

Impact of COVID-19 on Small Enterprises in India

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Abstract - This paper explores the impact of the Covid-19 pandemic and the subsequent lockdown on small and medium businesses in India commonly referred to as MSME. Using primary research through surveys and secondary research through literature review and newspaper articles, we have studied the Covid-19 situation and its impact on these businesses and the effect that the lockdown(s) had on the economic output of such industries.

Key Words: Economics, COVID-19, Lockdown, SME's, MSME's, Business.

1. INTRODUCTION:

Micro and small business enterprises are an integral part of the business sector in India. According to the Government of India MSME annual report 2020-21, there are a total of 630.5 lakh micro-enterprises and 3.31 lakh small enterprises across India. These micro and small enterprises constitute a total of more than 99% of all MSME (Micro, Small and Medium Enterprises) in India. To give a further perspective of how large this number is, 99% of all businesses in India are MSME.

Due to the recent Covid-19 pandemic, there has been a lockdown across the country. Although this lockdown did limit the spread of the virus, what did this mean for the economy? More specifically, what did it mean for small businesses across the country?

This paper tries to find out if the assumption is actually true or was the lockdown a boon in disguise for these small businesses.

1.1 Definitions:

- A lockdown is a situation where people are restricted to stay at home. It is usually due to the fact that if they don't, it puts their as well as others life in danger.
- A small business has few employees, small revenue and may or may not have an office/headquarters. For this particular paper, small businesses include both micro and small enterprises.
- The success/failure of a business is measured by the increase/decrease in its revenue throughout the fiscal year.

1.2 Area of Study:

Economics- The paper is trying to identify the results that the lockdown has had on the small businesses and in turn on the economy as these small businesses are a large part of businesses in India.

Statistics- the use of statistics in this paper is limited to data collection and representation only. We use different charts and graphs to simplify the data and visually represent data thereby helping us to effectively analyse and interpret the same. These graphs also help calculate the mean and median values for the specific data.

Therefore, by using a specific interlink of economic understanding and statistical data collection, followed by its analysis, would lead us to understand the true impact of the lockdown on MSME, in the limited sample size.

2. Methodology:

This paper uses quantitative methods to gather data about the impact the lockdown has had on small businesses. These methods include primary surveys using Google Forms with a questionnaire that assess whether the lockdown has had a positive or negative impact on small businesses and the necessary steps that the small businesses have had to take to cope up with these effects. The survey was distributed to owners of various small businesses across India from different sectors and the results were carefully recorded.

SURVEY QUESTIONS:

1. Name of your Enterprise.
2. Industry your Business belongs to.
3. Size of Operation (no. of Employees).
4. Size of Operation (Revenue).
5. Revenue Impacted Due to Lockdown.
6. Did the Opening of Lockdown v1.0 (25 March-31 May) help your Business?
7. How did the Opening of Lockdown v1.0 help your Business?
8. Did you avail of any Grant, Government Aid or Loan?
9. What was the biggest factor that helped your business after the lockdown?
10. Would you have preferred Lockdown v1.0 vs not having gone through it at all?
11. What Steps did you take to increase profitability?

The form was sent out to numerous databases and organizations and the following 32 responses have been collected. Majority of the companies that filled out the survey had a workforce of 2-10 employees (62.5%), followed by the ones with a workforce of 11-30 employees (28.1%), more than 100 employees (6.3%) and then between 31-100 employees (3.1%). The majority of these businesses belonged to the revenue band between Zero to 50 Lakhs (46.9%), followed by 1 Crore to 5 Crore (25%), 5 Crore to 25 Crore (18.8%) and then 50 Lakhs to 1 Crore (9.4%).

