

# A STUDY ON THE DIFFICULTIES FACED BY SMALL ENTERPRISES IN COVID19 IN INDIA

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## Abstract

*The present epidemic of the Corona virus was the primary subject of this research because of its potential impact on small businesses in India. This study made use of descriptive research as well as analysis of secondary data. Both qualitative and quantitative approaches were used to acquire the data for this investigation. According to the results of the secondary data analysis, businesses of all sizes have a difficult time maintaining their composure in the face of declining sales, layoffs, and morale, in addition to ineffective marketing. For the purpose of supporting such endeavours, the government may use a number of different channels, such as joint ventures with affluent individuals or non-governmental organisations. The owners of small businesses need to manage their employees', suppliers', and customers' expectations at this time of widespread concern about the coronavirus by keeping everyone informed. Spend less money on advertising, but keep it up at the same level; use new methods of distribution to bring it through the downturn without any damage.*

## Paper Identification



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## Introduction

The worldwide reach of COVID-19 makes it more important than it has ever been to defend locally owned and run businesses than it ever has been before. As a result of the fact that India was the country in which the first case of the pandemic was found, the government in that country has adopted a variety of measures, both in the realm of health and the economy, to mitigate the effects of the epidemic. Small businesses, also known as small and micro companies, have experienced tremendous expansion over the past decade as a direct result of the government's recognition of the vital role that they play in the expansion of the economy and the generation of new employment opportunities. Other names for small businesses include small businesses and micro companies. On the other hand, one Indian news source reports that after five months of doing business in the current environment, the majority of these companies are having trouble making ends meet as a direct result

of the effects of the coronavirus pandemic. Moreover, this information comes from a survey that was conducted in India (2020).

According to a study published by the United Nations in India in the year 2020, India, along with the rest of Asia, is very vulnerable to the virus and the global disaster that it will eventually bring. COVID-19 is already having a big influence on the area despite the fact that it has only just begun. Before we can come up with a solution that is acceptable and successful on the national, regional, and global levels, we first need to have a comprehensive understanding of the entire scale, complexity, and duration of the social and economic ramifications of the issue. This will allow us to come up with a solution that is acceptable and successful on the national, regional, and worldwide levels. In addition to this, COVID-19 has a considerable influence on the many micro and small companies that can be found in India. The inability to effectively mobilise domestic resources, high inflation, high unemployment (especially among young people), substantial informality, inadequate forex reserves, and severe pressure on the Birr exchange rate all contributed to an environment that was difficult for macroeconomics and development. The long-simmering socioeconomic tensions that have found an outlet in the country's more open civic and political culture have been the underlying cause of the violence that has resulted in the deaths of hundreds of people and the relocation of over 1.7 million people. All of this is a direct outcome of the tensions that have been building up for a long time (IDPs). Not only are small and medium-sized enterprises (SMEs) critical to the economic and social development of a country as a result of the employment opportunities they provide, but SMEs also play a vital part in the generation of wealth within that nation. In particular, they make it simpler for the country to make the shift to an economic structure that is more industrialised, which is one of its primary benefits. The epidemic illuminated

for us the significance of analysing the economics of local small companies and distinguishing between the country's formal and unofficial economies at the sub-city level. Some companies are adopting precautionary steps, such as suspending plans to grow temporarily, while others are expanding into new locations after seeing an opportunity in the local demand for their products or services. For instance, several companies have started manufacturing hand sanitizers, face masks, and other goods that are intended to lessen the likelihood that an infection would be passed from one person to another. COVID-19 According to Fairlie, the number of active company owners will decline from 15.0 million in February 2020 to 11.7 million in April 2020 as a consequence of 19 legislation as well as changes in demand generated by changes in health and the economy. This reduction will take place over the course of the next two years (2020a). 3.3 million, representing a decline of 22% and the largest percentage ever recorded in terms of the number of company owners. The effects of working either two or four days a week are losses of 28% and 31%, respectively. When compared to workers, the number of hours worked by entrepreneurs is 29% lower. In spite of the fact that companies have a statistically better chance of thriving and being steady over time, the number of firms had a 20% decline between February and April of 2020. When compared to the figures for April 2020, those for May 2020 and June 2020 show just a little rise, but when compared to those for March 2020, they show a significant increase. The rise in the number of active company owners, which was 7% higher in May 2020 compared to February 2020, is the cause of the 15% decline in revenue that occurred between those two months. Although there was a 2% rise in commercial activity during the month of June in the year 2020, total activity throughout that year was 8% lower than between February and June. These results add to the little corpus of prior research that has been done on the

