

## PalArch's Journal of Archaeology of Egypt / Egyptology

### IMPACT OF COVID-19 ON SME'S AND OPPORTUNITIES FOR INDIA

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**Greeshma Menon. R, Sujatha. S and Sasikumar. G M: Impact of COVID-19 on SME's and Opportunities for India -- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(9). ISSN 1567-214x**

**Keywords: Pandemic, COVID-19, smes, Business survival and Strategies**

#### ABSTRACT

The outbreak of coronavirus illness (COVID-19) has severely impacted the global and Indian native economy. Major victims associated with the COVID-19 outbreak happen to be small, and medium-sized companies (SMEs). This post aims in order to assess the impact associated with COVID-19 outbreak on these types of firms and provide insurance plan recommendations to aid SMEs throughout reducing business losses and even survive with the crisis. Many of us adopted an exploratory method with comprehensively reviewing the particular available literature, including insurance plan documents, research papers, plus reports within the relevant industry. It indicates that many involving the enterprises have recently been severely affected and that they are facing several problems such as financial, present chain disruption, decrease within demand, reduction in revenue and profit, among other people. Besides, over 83% associated with enterprises were neither read nor have any strategy to handle such a new situation. Further, enterprises may not survive if typically, the lockdown lasts a lot more than 2 months.

## 1. Introduction

Typically, the outbreak of coronavirus disease-2019 (COVID-19) has severely afflicted national and global companies. Various enterprises are dealing with different issues with the certain amount of losses. Specifically, enterprises are facing a new variety of problems for example a decrease in demand, present chain disruptions, cancelation associated with export orders, raw materials shortage, and transportation interruptions, and the like. Nevertheless, it is usually quite clear that businesses around the globe are usually that great significant impact associated with COVID-19 outbreak on their own businesses. We argue of which major victims of COVID-19 outbreak are the tiny & medium-sized enterprises (SMEs) because SMEs, in comparability to large enterprises, generally do not possess satisfactory resources, especially financial in addition to managerial, and are not really prepared for such interruptions more likely to go longer compared to expected (Bartik et al., 2020; Prasad et al., 2015). In addition, these kinds of firms are highly influenced by their routine business deals and a small amount of customers (Williams and Schaefer, 2013). Hence, numerous SMEs are running sold-out, some hardly continue to be able to operate, and some will certainly be running out associated with stock soon. SMEs are usually the backbone of several economies worldwide that offer salary and employment generation in order to a large number associated with people worldwide. Similarly, inside the case of Indian, MSMEs are crucial with regard to the economy these businesses are spread all more than India in rural and even cities and represent the significant portion of culture, manufacturing, retail, wholesale, buy and sell, and service sectors. Owing to the COVID-19 break out and lockdowns, Indian companies are facing unprecedented undesirable effects prove businesses.

Furthermore, the ongoing pandemic catastrophe will severely hamper typically the operations of these companies because SMEs are extremely influenced by the cash overall economy, which has been negatively affected by the outbreak (Williams & Schaefer, 2013). Besides, the unavailability regarding labors, slowdown of musicals or plays, deficit of raw elements, and transportation restrictions can have major ramifications about these businesses. This, throughout turn, could have a considerable impact on the nationwide economy as a total. Hence, a strong insurance plan response is also important to offset the negative outcomes in the current outbreak.

At the point when the spread of COVID-19 heightened to startling levels, India joined numerous different nations in making an exceptional move to slow its transmission. On March 24th, the Indian government requested a cross country lockdown for 21 days, restricting development of India's huge populace. The first lockdown request required all individuals to remain at home and shops and administrations to close, aside from those assigned as 'fundamental administrations,' instructive foundations, regions of love, and public and private transportation. The public authority has thusly broadened the lockdown twice while loosening up certain limitations in territories that have not been problem areas for the infection.

In excess of 110 million individuals are utilized by India's 63 million Micro, Small and Medium Enterprise (MSMEs). A considerable lot of these organizations were found napping by the lockdown. As per a McKinsey report, up to 25 percent of MSMEs in India may default on obligation under the arising situation of an all-encompassing lockdown — however every area will confront various difficulties. Organizations in the buyer and retail area are required to see a 20-25 percent drop in yield this quarter contrasted with the primary quarter of 2020. This normal drop is because of interruption in crude material supplies from China and other affected nations, creation closure, income imperatives, and decreased financial action because of shop terminations. In the assembling area — which incorporates hardware, materials, drugs, and autos — yield is required to drop by up to 50 percent. This drop is to a great extent driven by a high reliance on China for crude materials, ending of creation, and lower interest, particularly in the car business. Over each area, these business disturbances leave a huge number of individuals in danger of losing their occupations if MSMEs can't adjust and manufacture versatility quick.

