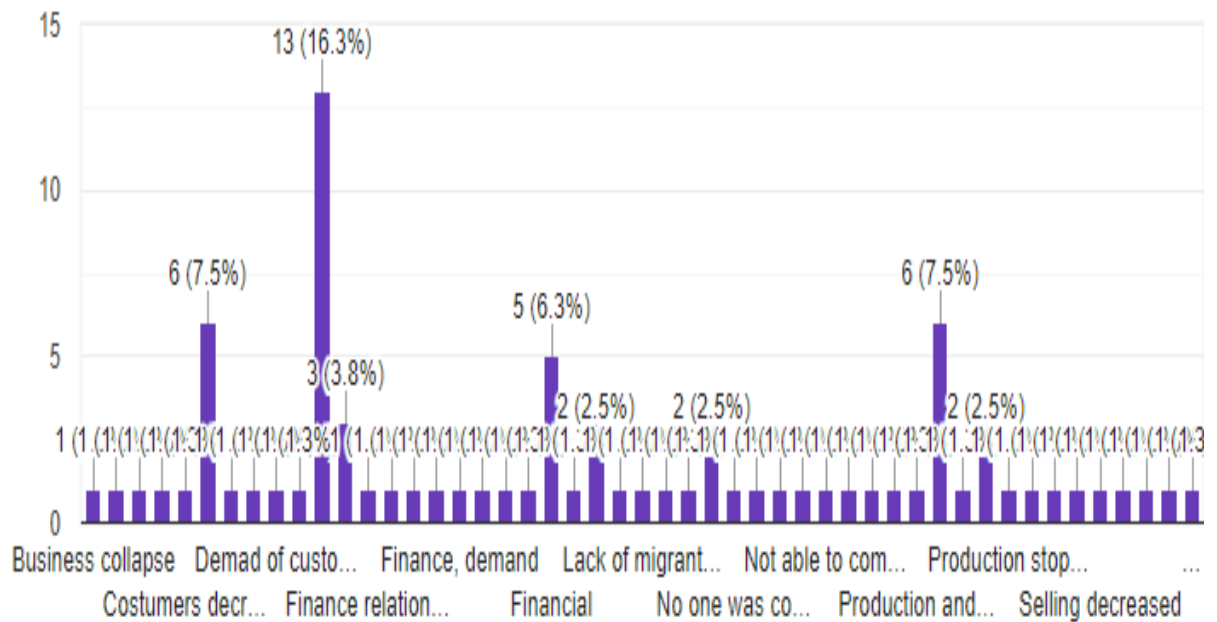
96 responses



Most of the business have own shop with 47.9%

what type of problems did your company face during the time of COVID-19.