early impacts of the coronavirus on small businesses all across the globe. The weekly Company Formation Statistics (BFS) statistics released by the United States Census reveal a 27% decline in the number of employer business applications submitted between the middle of March and the middle of April compared to the same five-week period last year. This decrease occurred between the middle of March and the middle of April (Wilmoth, 2020). Recent BFS numbers are consistent with growth, although weekly estimates indicate significant unpredictability in the market (U.S. Census Bureau, 2020). According to the findings of the United States Census Bureau's Small Business Pulse Survey, which is performed on a weekly basis, fifty percent of all firms have experienced major losses as a direct consequence of the COVID-19 epidemic. In addition, the findings of the poll showed that around twenty percent of companies had enough cash on hand to maintain operations for an additional three months (Bohn et al., 2020; U.S. Census Bureau, 2020). According to the results of another study that is conducted on a weekly basis and then publicised, a lack of demand is a more important problem than supply problems such as restricted access to resources and goods (Desai & Looze, 2020). About 6,000 unique small firms who were active users on the Alignable business network were asked to take part in the survey that was carried out by Bartik et al. (2020). The majority of companies have less than 30 days' worth of cash on hand, 43% of them have temporarily closed their doors, and worker numbers have been significantly reduced. This is a direct result of the current economic climate. The challenges that are being faced by smaller businesses in terms of surviving the current economic downturn. After the COVID-19 pandemic, one of the most apparent patterns that has evolved is the rising inclination of small businesses to relocate their activities online. This is one of the most visible developments that has emerged as a result of the epidemic. The capacity to do business on the

internet has enabled a large number of locally held businesses operating on a smaller scale to continue their daily operations.

According to research that was conducted by Facebook thirty days before to the release of the poll, 37% of businesses reported using digital payment tools, 23% of businesses reported using digital ordering tools, and 23% of businesses reported using tools for service delivery. There are already roughly 36 percent of all operational businesses that exist only on the internet, and these businesses report making zero physical sales at any point. During the course of COVID-19, a number of small businesses have taken non-traditional routes to growth and success. For example, they have entered new markets or rethought the means by which they distribute their goods or services. While this is going on, some of the most well-known organisations in the internet industry, such as Facebook and Google, are concentrating their efforts on the development of novel ways for local businesses to communicate with their clients and consumers.

Despite the fact that businesses are still operating properly, workers are suffering financially as a consequence of the loss of their jobs or a reduction in the number of hours they work. The failure of a local company or the necessity for that firm to lay off employees has far-reaching implications since the income of a significant number of people in the area is reliant on the success of that business.

### **Research Objectives**

This study's overarching objective was to investigate the challenges encountered by small enterprises in India as a result of the current corona virus epidemic. The following research was performed to support this aim.

- Is it difficult for small companies to be open and functioning during the pandemic? Please explain what it is that they are.
- How much have these difficulties impacted

their operations?

### **Research Methods**

In this study, both qualitative and quantitative methods were applied, making it a descriptive research study. During the research period (January 2011-September 2020), small businesses in India were selected as the population of interest. The researchers used descriptive analysis and time series data analysis to study these firms' COVID-19 difficulties due to secondary data analysis.

### **Result and Discussion**

According to the World Health Organization (WHO), the COVID-19 epidemic is thought to have originated in China in the month of December this year. On September 24, 2020, there were 32,298,738 individuals ill around the globe. Of them, 984,974 people died, while 23,820,147 were cured in 213 countries and territories. The number of cases that are presently being handled has reached 7,493,617 at this time (Worldometers, 2020). When a company is in the midst of a crisis, it faces the danger of losing its customers' faith, its worth, and even their ability to be successful. Due to their lack of planning, limited resources, uncertain market positions, and dependence on the domestic government and non-profit organisations, small businesses may be especially sensitive to crises, as has been pointed out in the study that has been carried out up to this point. It is not out of the question for small and medium-sized businesses (SMEs) to endure considerable losses, a drop in the volume of sales, an inability to fulfil the requirements of contracts, a decrease in staff size, and even liquidation during times of economic turmoil. Due to the increased demand for their products and services during times of economic crisis, new businesses have a higher chance of surviving during times of economic downturn compared to periods of economic expansion. In times of crisis,