An imagistic representation of the size of operation is given below:

Table -1: Questionnaire Responders

Socio Economic Variable	Groups	Number of Respondents	Percentage
Size of Operation (Number of Employees)	2-10 Employees	20	62.5%
	11-30 Employees	9	28.1%
	31-100 Employees	1	3.1%
	Above 100 Employees	2	6.3%

3. Findings:

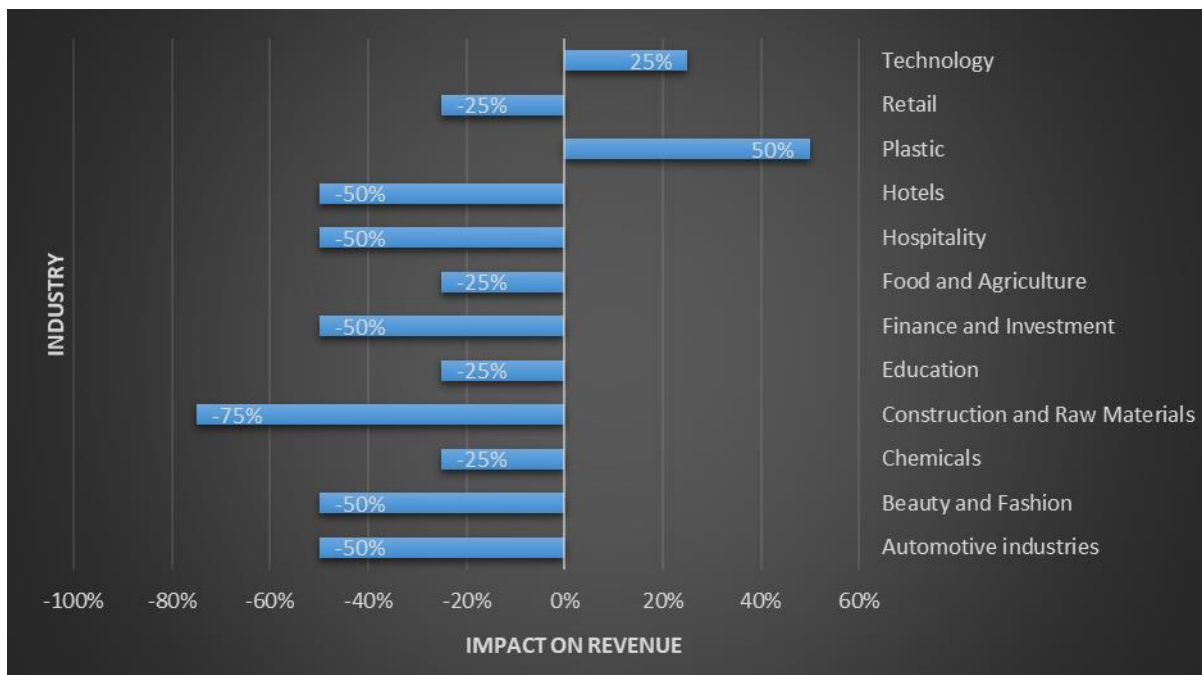


Chart -1: COVID-19 Impact by Industry

The Lockdown v1.0 (25 March – 31, May 2020) had a negative impact on most of the small and micro enterprises (81%). The lockdown was particularly harsh on the smaller enterprises with a workforce of 2-10 employees and 11-30 employees, with 80% and 90% of all such businesses suffering a loss of revenue due to the lockdown. These businesses are spread across all sectors and the overall fall in demand for goods was the biggest factor for this loss of revenue for the businesses.

The opening of the lockdown was a welcome change for most of the businesses with 75% of all businesses benefiting from the opening of the lockdown. The reasons for this are obvious. The opening of the lockdown helped businesses to restore a certain level of normalcy in their work. Thus, their demand was restored, and revenue increased. All businesses also took extra steps to increase their profitability. Most businesses cut down on bonuses (22.9%), saved their workspace lease cost (16.7%), moved online (16.7%) and reduced salaries (12.5%). Most of these steps were taken by businesses with smaller workforces (2-10 or 11-30 employees)

