

IMPACT OF COVID-19 ON SMALL BUSINESS IN INDIA

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INTRODUCTION

"Flattening the curve" of the COVID-19 epidemic is still a goal for India. The first case of COVID-19 in India was recorded on January 30th (1/30/2020), and as of September 21st, 2020, there had been more than five million cases reported. With populations of 18 and 20 million, respectively, the two major cities of Delhi and Mumbai have reported cases in excess of 184,000 and 246,000, respectively. The epidemic has unsurprisingly had a significant influence on the economy, albeit the extent of those repercussions is not yet fully known. Small businesses, which are essential to the operation of India's industrial and service sectors, have been hardest hit. This study provides a bird's-eye view of COVID-19's effects on micro, small, and medium-sized businesses.

In response to the COVID-19 outbreak, the Government of India (GOI) implemented lockdown measures, which included a ban on domestic road, rail, and air travel as well as the closure of educational institutions, industrial establishments, and hospitality services, among other measures. The announced regulations specifically listed both a list of economic activities that are permitted and are deemed important, as well as a list of activities that are not considered important and are therefore prohibited (for example, all commercial, private enterprises, including manufacturing, restaurant services, hotels, courier services, etc.). During the lockdown, there were hospital services, electricity and water, and ATM banking. The Government of India (GOI) imposed a nationwide lockdown for the following periods: 21 days, from March 25 to April 14, 2020 (Lockdown 1.0); 19 days, from April 15 to May 3, 2020 (Lockdown 2.0); 14 days, from May 4 to May 17, 2020 (Lockdown 3.0); and then 14 more days, from May 18 to May 31, 2020 (Lockdown 4.0). The number of reported total active cases, the rate at which confirmed cases doubled, and district feedback were used to assess the risk profile of the districts and determine how stringent the measures should be. Districts were divided into three groups: Orange, Green, and Red zones (hotspots). 130 districts across the nation were selected by the Union Health Ministry.

SECONDARY RESEARCH

A study process known as secondary research is analyzing and evaluating information that has previously been gathered and published by others. This approach involves gathering data and information for research goals by using pre-existing sources including books, journals, online databases, and reports. To investigate the effects of Covid-19 on small firms or industries, I conducted secondary research in this instance by looking over and analyzing the data and material already available online.

KEY TAKEAWAYS

***COVID-19 HIT SMALL BUSINESSES HARDER THAN EXPECTED**

- More than 82% of surveyed Small Businesses were negatively impacted by COVID-19, with manufacturing sector at 87% and services sector at 78%

***TROUBLES SMALL BUSINESSES WILL FACE AND SUPPORT ACTIONS REQUIRED FOR THEM TO REVIVE**

- Market Access (42%), Increasing Overall Productivity (37%) and Having Access to More Finance (34%) are the top three obstacles that can prevent them from expanding their firms.
- The three most crucial business-reviving initiatives are better credit facilities (59%) better marketing support (48%) and adoption of technology (35%).

***IMPROVED CREDIT SCORE**

- According to 35% of respondents, emphasis on credit score is the main obstacle to obtaining credit, and 32% indicated the need for collateral.
- About 50% of the respondents think it will be beneficial for them if a third party gives them a credit score on their creditworthiness and abilities.

COVID 19

The SARS-CoV-2 virus, often known as COVID-19 (short for "coronavirus disease 2019"), is a contagious respiratory ailment. The virus was initially discovered in Wuhan, China, in December 2019, and since then it has spread throughout the world, causing a pandemic. The most typical signs of COVID-19 are fever, coughing, and breathing difficulties, but other signs can also include exhaustion, muscle pains, sore throats, and a loss of taste or smell. The virus is mainly transmitted via respiratory droplets released during coughing or sneezing, as well as by touching a surface that has been exposed to the virus before touching one's mouth, nose, or eyes. Good hand cleanliness, wearing a mask or facial covering in public, maintaining physical distance, and avoiding big gatherings are all COVID-19 prevention strategies. Additionally, vaccines that can be used in an emergency have been created and approved.

While efforts are still being made to stop the virus's spread and lessen its effects, the pandemic has had a significant negative impact on the world's economies, social structures, and health.