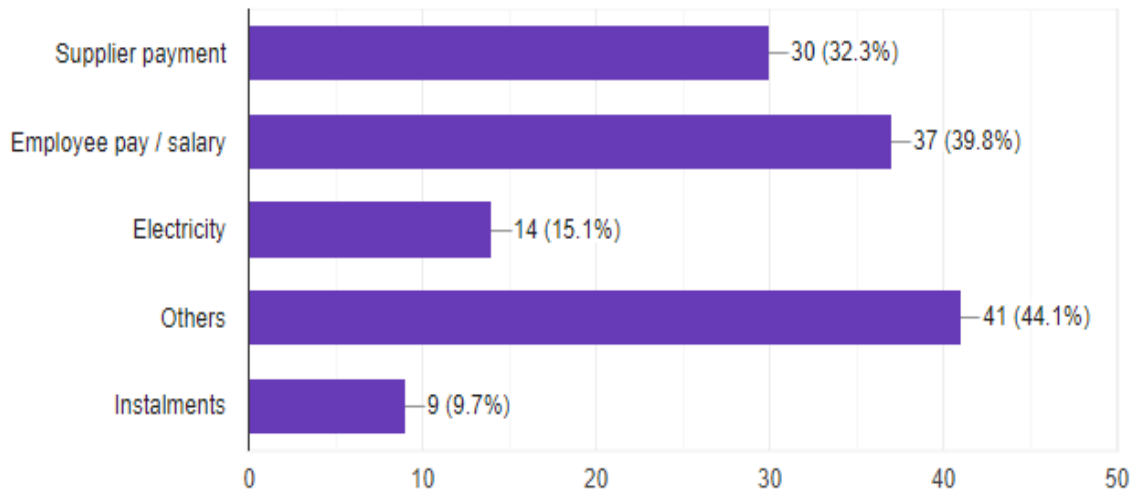
80 responses



Most of the company face finance problem and demand problem. Which directly affect their business.

what type of payment burden did you face

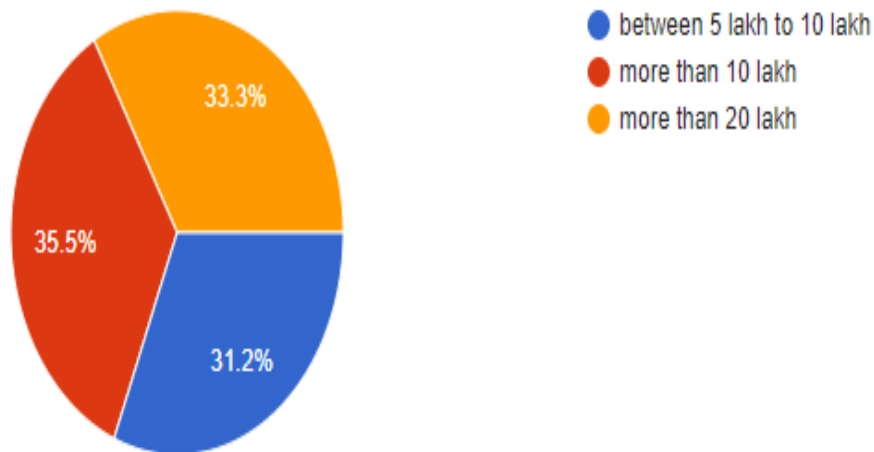
93 responses



With this survey most business face employment salary, supplier payment problem.

Annually income before COVID-19

93 responses

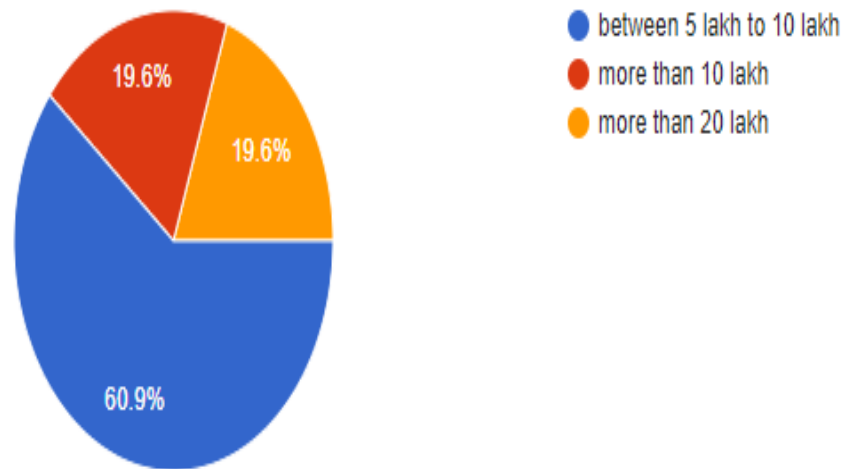


Annual income before covid is more than 10 lakh with 35.5% and after that 33.3% of more than 20 lakh.