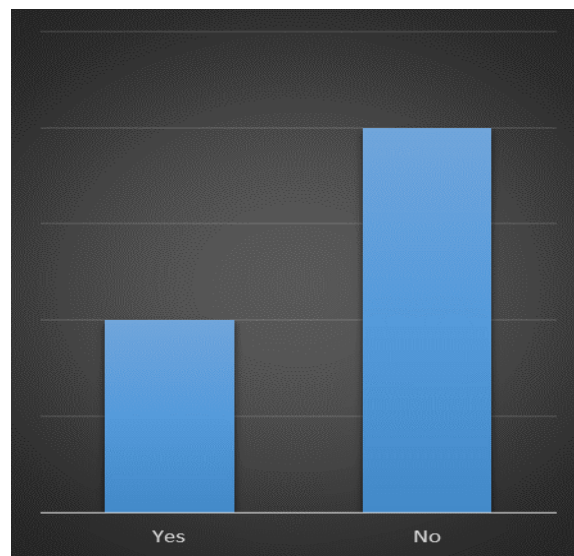


Chart -1: Government Aid or Loan, Grants Availed or Not?

One of the most worrying revelations during the survey was whether businesses availed any type of grant, government aid or loan. Out of the total 32 responses, 28 (87.5%) had not availed any such help, and what was more is that none of the businesses with a workforce between 2-10 employees had availed any such grant. The only help offered by governments were tax reliefs and even if there were any monetary grants available, the information of such was not spread throughout very well for everyone to benefit from it.

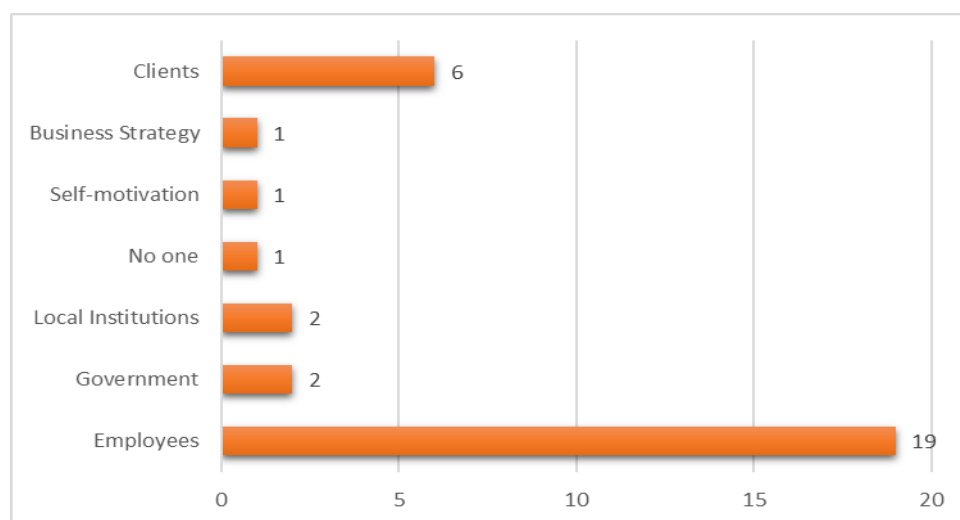


Chart -1: Biggest Factors that Helped Businesses during the Lockdown.

During the revival from the lockdown, company employees and clients proved to be the biggest help factor for businesses (78%). 60% of all businesses agreed that their employees were their biggest help in revival from lockdown. There can be several questions raised about the fact that only 2 (6%) of all businesses said that the government was their biggest help. In such times a little more help from the government would prove to go a long way in lifting the economy of the country.

The jury is still out on the question of whether business owners preferred going through the lockdown or not but 60% of the businesses agree that a lockdown was the correct decision taken by the government. A total of 100% of businesses with a workforce of more than 100 employees did not want the lockdown to happen. Upon talking to them we found out that these businesses had lost revenue due to the lockdown and sustaining such a large workforce was becoming a difficult job for them.

As we know, the lockdown had a negative impact on small and micro-enterprises. The lockdown turned out to be particularly rough for businesses with revenue between zero to 50 Lakhs (80%) and 1 Crore to 5 Crore (87.5%), with 80% and 87.5% of all such businesses reporting a loss in revenue.

