

**A STUDY OF THE INFLUENCE OF COVID-19 ON THE COMPETITIVENESS OF  
THE SMALL AND MEDIUM-SIZED ENTERPRISE(SME'S)**

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**Abstract:**

The present study aim is to find out the influence of the covid-19 pandemic on small and medium-sized businesses and tries to identify various innovative practices adopted by SME's during pandemics in India. To performed the study, data was collected from various managers of small and medium enterprises between 2019 and 2021, to look at the effects of the 2019 coronavirus disease (COVID-19) on small and medium-sized enterprises. There were some recurring patterns. First, only a few weeks into the crisis, significant downsizings and closings had already occurred. Second, the likelihood of closure was oppositely proportional to the predicted duration of the crisis. Furthermore, businesses have wildly differing opinions on how long COVID-related interruptions should last. Third, a large number of small and medium-sized businesses are having financial difficulties. Fourth, the many of firms strategic to seek funds through the CARES Act (Coronavirus Aid, Relief, and Economic Security). However, majority individuals anticipated challenges in finding the programme, such as trouble defining eligibility and bureaucratic red tape. The study also compares the innovative techniques of the companies and performance & survival of the SMEs. Innovative techniques include acquiring external knowledge, giving importance to organization structure, leadership, regeneration, employee's activities, external support.

**Keywords:** Small and Medium-Sized Enterprise (SMEs), COVID-19, Creative and Innovative practices, Crisis.

**Introduction:**

Since its debut in late 2019, the COVID-19 epidemic has had a negative impact on countries' economies and a dreadful impact on human health. Quarantines and social distance, which were implemented in most countries to stop the virus's spread among individuals, have disrupted supply and demand for commodities, hurting the economies of many countries. The COVID-19 epidemic affected all economic sectors and firms, predominantly small and medium-sized enterprises (SMEs) (Hasanat,2020).

SMEs are heavily influenced by the COVID-19 crisis as they overestimate the hardest-hit sectors such as hospitality, retail, entertainment services, food services & construction. The discovery and dissemination of COVID-19, which has no cure, has led the government to take radical measures, such as blocking most of society and increasing social distance, leading to behavioral changes. Some small and medium-sized businesses are responding to the crisis by tackling the problem creatively to seize the opportunity. But their resilience allows them to see opportunities in turmoil and continue uncertain times, but to realize those opportunities, by revitalizing the entrepreneurial ecosystem. Government intervention is required to correct the negative effects of blockade restrictions. Anyway SME's considered as back bone of our Indian economy. it is highly dynamic and it deals with various product. As per the ministry of MSME statistics reveals that 50% of export output achieved by SME, it contribution towards GDP more than 25%, and it had generated 11crores employment opportunity to others it expected to grow more than 15 crores in future.

#### **Review of Literature:**

**Ratten (2020)** a disaster is a state of affairs that doesn't arise regularly and is characterized with the aid of using an excessive ambiguity level. Since COVID-19 is still a debacle, and with inside the lack of a cure, it has precipitated vast behavioral adjustments which in flip poses extreme demanding situations to the company's continued existence, and as a result, marketers are paying greater attention to how they respond to these difficult situations with creativity and innovation.

**Brand new survey of Local Circles**, explored that 38% of Indian start-ups and SMEs have as of now run out of cash/money for the COVID 19 pandemic. 12% stated they only have a lesser amount of than a month of cash. In April, 27% of startups stated they were out of cash and 20% stated they had less than a month of cash reserves. 4% of respondents say they have already closed their businesses, indicating that while the situation is not as bad as the April forecast, the situation for Indian start-ups and SMEs is failing. Approximately two-thirds of participants stated they have reduced overall costs, reduced marketing, labor costs, operating budgets, and postponed tax payments as a result of the crisis. The same percentage of companies stated they had not yet benefited from the government's aid package.