entrepreneurs play an essential role in maintaining the flow of essential goods and services to the public while also restoring the trust of other business owners and the general populace. The most significant aspect of recuperating from a traumatic event, as determined by the outcomes of this research, is increasing one's capacity for learning and adaptation. If dynamic and imaginative SMEs take to heart the lessons learnt from catastrophes, they will have a higher chance of fast recovering from the effects of the crisis. (Boin, 2008, Saunders et al., 2014). According to Bullough and Renko (2018), attending corporate development courses, networking events, or special speeches is a great method to get insight from others who have successfully handled hard conditions and share that information with others. Because of the political and economic climate that exists there, India is seen as a potentially hazardous place to go to. Traditional techniques of encouraging community integration, such as maintaining personal relationships and engaging in frequent physical contact, have surfaced as plausible routes for the transmission of the coronavirus simian virus type 19. Examples of this include: (COVID-19). In major cities like New Delhi, where public services are deficient, there is an abundance of congestion in hotels, cafés, restaurants, public transportation, markets, hospitals, and other social institutions. This holds true for a variety of other social structures as well. This may hasten the spread of the coronavirus and create a disruption in the operations of the company due to the fact that it may be difficult for them to practise physical and social isolation as a technique of preventing the transmission of illness. The Indian COVID-19 COVID-19 epidemic started in April, and as can be seen from the two data sets that were just discussed, it has been swiftly expanding throughout the nation ever

since. The quick spread of this illness has impeded local businesses and created extensive disturbance in people's day-to-day lives, which has had far-reaching effects on the nation's economy as well as its culture. The rapid spread of this ailment has also had an influence on the nation's culture (Figs. 1, 2).

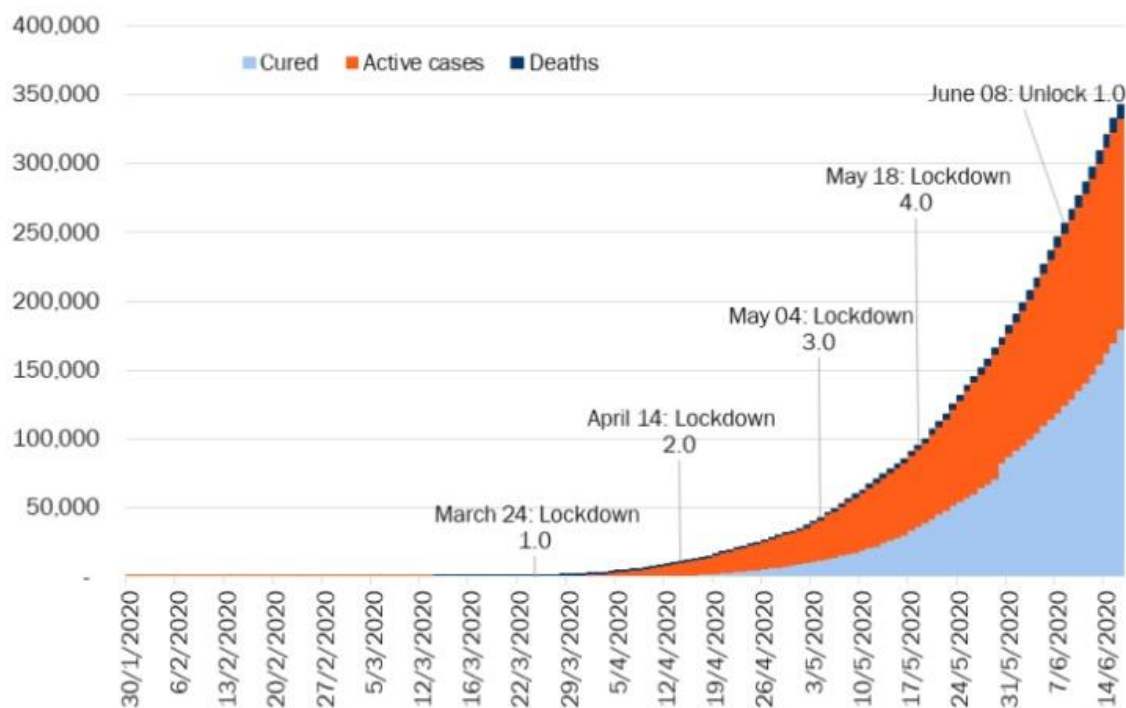
On September 24, 2020, India had around 70,000 cases of the virus that had been verified, despite the fact that the nation had only done a tiny percentage of the diagnostic tests.

