

STUDY ON THE IMPACT OF COVID 19 TO THE BUSINESS OF SMEs, IN THE MALABAR SIDE OF KERALA

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Abstract - This study also analyses the performances of industries during the lock down period due to Covid19 Pandemic situation. This chapter discusses about the finding by the investigator on the effect of COVID 19 to the Indian manufacturing industries. It is known that the pandemic brought a tremendous change in the industrial scenario throughout the globe. Most of the countries locked down their entire operations to limit the spread of COVID 19 and which highly affected the production, sales and consumption of the commodities. This made the industries to get stuck with their operations except for those industries related to medical/health care. Hence this chapter is aimed at exploring the effect of COVID 19 over the Indian SMEs.

Keywords: Covid 19, lean, SMEs, Questionnaire survey

1. INTRODUCTION

At present time world is facing from the coronavirus disease known as Covid-19. The first case of the coronavirus was reported in the December, 2019 in the Wuhan city of China which is known as the major transportation hub of China. Due to the immediate and severe spread from person to person, most of the countries controlled the chance of spreading by implementing lockdown to their population. Many countries have shut down their sea ports and airports (Agarwal et al. 2020). They have banned the import and export activities. All these affected the business firms and their day to day operations.

It was really unexpected for the industries that the sudden closure of local and global market which highly affected their revenue. Similarly the lockdown forced them to stop the productions which lead to many other difficulties/ losses to the industries (Rakshit and Basistha, 2020). India is the developing country due to the Covid-19 spread the cases reported in the India government has lockdown the country for 41 days which affected the manufacturing activities and majorly it affects the supply chains and economy of the country (Thiagarajan 2021).

COVID 19 has affected the manufacturing firms and their supply chain over the world. COVID 19 is affecting the manufacturing operations daily. The lockdowns and the regulations at different nations have already affected the supply chain and forced thousands of industries to throttle

down or shut down their assembly lines temporarily in the U.S and Europe and in the developing nations like India (Pickert 2020). Many of global industries are depends on the China for the materials and parts. The manufacturing units in China was shut down initially and that had caused many dependent industries to shut down for next few months. In these ways the impact of the COVID 19 pandemic affected the businesses all over the world.

Objectives:

1. To analyse the effect of lock-down to the business of SMEs, due to the COVID 19 Pandemic.
2. To understand the situations of the industries in this new normal period.

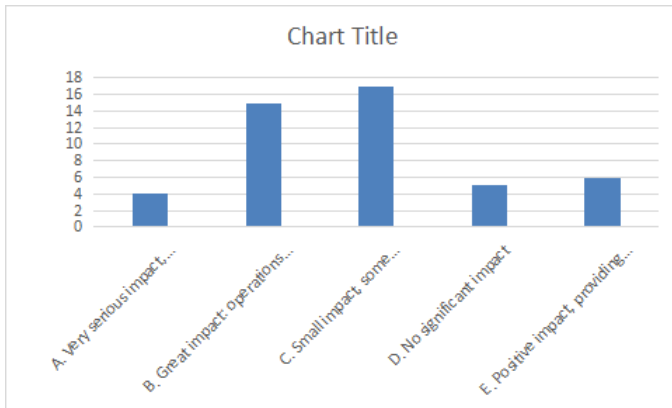
Methodology:

In this research, the researcher used a questionnaire survey using a 11-question questionnaire with multiple choice questions. The questions were meant to analyse the situation of each respondent/ firm and the measures taken by the respective firm to improve the situations. Few of the questions were of single option type and in the remaining the respondent have the freedom to select multiple choices according to their conditions. The count for each response was noticed and the interpretations were made and reported in the following sessions. The percentage obtained for each responses was the measure taken for the analysis.