**Shantanu Khanna and Udayan Rathore (2020)** According to the survey, the smallest businesses suffered the most losses. Companies with fewer than eight employees lost 24% of their yearly sales, while those with more than 45 employees lost 10%, which is much less. Sixty-three percent

of businesses have not approached a bank for more capital. Only about a third of those who applied succeeded in getting any funding. When asked if they borrowed from other sources during the crisis, 33 percent said they used their funds, 18 percent said they used moneylenders, and 18 percent said they borrowed from relatives and friends. Figure 3 illustrates that borrowing has become more expensive overall during the crisis; whereas companies used to pay roughly 12% interest yearly, they now pay 14 percent. On average, organizations were able to keep 45 percent of their personnel. Firms in the first quartile (with nine or fewer employees) were only able to retain 35 percent of their workforce, but firms in the top quartile (45 workers or more) were able to retain 53 percent.

**Minaketan Behera et al (2021),**

The MSMEs sector is in the worst possible shape, according to the report, with fifty-five percent mass layoffs, manufacturing dropping from an average of seventy-five percent dimensions to just eleven percent, a decline of 17.2 percent of the annual overall sales, difficulties in getting raw materials, a diminished capacity to pay salaries, increasing labour scarcities, and a lost opportunity of access to credit facilities. Overall, 70% of firms fear they won't been capable of surviving the disaster for more over 3 months if the shutdown persists, as well as the smallest of them might go insolvent in a month. 71% of businesses are unable to pay their employees' salaries. In India, roughly 25% of businesses will close if the lockdown lasts longer than 4 weeks, and 43% will close if the lockdown lasts longer than 8 weeks.

**Yogesh D Mahajan (2021)** accordingly, 70 million traders in India and the bulk of them are MSMEs are CAIT. Tiny, SMEs are the sector still in immense trouble due to demonetization, then due to badly executed GST accompanied by sustained stagnation, and the largest of all – COVID-19 pandemic – which in this specific division would get worse the disaster further. All SMEs are battling for the period of the COVID-19. Falling demand and a shattered supply chain have been their main challenges. Financing for Indian start-ups has decreased by more than half.

**Mohsin Shafi et al (2020)** According to the conclusions of the study, several of the participating businesses have been impacted negatively, and they are experiencing a number of issues, such monetary Challenges, supply chain disruption, lack of demand, lack of sales, and lack of profit, to name a few. Moreover, over 83 percent of businesses were untrained and therefore had no

strategy in place to respond on such an emergency. Moreover, approximately 2 of the companies said that will be unable to operate if the closure lasted longer than 2 months.

**Gap identified:**

The previously mentioned study did not instrument for the influence of innovative finance, government support and technological adaptation on SMEs' survival, particularly following the pandemic's unpleasant shocks.

**Objectives of the Study:**

- To know the influence of covid-19 pandemic on SME's in India
- To identify an innovative and creative practices adopted by SMEs in India to manage the covid pandemic situation

**Hypotheses:**

H<sub>0</sub>: No key positive significant relationship among innovative techniques and the performance of SMEs

H<sub>1</sub>: Key significant relationship among innovative techniques and the performance of SMEs

H<sub>0</sub>: No key significant relationship among innovative techniques and firm survival of SMEs

H<sub>1</sub>: Key significant relationship among innovative techniques and firm survival of SMEs

H<sub>0</sub>: No significant relationship among innovative techniques and business performance through External support

H<sub>1</sub>: Key significant relationship among innovative techniques and business performance through External support

H<sub>0</sub>: No significant relationship among innovative techniques and business survival through External support

H<sub>1</sub>: Key significant relationship among innovative techniques and business survival through External support

**Research Methods:**

The current study is confined to Indian small and medium firms with a staff of 6 to 100 employees and overall annual revenue of fewer than 250 crores Indian rupees. The data was gathered from SME managers using an online survey created by Survey Monkey through structured questionnaire. The online survey is less expensive and permits for a high number of responses

within a brief period of time (Bryman & Bell, 2014). The participants had 15 days to complete the task. The data was collected through convenient sampling methods. 70 samples were collected from primary sources (field). The study is descriptive in nature, Qualitative and quantitative method of data analysis is used.