Research conducted in academic settings has shown that micro, small, and medium-sized firms (MSMEs) are the building blocks upon which larger organisations are built. It is probable that the course of the pandemic, the responses to it, as well as the underlying and structural factors, might make the social and economic ramifications of the pandemic in India much worse.

## Conclusion

This study focuses on the difficulties that were faced by small businesses in developing nations such as India and other countries during the recent outbreak caused by the Corona virus. Other countries are also included. Using empirical studies, reports and evaluations from WHO and other organisations, journals, small company experiences, and other secondary data analyses, the researcher evaluated, analysed, and developed credible findings regarding the current obstacles faced by small enterprises. These findings concern the current challenges that small businesses face. According to the findings of this research, the current outbreak of COVID-19 poses significant dangers not only to the physical well-being and financial success of businesses of all sizes, but also to the lives of the workers employed by these businesses and to the

**Figure 1. Total (cumulative) number of cases of COVID-19 in India**



economy as a whole in the country as a whole. In addition, the outbreak poses significant dangers to the lives of those who are infected with COVID-19. One of the limitations of the research is that it relied only on secondary sources of information rather than main sources of information. Nevertheless, collecting primary data from affected organisations during a pandemic would have been very difficult to do. Due to the fact that the COVID-19 pandemic had only just emerged, there were not many other articles that were pertinent.

COVID-19 has created disruptions in a broad array of industries as a result of its effects. Although some big enterprises were able to continue operating normally, others were placed in a position where they had no choice but to shut down. Although some businesses had minimal difficulty in doing so, others had a difficult time allowing telecommuting roles. According to the findings of my study, these voids will become much more prominent if the epidemic persists for a few more months.

One piece of research came to the conclusion that black company owners were disproportionately affected by the COVID-19 outbreak. The conclusions of this study can be seen here. According to the first estimations, black company owners in the United States would see a precipitous decrease in their level of economic activity of 41% as of April 2020. When compared to their white counterparts throughout the nation, black business owners in the United States saw a far steeper decline in their company's level of economic activity during the months of May and June (26% and 19%, respectively), than did their white counterparts. According to the simulations, people of African ancestry who owned

companies were at a larger risk of experiencing financial losses as a direct result of the epidemic. This was the case regardless of whether or not the firms were affected directly by the outbreak. As a direct and immediate consequence of COVID-19, thirty-two percent of Latino-owned businesses ceased operations in the month of April, followed by nineteen percent in the month of May, and ten percent in the month of June. The most dramatic drop in business activity for Asian company owners occurred in March and April, when it dropped by 26%. This was followed by a drop of 21% in May and a drop of 10% in June. According to the results of simulations, Latinos have negative industry distributions, but Asians do not. 36% of immigrant-owned business owners reported a decline in both sales and profitability for their companies. The months of May (25%) and June (18%) both brought in enormous losses for the company.

The pandemic caused disproportionately severe losses for minority-owned enterprises, even as industry distributions placed certain groups at an elevated risk of closure overall. This is due to the fact that minority-owned enterprises, on average, are far smaller than those in other industries.

Because they have the personnel, finances, commercial and legal framework, and economies of scale necessary to do so, larger businesses are better equipped to meet social distance norms for continuing operations and reopening during a pandemic. This is because pandemics have a greater impact on larger businesses. Studies carried out in the aforementioned countries indicated that India had a bigger number of small enterprises, which, without backing from the government, found it impossible to prosper in the present economic situation. This research

provides valuable insights in the wake of widespread coronavirus and other pandemics; however, future studies can conduct extensive surveys in accordance with the findings of the article to investigate the numerous problems and challenges faced by small business owners in patriarchal developing nations. In addition to this, a secondary data analysis will be presented. As a result of the fact that this study was carried out during the first five months after the first corona case in India, more research may analyse gendered experiences throughout the later stages of the pandemic in order to assess the experiences of small firms.

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