Analysis and the interpretations

Options	No.of Responses	%
A. Very serious impact, leading to serious difficulties in business operations and bankruptcy	4	8.5
B. Great impact: operations barely maintained	15	31.9
C. Small impact, some difficulties in business operations, but overall stability	17	36.2

D. No significant impact	5	10.6
E. Positive impact, providing new opportunities for development	6	12.8



From the overall response, it can be seen that a total of 70 % of respondents (28 industries) reported that the lockdown has made some impact to their firm’s production and operations. Out of these 28 firms, 3 firms reported that they had serious difficulties in their business and they had high financial losses due to the lockdown. Similarly remaining 12 of 28 responded that they also had seriously affected but they could maintain the basic operations for them to keep alive and the remaining 13 of 28 only had a small impact due to the pandemic and they were in a stable position in their operations and market.

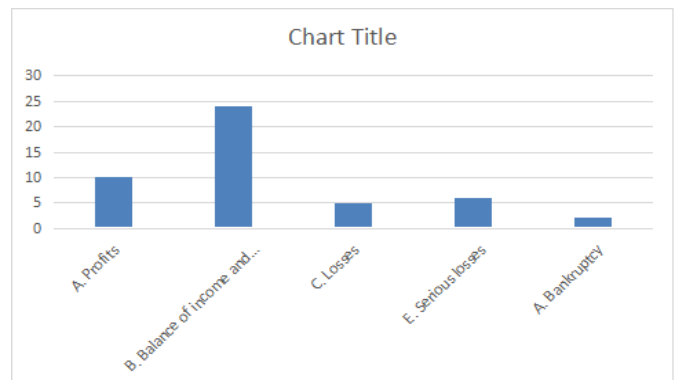
The remaining 30% of the respondents reported that they had either no impact by the lockdown (5 industries of 12) or they had positive impact in their operations and sales (7 of 12 industries).

The data were collected through the questionnaire method. The researcher had directly visited as much as possible firms and discussed with the respondent and given the questionnaire to the respondent to fill. Later the respondent filled the questionnaire and given back to the researcher. Due to the pandemic condition few of the industries preferred online methods to fill the questionnaire. In that case, the researcher contacted the respondent and discussed the matter through phone and later the questionnaire was mailed. The respondent submitted back the filled questionnaire through email. But the response rate through the online mode was much less than the direct mode.

2. To what extent did the lock-down affect your firm’s development?

Options	No. of Responses	%
A. Profits	10	21.3

B. Balance of income and expenditure	24	51.1
C. Losses	5	10.6
E. Serious losses	6	12.8
A. Bankruptcy	2	4.3



10 of 47 (21.3 %) respondents mentioned that they could achieve profit in the business due to the lockdown. Another 24 respondents (51.1%) reported that they were able to run the business by balancing the income and expenditure. Hence, it is understood that 72.3 % of the respondents were not highly affected by the lockdown. Whereas, the remaining 27.7 % of respondents were highly affected by the lockdown i.e. they were not able to maintain the productivity and the sales and hence their business was reached in to losses (10.6 %), serious losses (12.8%) and bankruptcy (4.3%).

3. What are the reasons for the suspension of production and operations of your firm?

Options	No. of Responses	%
A. Shortage of production materials.	13	27.7
B. Difficulty in developing market	13	27.7
C. Impact of measures taken to respond to the pandemic	5	10.6
Shortage of production materials, Difficulty in developing market (A&B)	11	23.4
Shortage of production materials, Impact of measures taken to respond to the pandemic (A&C)	1	2.1
Difficulty in developing market, Impact of measures taken to respond to the pandemic (B&C)	2	4.3

A. Shortage of production materials. B. Difficulty in developing market C. Impact of measures taken to respond to the pandemic (A,B&C)	2	4.3
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27.6% of the respondents reported that they stopped their operations due to they did not receive adequate raw-materials to actualise the production process and another 27.6 % of respondents reported that unavailability of market or reduced sales was the reason for cutting down the production for them. And further 10.6% (i.e. 5 of 47) find difficulty in the actions/ measures to be taken against the pandemic (Like limiting the number of employees, limiting scope for social distancing, limitations in periodic sanitizing etc.)

As this is a multiple-choice question 11 of 47 respondents reported that they had cut production because of both the shortage of production material production and the difficulty in developing market. Similarly, 1 of 47 notified that they had stopped the operations because of Shortage of production materials and impact of measures taken to respond to the pandemic. Another, 2 of 47 notified that they had stopped the operations because of difficulty in developing market and impact of measures taken to respond to the pandemic. Remaining 2 of 47 respondents mentioned that all the three causes were affected them in suspending the operations.