**Measurements:**

Measures of the constructs in the suggested research model were derived from the literature and tweaked to match the objectives of this study. Two of our colleagues double-checked the phrasing of the questionnaire to confirm that the measurements are appropriate for these variables. The survey was then piloted in Bangalore with 15 SME managers. In response to their suggestions, a few of the survey questionnaires been modified.

**Theoretical framework**

The conceptual framework depicts the relationships between a small business's innovation strategies, performance, and survival. External support, according to the paradigm, affects both linkages (Creative and Innovation Techniques –Business Performance and Business Persistence). Furthermore, SME performance has an impact on the company's survival. The model contained six characteristics (Acquiring External Knowledge, Giving Importance to Organization, Structure, Leadership, Regeneration, Employee’s Activities) collected from the previous literature research as an independent variable. SME performance and survival were the dependent variables. The external support, according to the model, moderates the relationship between dependent variables and the independent variable.

**Dependent Variables are:**

Business Performance and Survival

**Independent Variables are:**

Innovative Practices adopted by SME’s Covid -19

Acquiring External Knowledge

Giving importance to Organization Structure

Leadership

Regeneration

Employee’s Activities

**Moderates variable:**

External support

The first step is to look into the direct link between innovative techniques and SMEs' performance (H1). Then there's the direct link between SMEs' innovation strategies and their ability to stay in business (H2). The impact of outside support on the strength of the link between SMEs' innovative activities and their financial performance is investigated (H3). Finally, the role of external support in determining SME survival and innovation practice constitutions is investigated (H4). The following section discusses the model's hypothetical relationships between the independent and dependent variables.

**Table: 1 Shows the Reliability Test Result**

<b>Variables</b>	<b>Values</b>
Acquiring External Knowledge	0.74
Giving Important to Organization Structure	0.81
Leadership	0.80
Regeneration	0.75
Employee’s Activities	0.81
External Support	0.79
Business performance	0.82
Business Survival	0.86

Universal recognized rule is that  $\alpha$  of 0.7 to 0.8 specifies satisfactory level of consistency. The table values shows that with in reference range. So study can proceed to next level. And also correlation coefficient table values of the items are in between -1 to +1. Which indicates a positive correlation.

**Table: 2 shows the relationship between variables**

<b>Relationship</b>	<b>Hypotheses</b>	<b>Std.Beta</b>	<b>t value</b>	<b>p-value</b>	<b>Status</b>
Innovative techniques -> business performance	H1	0.34	8.432	0.00	Accepted

Innovative techniques -> business survival	H2	0.043	2.672	0.00	Accepted
Innovative techniques - External Support -> business performance	H3	-0.071	1.019	0.203	Not Accepted
Innovative techniques - External Support -> business survival	H4	-0.005	1.587	0.08	Accepted