Adverse effects on the bulk of India's small enterprises

Over 82% of India's small businesses, mostly in the manufacturing sector, have reportedly been negatively impacted by COVID-19, according to a report. In addition, the study of 250 firms revealed that 70% of companies believe it will take them at least another year to bounce back from the pandemic blues and return to demand levels from before COVID-19 emerged.

Keep in mind that India has been one of the pandemic's worst-affected nations globally. The second wave, which turned out to be worse than the first, hit the nation hard just as things were starting to move in the right direction. This forced municipal and state governments to implement brief lockdowns, which hindered operations and manufacturing.

Pandemic-related difficulties for small enterprises in India

Declining sales

Already, small enterprises have tight profit margins. Their revenue was negatively impacted by the lockdown that followed COVID-19, which put them in the midst of an existential dilemma. The margin of small enterprises would decrease by 200–300 basis points, particularly for the micro-segment, according to a well-known credit rating agency. Shrinkage in margins increases the risk that businesses won't be able to meet their promises due to working capital problems. However, a small business loan after COVID-19 can significantly assist them in overcoming this obstacle.

Poor creditworthiness

As a result of declining profits, small firms' ability to obtain financing will suffer, which will make their long-standing liquidity issue much worse. Small firms will find it tough to satisfy daily needs and execute existing and new orders coming their way when creditworthiness and liquidity are under strain.

The advantages and future directions

While the pandemic has negatively impacted small businesses, it has also accelerated the digitisation process. A whopping 82% of the businesses in the survey had digitalized their daily operations, which has lowered costs and increased competitiveness.

There is still a long way to go before things return to normal, even if the Indian government has developed relief measures for Small and Medium Enterprises (SMEs) bearing the brunt of the pandemic. Better market access and available financing are essential for SMEs to develop their enterprises. In order to grow operations, this is where obtaining a tailored business loan after COVID-19 can be useful.

After COVID-19, how did business loans help?

As is clear, the epidemic has already put great pressure on firms' ability to get money. They can get the much-needed money from a business loan, which has a competitive interest rate and requires no security, to cover their working capital demands.

Easy repayment is made possible by a relaxed repayment period, and most of the time there are no fees associated with foreclosure. The ability to receive money quickly and with no documentation required for the loan is perhaps its best benefit. Businesses that have money at their disposal can take care of a variety of demands, such as paying suppliers, completing new orders, starting the digitization process, etc.

At the same time, if they have the money, they can apply stringent COVID-19 measures within buildings, such as routine sanitization and modifying infrastructure to maintain social isolation, among other things.

The Poonawalla Fincorp offers unsecured business loans for SMEs and MSMEs on simple terms and conditions if you are a small business entity looking for a cost-effective business lending programme post COVID-19.

MARKET INFORMATION AND ENTRY SUPPORT

*More than 40% of the small businesses questioned utilise sales tools that are based on market intelligence. Additionally, more than 50% of small businesses that do not currently employ any market intelligence sales tools intend to do so in the future.

*More than 40% of small businesses who utilise market intelligence sales tools report seeking assistance from outside sources to connect with international prospects.

THE IMPACT OF DIGITIZATION DURING AND AFTER THE PANDEMIC

*During this period, 82% of surveyed small businesses digitalized their daily activities.

*The top three advantages of digitization are cost savings (54%), increased competitiveness (51%), and a better understanding of customer behaviour (45%).

*Small Businesses will be able to manage their primary ongoing issues by using digitization, including placing more emphasis on customer base (62%), data security (43%), and the evolution of products and services (40%)