The opening of the lockdown was welcomed by businesses (75%) irrespective of revenue. The opening of the lockdown proved to be particularly beneficial for businesses with 2-10 employees (80%), the smallest workforce, or with above 100 employees (100%), the largest workforce. However, in the case of revenue, it was neither the smallest nor the largest revenue group that benefited most from the lockdown. It was businesses with a revenue between 1 crore to 5 crores where 100% of businesses had an increase in revenue after the opening of the lockdown.

37.5% of all enterprises with a revenue of between zero to 50 Lakhs decided to go online with their business to increase their revenue and save office costs. This is an extremely positive change keeping in mind that the World and especially India, is in the middle of a digital revolution. The most popular step taken by businesses to increase revenue was cutting down on employee bonuses (23%). This step was taken especially by businesses with a revenue between 1 crore to 5 crores and 5 crores to 25 crores (36% each of the total businesses that cut down on bonuses).

The biggest factors that helped businesses revive during lockdown were employees (60%). For businesses with a revenue of zero to 50 lakhs, employees and clients were the most important factor during their revival from the lockdown. They consisted of 53% and 33% each of the total responses by such businesses. Although the client percentage comes down drastically for the other three revenue columns. The employee's percentage increases as we increase in revenue. It constitutes 67% of responses from the 50 lakhs to 1 crore and 5 crores to 25 crores revenue columns, and 63% of responses from the 1 crore to 5 crores revenue column.

As for the fact that should the lockdown have happened or not, there is a very clear response. For smaller businesses with revenue between zero to 50 lakhs, 67% of businesses agree that the lockdown should have happened. As we move up in revenue this number however decreases drastically. For businesses with a revenue between 5 crores to 25 crores, 83% of them did not want the lockdown to happen.

Table -1: Questionnaire Responses Based on Number of Employees.

	2-10	11-30	31-100	Above 100	Total
Revenue Impacted Due to Lockdown					
Shut Down	1	1	1	-	3 (3.9%)
Decreased by Above 50%	6	-	-	1	7 (21.9%)
Decreased by 25%-50%	3	6	-	-	9 (28.1%)
Decreased by 0% - 25%	6	1	-	-	7 (21.9%)
No impact	2	-	-	-	2 (6.3%)
Increased by 0% - 25%	-	1	-	1	2 (6.3%)
Increased by 25%-50%	1	-	-	-	1 (3.1%)

Increased by Above 50%	1	-	-	-	1 (3.1%)
Did the Opening of Lockdown v1.0 (25 March-31 May) help your Business?					
Yes	16	6	-	2	24 (75%)
No	4	3	1	-	8 (25%)
Did you avail of any Grant, Government Aid or Loan?					
Yes	0	2	1	1	4 (12.5%)
No	20	7	-	1	28 (87.5%)
What was the biggest factor that helped your business after the lockdown?					
Employees	9	8	-	2	19 (59%)
Government	1	1	-	-	2 (6%)
Local Institutions	2	-	-	-	2 (6%)
No one	-	-	1	-	1 (3%)
Self-motivation	1	-	-	-	1 (3%)
Business Strategy	1	-	-	-	1 (3%)
Clients	6	-	-	-	6 (18%)
Would you have preferred Lockdown v1.0 vs not having gone through it at all?					
Yes	10	8	1	-	19 (59%)
No	10	1	-	2	13 (40%)
What Steps did you Take to increase profitability?					
Fired Employees	1	3	-	-	4 (8.3%)
Cut Down on Bonuses	5	5	-	1	11 (22.9%)
Shifted your Business Online	7	-	-	1	8 (16.7%)
Introduced New Products	2	1	-	-	3 (6.3%)
Reduce Salaries	2	3	-	1	6 (12.5%)
No Profits	-	1	-	-	1 (2.1%)
Tried to Continue Operations	-	-	1	-	1 (2.1%)
Save Your Workspace Lease Cost	4	3	-	1	8 (16.7%)
Increased Volume	1	-	-	-	1 (2.1%)
Improve Productivity	-	1	-	1	2 (4.2%)
Increase Price of the Product	1	1	-	-	2 (4.2%)
Improvement in Facilitating Customers	-	1	-	-	1 (2.1%)

Table -1: Questionnaire Responses Based on Total Revenue.