From these, we could summarise that the main reason for the suspension of industrial operation is the reduction in the sales/ market and it could be logically true too. Unless the sales are not happening there is no point in producing the product. The second major reason for the suspension of operation is the unavailability of production materials. It was difficult for the firms to get the materials if the suppliers are much away from the industry. Another reason of product unavailability was the purchasing power or limitation in funding.

4. What are the main operating pressures that your firm is currently facing? (Multiple choice)

Options	No. of Responses	%
A. Employee salaries, insurances	3	6.4
B. Rent (Buildings, Equipment)	0	0.0
C. Repayment of loans	3	6.4
D. Payment of accounts payable	15	31.9
E. Cancellation of orders	4	8.5
Employee salaries, insurances, Rent (Buildings, Equipment) (A&B)	2	4.3

Employee salaries, insurances, Repayment of loans (A&C)	4	8.5
Employee salaries, insurances, Payment of accounts payable E (A&D)	2	4.3
Employee salaries, insurances, Cancellation of orders (A&E)	5	10.6
Rent (Buildings, Equipment), Repayment of loans (B&C)	1	2.1
Payment of accounts payable, Cancellation of orders (D&E)	3	6.4
Employee salaries, insurances, Repayment of loans, Payment of accounts payable (A,C&D)	2	4.3
Rent (Buildings, Equipment), Payment of accounts payable, Cancellation of orders (B,D&E)	1	2.1
NONE	1	2.1
ALL	1	2.1

The question was of multiple option type and hence the respondents had given a variety of response. The question checks the important operating pressures faced by the respective organisation in terms of their economic situations/ constraints. One of the 47 respondents mentioned that they did not have any constraints in their economic conditions. It is also noticeable that no responses mentioned rent as an operating pressure, independently.

15 of 47 respondents (31.9 %) reported that they had faced difficulty in paying the account payables and which was the option that most of the respondents opted. The term Accounts payable (AP) represents the amount that a company owes to its creditors and suppliers. Further 5 responses shows that the respondents had operating pressured due to the combination of payment of employee salary and the loss due to the cancellation of orders. Four people responded that they had cancellation of orders as the main operating pressure and another four people mentioned that they had their operating pressure due to the combination of employee salaries, insurances and repayment of loans. Three responses each were marked for employee salaries and insurances; repayment of loans; and the combination of payment of accounts payable and cancellation of orders. Two responses each were obtained for the combinations of employees' salaries, insurances and rent; employee salaries, insurances and the payment of accounts payable; and employee salaries, insurances, repayment of loans and the payment of accounts payable. Single responses each were reported for the combinations of

rent and repayment of loans; rent, payment of accounts payable and the cancellation of orders. One of the respondents reported that they could mark all the five options as the operating pressure faced by them.

5. What is the current situation regarding the supply of raw materials, spare parts and other production and operation materials in your firm? (single choice)

Options	No. of Responses	%
A. Total disruption of supply	1	2.1
B. Supply shortage	18	38.3
C. Supply barely maintains production	5	10.6
D. Satisfactory supply	10	21.3
E. Normal supply	13	27.7

Majority of the respondents (18 of 47 i.e., 38.3%) reported that there is a significant shortage of supply of the production and operation materials. Further 13 of 47 respondents (27.7 %) mentioned that they received normal supply during the pandemic. Another 10 respondents (21.3%) had been obtained a satisfactory supply of necessary items from the respective suppliers. A further 10.6 % or respondents (5 of 47) reported that they only received a supply that can maintain the production. The remaining one respondent informed that they had found difficulty in their operations due to the total disruption of the supply.

While summarising the above facts, it could be noticed that 19 of 47 (40.4%) respondents were highly affected to precede their operations with the reduced supply and the remaining 28 of 47 (59.6%) respondents were able to proceed with their business operations with the available/adequate supply of the materials.