Annual income after COVID-19

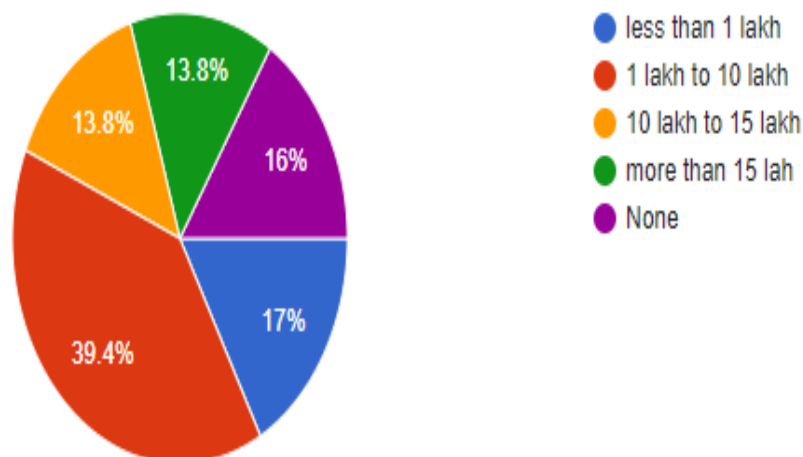
92 responses



Annual income after covid-19 is more than 10 lakh with 60.9% and 19.6% of more than 5 to 10 lakh and more than 20 lakh.

What amount of loan did your company took from bank after COVID-19.

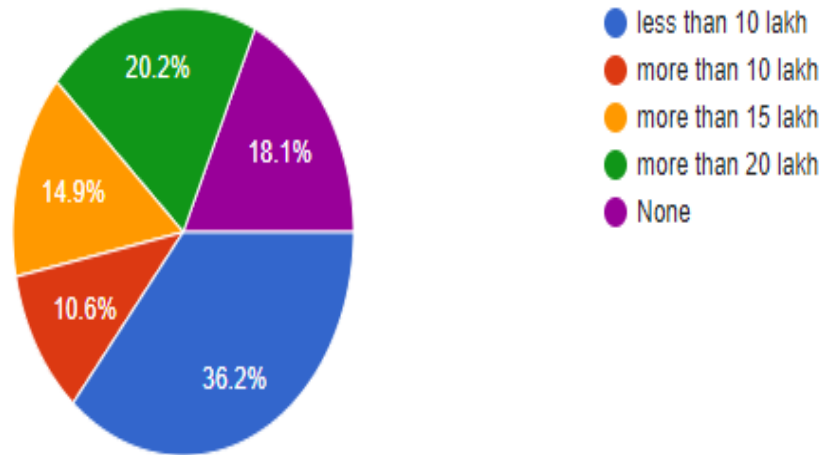
94 responses



In most of the cases business man takes loan of 1-10 lakh loans with 39.4% and less than 1 lakh loan.

How much debt your company owe.?

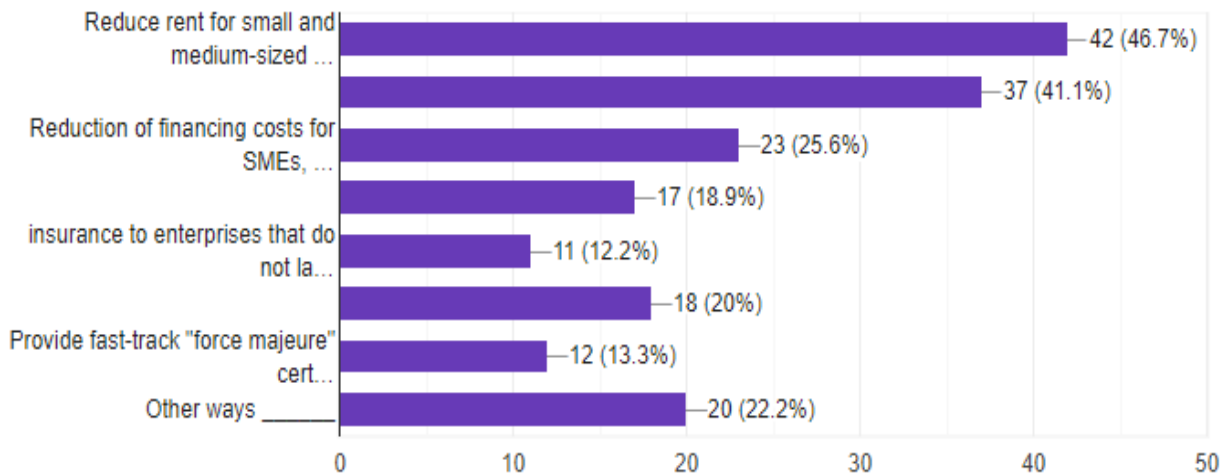
94 responses



Mainly most of business have less than 10 lakh debth and 15 -20 lakh debth with 50% .