	Zero to 50 lakhs	50 lakhs to 1 Crore	1 Crore to 5 Crore	5 Crore to 25 Crore	Total
Revenue Impacted Due to Lockdown					
Shut Down	1	1	-	1	3 (3.9%)
Decreased by Above 50%	4	-	2	1	7 (21.9%)

Decreased by 25%-50%	4	1	4	-	9 (28.1%)
Decreased by 0% - 25%	3	1	-	3	7 (21.9%)
No impact	1	-	1	-	2 (6.3%)
Increased by 0% - 25%	1	-	-	1	2 (6.3%)
Increased by 25%-50%	1	-	-	-	1 (3.1%)
Increased by Above 50%	-	-	1	-	1 (3.1%)
Did the Opening of Lockdown v1.0 (25 March-31 May) help your Business?					
Yes	10	2	8	4	24 (75%)
No	5	1	-	2	8 (25%)
Did you avail of any Grant, Government Aid or Loan?					
Yes	2	-	-	2	4 (12.5%)
No	13	3	8	4	28 (87.5%)
What was the biggest factor that helped your business after the lockdown?					
Employees	8	2	5	4	19 (59%)
Government	-	1	-	1	2 (6%)
Local Institutions	2	-	-	-	2 (6%)
No One	-	-	-	1	1 (3%)

Self-motivation	-	-	1	-	1 (3%)
Business Strategy	-	-	1	-	1 (3%)
Clients	5	-	1	-	6 (18%)
Would you have preferred Lockdown v1.0 vs not having gone through it at all?					
Yes	10	2	6	1	19 (59%)
No	5	1	2	5	13 (40%)
What Steps did you Take to increase profitability?					
Fired Employees	1	-	3	-	4 (8.3%)
Cut Down on Bonuses	3	-	4	4	11 (22.9%)
Shifted your Business Online	6	-	1	1	8 (16.7%)
Introduced New Products	1	-	2	-	3 (6.3%)
Reduce Salaries	2	-	3	1	6 (12.5%)
No Profits	-	1	-	-	1 (2.1%)
Tried to Continue Operations	-	-	-	1	1 (2.1%)
Save Your Workspace Lease Cost	1	1	4	2	8 (16.7%)
Increased Volume	-	-	1	-	1 (2.1%)

Improve Productivity	-	1	-	1	2 (4.2%)
Increase Price of the Product	1	-	1	-	2 (4.2%)
Improvement in Facilitating Customers	1	-	-	-	1 (2.1%)

3.1 Limitations of the Study:

1. Sampling- The sample size for the study is very small compared to the entire population. As a result, the effects of the lockdown on the business in question may not be exactly the same for the entire population.
2. Personal Bias- The study was distributed to acquaintances, friends, and family across the country and thus may be biased due to some personal motives.
3. Limited Area- The study was distributed to most businesses in Kolkata and very few outside Kolkata. Thus, due to different government rules during the lockdowns, the effect on businesses would be very different.

4. CONCLUSIONS

The pandemic has had an undeniable impact on all sectors of business across the country to say the least. While a few businesses have seen positive impact due to the lockdown, most have seen a decline or very little growth. The technology industry has seen a predictable rise due to an online revolution taking place, where businesses, content and everything else is shifting to the internet. The negative impact on business due to the lockdown, however, will not be everlasting. With the increase in vaccination and restoration to normal, things are starting to settle down and return back to pre-covid levels and even more. The online shift has allowed businesses to save money through rental costs and other luxury service costs in the office by shifting online permanently, something many businesses are now willing to adopt. All in all, the pandemic posed a lot of challenges to the general business owner but it came with its own boon in disguise.

REFERENCES

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