While considering the respondents who marked each option, the sufferers of poor material supply are the end customers of another/ similar small scale businesses (Like small scale cotton industry, die manufacturing industry etc.). Those who were purchasing from the large scale organisations or those who purchasing the natural materials from the local markets were not highly affected during the pandemic (like food, steel industry etc.).

6. Did/ Does your company 'reduce or increase/ plan to reduce or increase' the number of employees? (Single choice)

Options	No. of Responses	%
A. Reduce greatly (30-50%)	4	8.5
B. Reduce slightly (10-30%)	12	25.5
C. Remain basically the same	29	61.7
D. Increase slightly (10-30%)	2	4.3
E. Increase greatly (30-50%)	0	0.0

61.7% (29 of 47) of respondents reported that they kept the number of employees same in their respective industry before and during the pandemic whereas another 25.5% (12) respondents were forced to reduce/ fire their 10-30% of labours due to the economic constraints. Further 8.5% (4) of respondents reduced greatly higher number of employees about 50% due to the effect of pandemic into their business. Another 4.3% (2) industries needed to increase their strength of the workforce to meet their business demand and no one reported that they increased their number of employees more than 30% of the pre-pandemic situation.

While summarising, it could be concluded that 66% of total respondents were in a position to keep their employees happy whereas the remaining 34% of industries were not able run the business with their entire workforce. The industries those were reduced the number of employees followed different actions towards their employees as follows: They might have fired the employees; they have introduced a rotation system for the employees so that every employee gets equal chance to work; the companies only assigned work for the needed/ skilled work force and the remaining employees were temporarily laid off.

The industries increased the number of workforce were of the food processing/ manufacturing small scale organisations.

7. How has the pandemic affected recruitment? (multiple choice)

Options	No. of Responses	%
A. Increase in labor costs	4	8.5
B. Unable to find a suitable recruitment channel	2	4.3
C. Postponement or cancelation the existing recruitment plan	24	51.1

D. Transition to online recruitment	10	21.3
Increase in labor costs, Unable to find a suitable recruitment channel (A&B)	1	2.1
Increase in labor costs, Postponement or cancellation the existing recruitment plan (A&C)	2	4.3
Unable to find a suitable recruitment channel, Postponement or cancellation the existing recruitment plan (B&C)	2	4.3
Postponement or cancellation the existing recruitment plan, Transition to online recruitment (C&D)	2	4.3

This is a continuation to the question number 6. Here most common response (51.1%, 24 responses) was obtained for the option C which mentions either they had postponed or cancelled their existing recruitment plan. Further 21.3% respondents reported that they had a transition to online recruitment. 4 (8.5%) respondents mentioned that they had an increase in the labour cost (it might be either due to the increasing the labour strength or by increasing the work time/ salary). 2 (4.3%) respondents each responded that they were unable to find a suitable recruitment channel; a combination of increased labour cost & postponement or cancellation of recruitment plan; a combination of difficulty in finding a suitable recruitment channel and postponement or cancellation of recruitment plans; and a combination of postponement or cancellation of recruitment plan and the transition to the online recruitment. The remaining 2.1% (1 of 47) respondent notified that the pandemic affected the recruitment by a combination of increasing the labour cost and difficulty in finding a suitable channel for the recruitment.

For the term online recruitment different respondents might have taken different opinions. The opinions noticed during the discussion by the researcher to the respondent are: They had assigned work from home to the sales department employees; Some of the (medium scale) organisation those cut down their number of employees were tried to get fresher's/ low salaried employees through online modes so as to cut down the cost.

The responses obtained for the question 7 resembles the responses obtained for the question 6 and hence can be validated.