During the time of pandemic, governments at all levels and financial institutions have announced relief measures. Which policy do you believe is the most effective for your company?

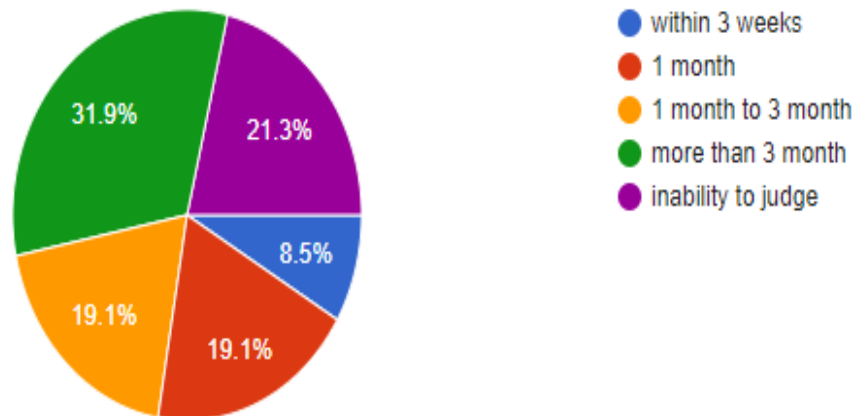
90 responses



The main relief from the government side to the business persons reduce rent for SMES around 42% people avail the benefit.

What is the expected time for the company's business recovery.

94 responses



Most of the company recover their business in 3 month with 31.9%.

#### **Interpretation from the data**

- The survey is done with 101 responded.
- In that 29.7% are female and 68.3% are male and 2% are others.
- Mainly responded are from surat.
- Mainly single ownership were the main responded 46.5%
- Only 11.9% was unable to survive their business.
- Mainly 2 people with 42.3% from one house working their own business.
- Mainly 46% people have own shops.
- The main problem was demand for their product.
- The main problem was facing by the owners are to pay the salary of their employees.
- Around 30% people face the losses after the covid-19.
- 40% people had taken the loan of 1-10 lakh after covid-19.
- Around 36% people have 10lakh debth after this covi-19.
- The main relief from the government side to the business persons reduce rent for SMES around 42% people avail the benefit.
- 31.9% people are in position to recover their business in 6 m

#### **Findings of the Study**

- When we done the survey on impact on covid-19 On SME's then most responded are agreed that they have financial losses.
- Labour shortage when they not able to provide salary to employees.
- Having demad and rawmaterial shortage after lockdown.
- Government provide different different option to deal with for business.
- We also knows that how much annual income they have after covid-19 and befor covid-19.
- As per the report 30% people face the losses after the covid-19.
- Around 36% people have 10lakh debth after this covi-19.

#### **Conclusion**

During the COVID-19 era all the SME' are struggling. Their biggest problems have been declining demand and broken supply chain. Yet there is hope for the challenge. After the dust settles, SME's find it necessary, with time to stay competitive, to evolve and alter. The responses to this issue include the introduction of protection procedures, sanitation and sanitization methods, an updated sourcing policy, and the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience, and an analysis of disaster or emergency management plans.

In this way SME's can cope with the coronavirus pandemic and many more the main thing is to know the problem faced by the business man after the lockdown and how they handle their business ,and to know how much impact or burden they face while they running business after lockdown.

Honestly believe that this project will be at most useful for finance peeps to understand the role of SMES problem which they face after lockdown.

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