The Covid-19 pandemic has left its effect on all areas of the economy yet no place is the harmed as much as the Medium, Small and Micro Enterprises (MSMEs) of India. All recounted proof accessible, for example, the a huge number of abandoned traveler laborers the nation over, recommends that MSMEs have been the most noticeably terrible setback of Covid-19 actuated lockdown. It has likewise been accounted for that simply like the main alleviation bundle, called the PM Garib Kalyan Yojana, which was reported by the public authority on March 26, the subsequent bundle, as well, would fundamentally zero in on the MSME area. A more intensive glance at the life structures of the MSME area clarifies why MSMEs are so powerless against financial pressure (Indian Express, 2020)

## **2. How are MSMEs characterized?**

Officially, MSMEs are characterized as far as interest in plant and hardware. However, this standard for the definition was for quite some time scrutinized in light of the fact that valid and exact subtleties of speculations were not effectively accessible by specialists. That is the reason in February 2018, the Union Cabinet chose to change the rule to "yearly turnover", which was more in accordance with the inconvenience of GST. As per the proposed definition, which is yet to be officially acknowledged, a small endeavor will be unified with a yearly turnover not as much as Rs 5 crore; a little venture with turnover between Rs 5 crore and Rs 75 crore; and a medium undertaking with turnover not as much as Rs 250 crore (Indian Express, 2020)

## **3. Covid-19 has compounded the situation**

Suvodeep Rakshit of Kotak Institutional Equities said that MSMEs were at that point battling — regarding declining incomes and limit use — ahead of the pack up to the Covid-19 emergency. The complete lockdown has brought up an

issue blemish on the presence of numerous basically in light of the fact that these are not firms that have an excess of money to stand by out the emergency. That clarifies the employment misfortunes, he said. As indicated by an ongoing study he accomplished for "little and medium" firms in assembling, just 7% said they will have the option to make due for over a quarter of a year with their money close by if their business stays shut. A major obstacle to restarting now is the absence of work accessibility (Indian Express, 2020).

#### **4. Possibility to support crisis**

The RBI has been attempting to siphon cash into the MSME area yet given the auxiliary limitations, it has had restricted effect. Hetal Gandhi, Director, CRISIL, accepts that there are no simple answers. The public authority can give charge alleviation (GST and corporate expense), give swifter discounts, and give liquidity to provincial India (state, through PM-Kisan) to help interest for MSME items, she said (Indian Express, 2020).

Credits to MSMEs are generally given against property (as guarantee) — on the grounds that regularly there is certainly not a strong income investigation accessible however in the midst of emergency, property estimations fall and that represses the augmentation of new advances. A credit ensure by the public authority helps as it guarantees the bank that its advance will be reimbursed by the public authority on the off chance that the MSME vacillates. To the degree such defaults occur, acknowledge ensures are appeared as a departmental cost in the Budget (Indian Express, 2020).

#### **5. Impact of external environmental crisis on SMEs**

Many external environmental crises had occurred in the past that have severely affected SMEs globally such as 1953 great floods in Holland, 2005 Hurricane Katrina, 2011 floods in Thailand, 2011 Great East Japan Earthquake, 2011 Japan Tsunami, and Hurricane Harvey 2017 among others. Further, besides COVID-19, many epidemic outbreaks had occurred globally such as SARS, MERS, Swine flu pandemic (2009 H1N1), 2014 Ebola outbreak, Avian influenza, Salmonella Infantis outbreak, ZIKA outbreak among others (Auzzir et al., 2018; Eggers, 2020; Kim et al., 2020). These crises have a significant impact on the society, economy and MSMEs; moreover, these events not only cause economic losses but also create a severe threat to business continuity. Further, Prasad et al. (2015) argue that due to natural disasters, the disruption of supply chain occurs globally, and in case of significant disruptions, the MSMEs enterprises are adversely affected even if they are not directly affected by a disaster. External environmental crisis such as earthquake, flood, epidemic diseases and other issues adversely affects business activities and their survival (Asgary et al., 2020; Eggers, 2020; Prasad et al., 2015; Samantha, 2018). Moreover, since SMEs are financially fragile, smaller in size and resources, they are more vulnerable to the environmental crisis than their counterparts, i.e. large enterprises (Asgary et al., 2020; Bartik et al., 2020; Eggers, 2020; Prasad