8. How are you currently or planning to cope with the cash flow shortage? (multiple choice).

Options	No. of Responses	%
A. Funding from existing shareholders	6	12.8
B. Adding new shareholders	2	4.3
C. Loans	15	31.9
D. Delaying payment	1	2.1
E. Cutting pay and jobs	2	4.3
Funding from existing shareholders, Adding new shareholders (A&B)	1	2.1
Funding from existing shareholders, Loans (A&C)	4	8.5
Funding from existing shareholders, Delaying payment (A&D)	2	4.3
Funding from existing shareholders, Cutting pay and jobs (A&E)	7	14.9
Adding new shareholders, Loans (B&C)	1	2.1
Loans, Delaying payment (C&D)	2	4.3
Delaying payment, Cutting pay and jobs (D&E)	1	2.1
Funding from existing shareholders, Loans, Cutting pay and jobs (A,C&E)	1	2.1
Loans, Delaying payment, Cutting pay and jobs (C,D&E)	1	2.1
NONE	1	2.1

The most common response for the question was option C and those respondents planned to cope with cash flow shortage by taking additional loans (15 of 47 respondents, 21.9%). Another 7 respondents (14.9%) mentioned that they are planning to cope the situation by the combination of extra funding from the existing shareholders and cutting the pay and the jobs. A further 6 (12.8%) respondents notified that they tried to improve the cash flow by funding from the existing shareholders. Four (8.5%) respondents tried to improve the cash flow by combining the funding from existing shareholders and taking extra loans from financial institutes. Two (4.3%) responses each were reported for the options: Adding new shareholders; cutting pay and jobs; combination of funding from existing shareholders and delaying the payments; and the combination of taking loans and delaying the payments. One (2.1%) response each were noted for: delaying the payment; combination of funding from existing shareholders and adding new shareholders;

Combination of adding new shareholders and taking loans; combination of delaying payment and cutting pays and jobs; combination of funding from the existing shareholders, loans and cutting pays and jobs; and the combinations of loans, delaying payments and cutting pay and jobs. One of the respondents replied that the cash flow shortage did not affect for their business.

9. Do you have the possibility to transform to online commerce?

Options	No. of Responses	%
A. Very unwilling	6	12.8
B. Unwilling	18	38.3
C. Reasonably willing	10	21.3
D. Willing	11	23.4
E. Very willing	2	4.3

The question tested the response towards the willingness to transform to the online commerce by the companies. The option opted by a greater number of respondents (18 of 47, 38.3%) was the unwillingness towards online commerce. Further 23.4% (11) respondents confirmed that they are willing to move to online commerce. Another 21.2% (10) mentioned that they are reasonably willing for the transformation. 12.7% (6) respondents were not at all willing to transform into the online commerce and the remaining 4.3% (2) respondents were highly willing to transform into the online commerce.

Altogether 24 of 47 respondents were not willing for the transformation and the remaining 23 respondents were ready for the transformation. The unwillingness may be due to the lack of technical/ online knowledge, myths on the online economy and the insufficient low cost support from the IT companies.

10. What self-help measures has your firm taken so far? (Multiple choice)

Options	No. of Responses	%
A. Applied for financing	9	19.1
B. Increased online operations	7	14.9
C. Cut pay and jobs.	12	25.5
D. Implemented a remote office (digital office)	2	4.3
Applied for financing, Increased	2	4.3

online operations (A&B)		
Applied for financing, Cut pay and jobs (A&C)	8	17.0
Increased online operations, Cut pay and jobs (B&C)	4	8.5
Increased online operations, Implemented a remote office (digital office) (B&D)	3	6.4

The question analysed the measures taken by the firm for improving their own situation. 12 of 47 (25.5) respondents mentioned that they had cut the pay and jobs to self-improve the situation. Another 9 respondents (19.2%) reported that they have applied for external finance. Further 8 respondents (17%) confirmed that they had used a combination of applying for finance and cutting the pay and jobs. 7 (14.9%) respondents were able to take the safety measure by improving the online operations. 3 (6.4%) respondents had taken the combination of increased online operations and implementing digital offices as self-measure to improve the situation. 2 responses (4.3%) each were obtained for the following options: implemented a remote (digital) office; and a combination of applying for finance and increasing the online operations.