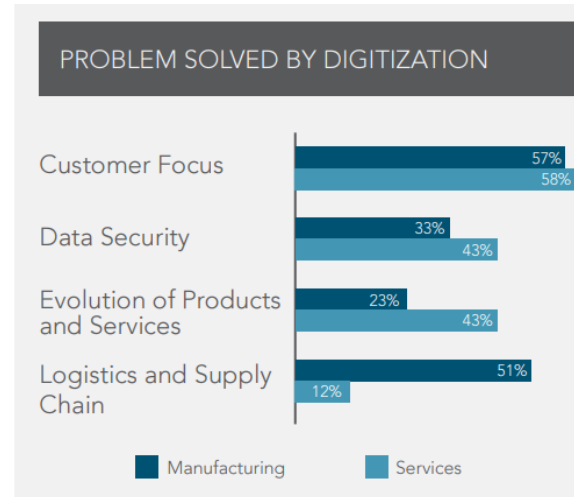
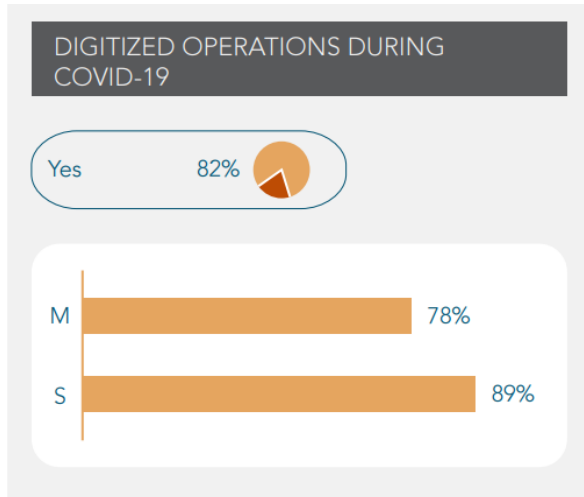
SMALL BUSINESSES' FUTURE PLANS FOR USING NEXT-GENERATION TECHNOLOGIES

* For their business operations, 66% of respondents aim to use Next Generation Technologies including Artificial Intelligence (AI), Machine Learning (ML), and Industrial Internet of Things (IoT).

USE OF THIRD PARTY TO GET SUPPORT TO ENTER GLOBAL MARKETS



DIGITIZATION DURING COVID 19



In the post-pandemic era, digitization has assisted small businesses in resolving their traditional problems.

- The adoption of digitization is anticipated to benefit small businesses in a number of ways and assist them in resolving some of the most pressing long-standing issues.
- According to firms surveyed, the top two persistent problems that can be solved through digitization are focus on the customer base (62%) and data security (43%) followed by evolution of products and services (40%) logistics and supply chain (39%) and technology decisions (36%).
- Customer centricity will increase customer happiness, which will therefore increase retention and boost business performance. This assertion was consistent with the survey's results. Digitization has enabled an equal number of respondents from the manufacturing and service industries to focus on their consumers.
- According to the research's conclusions, small businesses should prioritize improving the customer experience and delighting their clients. They anticipate that digitization will assist them in comprehending customer needs and in adjusting their products and services properly. In the services sector, 43% of small businesses believe digitization will aid in the development of their goods and services.
- The epidemic has affected enterprises, industries, and nations' supply chains. Supply chain digitization is crucial in the "next normal" age. More than 50% of businesses in the industrial sector believed that digitization may help them with their supply chain and logistics problems, according to the current survey.

Revised Criteria for Micro, Small and Medium-Sized Enterprises

Enterprise Type	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Service)	Annual Sales Turnover
Medium	≤\$1.3 Million	≤ \$680,000	Investment ≤\$6.8 Million and turnover≤\$34 Million
Small	≤\$680,000	≤\$272,000	Investment ≤\$1.36 million and turnover≤\$6.8 Million
Micro	≤\$34,000	≤\$13,600	Investment up to \$136,000 and turnover ≤\$680,000

Source: <https://msme.gov.in/>

Note: Rupee values have been converted to US dollar at current market exchange rates.

CONCLUSION

In the COVID-19 age, every SME is having difficulties. Their main issues have been a broken supply chain and a declining demand. But there is still hope for the difficulty. After the dust settles, SME's realize that they must evolve and change over time in order to remain competitive. A more responsive evaluation of supply chain resilience, an analysis of disaster or emergency management plans, the introduction of protection procedures, sanitation and sanitization methods, an updated sourcing policy, the inclusion of new vendors, the streamlining of their product portfolio, and others are some of the responses to this problem. SME's can deal with the coronavirus epidemic in this way.

REFERENCE

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