et al., 2015; Samantha, 2018; Williams & Schaefer, 2013). The external environmental crisis can affect SMEs directly or indirectly. The direct impact includes fatalities, supply chain disruptions, property damage, and loss of inventories. In contrast, the indirect effect includes damage to public infrastructure such as electricity supply, communication and transportation system, and roads leading to increase in production cost and even business discontinuity (Asgary et al., 2020; Eggers, 2020; Hallegatte, 2015; Samantha, 2018; World Trade Organization, 2019). According to the World Trade Organization (2019), since 1998 to 2017, the number of natural disasters has increased tremendously. During the above period, a total of \$2.9 trillion direct economic losses have been reported by disaster-hit countries. Further, concerning disaster loss statistics from 1998 to 2017, the U.S. is the most affected (\$945 billion) followed by China, Japan, the European Union, India (World Trade Organization, 2019) and India (Ahmad & Afzal, 2020; Ahmad & Ma, 2020; Hussain et al., 2019). Several studies have reported devastating effects of such events on SMEs. For instance, the 1999 earthquake in Turkey severely affected MSMEs with damages estimated \$1.1–4.5 billion (Asgary et al., 2020). Similarly, the 2011 flooding in Thailand affected at least 557,637 enterprises, along with 2.5 million job losses, and 90% of these firms were MSMEs (Auzzir et al., 2018). Likewise, in Malaysia, due to unprecedented flooding at the end of 2014, more than 13,000 SMEs were affected (Auzzir et al., 2018). Further, Samantha (2018) reported that in May 2016, a tropical storm severely hit western parts of Sri Lanka, which causes huge damage to society, public property and SMEs. Many developed countries have also experienced similar disastrous effects on SMEs. For instance, SMEs in the U.K. during the 2001 Foot and Mouth Disease (FMD) outbreak, suffered from huge losses, particularly, the non-farming losses were estimated to be 5 billion pounds (for further details, see Bennett & Phillipson, 2004). In a similar vein, India has also experienced such a devastating crisis caused by external environmental disasters. Further, several businesses, due to their small size and resources constraints do not reach to the post-disaster stage (Samantha, 2018). Moreover, due to the lack of sufficient governmental support, most SMEs face financial decline and even go bankrupt. SMEs have limited capability and resources to recover from such crisis, especially those operating in developing countries like India with high poverty rate, economic and political instability.

## **6. Opportunities for India**

The post-COVID-19 new world request offers boundless open door for India yet for the nation to be prepared to take an interest in it, there is a need to set up administrative principles on information and tax collection as a rule, Tata Sons Chairman N Chandrasekaran said , Speaking at the 93rd yearly show of industry Chamber FICCI, he likewise said that if the thought "that the 2020s have a place with India" must be acknowledged, industry should be intense and begin visioning all activities at scale, while there is additionally a need of another emphasis on ability, empower information and data transfer capacity.

“We see a community-oriented function between the business and the public authority here. The government should empower this association and to prepare India to take an interest in this new world, it ought to guarantee that each town has adequate transfer speed and moderate information,” Chandrasekaran said. That the public authority ought to likewise set up the administrative principles that are needed on information security, information residency, information localisation and tax assessment all in all.

Expressing that there is enormous and boundless open door for India in the result of the COVID-19 pandemic, he said that before, India has regularly attempted to develop fabricating as a level of GDP.

He focused on the need to reconsider “the entire innovation outline from one side of the country to the other” and make advances like mechanical technology and AI (man-made brainpower) become part of the backbone of assembling. “We need to perceive the way that tech assembling and energy are uniting in the making of new stages and new environments,”

Expressing that the COVID-19 pandemic “exacerbated worldwide stock chains and unmistakably laid out another worldwide world request”, Chandrasekaran emphasized that “2020 imprints the decoupling of China and the US. What it implies is nations and organizations should de danger and equilibrium their store network” later on. On the off chance that India's first board for the 21st Century is advanced, he said the subsequent board is another way to deal with worldwide worth chain. “India's solidarity is our biggest ability pool, and we can use this to turn into a vital participant in the worldwide worth chain. “The weaknesses uncovered by the pandemic, and the new international request just quickens this chance and now is the ideal opportunity,” Chandrasekaran affirmed. Underscoring ecological versatility as the third board for India, he stated, “Inside twenty years, almost 20 new fuel sources could probably be controlling the worldwide economy”.

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