11. What policies do you expect the government will put in to place to help your firm overcome the difficulties? (Multiple choice)

Options	No. of Responses	%
A. Reduce, exempt or postpone value-added tax, income tax, insurance premiums and other taxes	10	21.3
B. Stimulate consumption	4	8.5
C. Allow firms to implement a staged flexible salary method	1	2.1
D. Provide subsidies for rent, utilities, post stabilization etc.	10	21.3
Reduce, exempt or postpone value-added tax, income tax, insurance premiums and other taxes, Stimulate consumption (A&B)	1	2.1
Reduce, exempt or postpone value-added tax, income tax, insurance premiums and other taxes, Allow firms to implement a staged flexible salary method (A&C)	12	25.5
Reduce, exempt or postpone value-added tax, income tax, insurance premiums and	3	6.4

other taxes, Provide subsidies for rent, utilities, post stabilization etc. (A&D)		
Stimulate consumption, Provide subsidies for rent, utilities, post stabilization etc. (B&D)	1	2.1
Reduce, exempt or postpone value-added tax, income tax, insurance premiums and other taxes, Stimulate consumption, Provide subsidies for rent, utilities, post stabilization etc. (A,B&D)	2	4.3
Reduce, exempt or postpone value-added tax, income tax, insurance premiums and other taxes, Allow firms to implement a staged flexible salary method, Provide subsidies for rent, utilities, post stabilization etc. (A,C&D)	2	4.3
NONE	1	2.1

The question measured the expectation of the firms about the help from the government departments. 25.5% (12) of respondents were pointed out that the government should reduce the insurance and taxes and as well as government should allow the firms to implement a flexible payment system to their workers according to their conditions. 10 (21.3%) responses each were obtained for; the option A i.e. reduce the taxes and insurance premiums; and the option D i.e. provide subsidies for rent, utilities, post stabilization etc. 4 (8.5%) responses were obtained for stimulate consumption. Another 3 (6.4%) responded that government should take adequate measures to reduce/ exempt/ postpone the taxes and insurance premiums and should provide subsidies for the rent, utilities and post stabilisations. 2 responses (4.3%) each were obtained for the combinations of: reduce/ exempt/ postpone taxes and insurances, stimulate consumptions, and provide the subsidies; and reduce/ exempt/ postpone taxes and insurances, allow to implement flexible salary packages, and provide the subsidies. 1 response each were obtained for: Allow firms to implement flexible salary methods; combination of reduce/ exempt/ postpone taxes, insurances and stimulate consumptions; combination of stimulate consumptions, and provide the subsidies. One of the respondents reported that the firm does not agree with any of the given option.

Conclusions

During the discussion/ interview with the respondent by the researcher, and considering the overall responses obtained in the questionnaire, the following conclusions can be made:

The industries which are producing products related to the health care were had positive impact during the lockdown days. Because governments were given relaxation to those

industries and the medical products/ equipment was highly moving due to the pandemic.

Similarly, the food processing units were either in the positively affected position or at least in a not affected position. Those who producing the packed/ bakery items were in a positively affected position. Because, due to the lockdown all the family members were inside the home and the consumption of packed items were slightly boomed. Whereas the catering/ mass food production units were not having that much sales during the lock down as the gatherings were restricted.

Those industries producing non-perishable goods/ products, are least affected by the lockdown. Their sales during the March to June months were stopped, but still they did not have many losses. The governments also were helped during that time by extending the tax payment/ rent/ loan payment etc.

The industry producing perishable goods/ seasonal products etc. had highly affected by the lockdown.

The industries where the processes are almost mechanised/ automated were less affected, whereas the industries which highly dependent on man-power were find difficulty to operate due to the COVID protocols.

Even the government had given a moratorium period for loans, but the firms were in a dilemma to repay the loan as the interest will be cumulated if unpaid on time.

Similarly, many of the industries were in a position to cut the salary of the employees, due to the forces from loan payments/ un-sold products/ unused inventory etc.

By referring the above points the investigator can conclude that the COVID 19 affected different industries in different ways. Few of the industries had positive impact during the pandemic whereas the most industries had their negative effects due to the reduced sales and consumptions. But an overall result shows that very few companies are largely affected by the pandemic which lead them to great losses and bankruptcy and further for forced shut down. Whereas, most of the industries could manage the situation by devising their own method according to their situation, regarding the availability of materials and employees, market demand, the government policies etc.

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