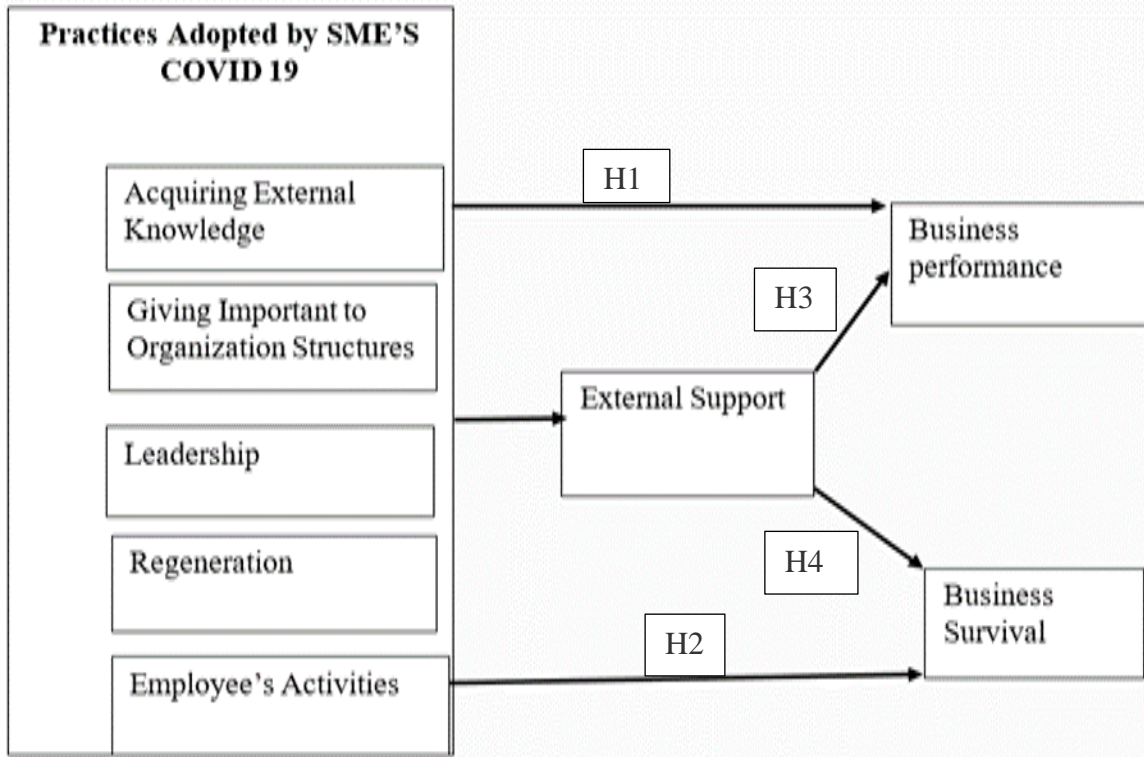


Table: 3 Model fit index summary

Model Fit Index	Value	Reference Range
CMIN/df	1.554,	>3
CFI	0.920	< 0.900
GFI	0.994	< 0.900

The study model index value is (CMIN/df =1.554, CFI =0.920, GFI =0.994) with the reference range (<3,>.09,>.09). The study result shows that the proposed model is significantly accepted by

statistical values. The present study suggests that, there is a need to boost SMEs' resilience to future shocks, increase efforts to help SMEs go digital, increase the transparency of supplier chains and comprehensive, and guarantee that global business becomes more supportable and climate-friendly. By effective implementation of above mentioned suggestions, Small and medium Enterprises can achieve and withstand better competitiveness in their own business domain.

### **Conclusion:**

The current study provides a theoretical model for assessing the mitigating influence of external support given during the COVID-19 epidemic outbreak in strengthening the connection between innovation strategies and SMEs' performance and sustainability, using the SEM technique. The study was based on four main hypotheses on how these variables interrelated. The major findings of the study indicate that SMEs' innovation initiatives have a substantial influence on business performance and survival. Moreover, the study's findings revealed the crucial and mitigating role of outside assistance provided to SMEs during the COVID-19 pandemic outbreak in assuring their survivability. According to the study's findings, the Indian government's current policies to mitigate the impact of the COVID-19 pandemic downturn on SMEs, which also included numerous financial assistance packages and motivated nonprofit organization support, were anticipated to produce to these businesses' strength in the face of this crisis. According to the findings of the study suggest that policy creation and implementation should begin immediately, with an emphasis on providing excellent online financial services, settling commercial transactions, and incorporating IT advancements into operations.

The current study has some limitations, despite the fact that its findings have important significance for SME policymakers and managers. Because there are so many different forms of innovation techniques, the research only looked at managerial innovation practices and left out other areas like technology advances. Future research could improve on these findings by resolving the weaknesses of the existing study. A sector-based review of small firms' practises would be beneficial because they compete in a diverse range of industries. In order to get a full and in-depth understanding of the nature of the relationship between SMEs' innovation practises, external support, and business performance and survival, all metrics for assessing organizational efficiency, as well as the innovative activities, must be considered.



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