

# 51. A STUDY ON EXTERNAL ENVIRONMENT OF BUSINESS AND ITS INFLUENCE ON MSMEs IN THE CONTEXT OF COVID-19

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## ABSTRACT

**B**usinesses across the globe has decided 'just to survive apart from making huge profit', from a global pandemic which has created huge disaster to economy of almost all countries in the world. In India pharmaceutical industry is improving its status day by day, on the other hand travel and tourism industry, entertainment sector, market for luxury products and services is deteriorating among which the drastic-hit is the MSMEs. This study aims at analysing various external factors influencing the performance of business especially during times of COVID-19 pandemic, those factors include political, social, cultural, economic, legal, technological, etc., The study aims at finding out those external factor and potential ways to recover from the losses incurred.

## KEYWORDS

Global pandemic, Business, MSMEs, COVID-19, External factors.

## INTRODUCTION

The scientists across the globe are struggling to save human kind from a deadly virus called corona virus. This

life threat to humans made so called social animals not-to-socialise with the society as opposed to the nature of human-beings, forced to lock ourselves inside four walls for a good cause to save ourselves. But the pandemic is not a good cause to the economy of the world, Covid-19 pandemic has shattered almost all sectors of the economy, the worst hit is the Micro, Small and Medium enterprises, as well as startups and sole-trading concerns. COVID-19 is one of the serious disaster which the world is facing now after the world war-II. The corona virus took its birth in the country of China at the city of Wuhan where it was found out in the month of December 2019 of having a pneumonia disease which got spread across the city like a wild fire and still eating the lives of many people. Later in the year 2020 the WHO named it as 'Covid-19' and various scientists who conducted research and termed it as 'SARS-2'. Generally speaking it has not only created health crisis but also has caused a huge damage to economic and social conditions of almost nearly 200 countries around the globe. Only one continent which is not affected by the pandemic is Antarctica. And it is

found that COVID-19 disease is worst than the SARS virus, since it divides those affected people into symptomatic and asymptomatic which made the situation even more worst. A very few number of population seen with all the symptoms, and pertaining there is no medication found for the virus that would stop from spreading.

Coming into the context, Covid-19 has highly affected the MSMEs performance, especially severe due to their higher levels of vulnerability and lower resilience. The pandemic has changed the entire business cycles of the world. Due to this global disruption many small industries are shut down because of various problems like lack of capital, lack of technology and lack of infrastructure and some are being merged with large industries. And this in turn an economic downtrend across

the globe because the people are not ready to purchase any sort of products and services except the essentials and there would be crunch in the economy which would simultaneously leads to the depression /recession of the economy. Developing Country like India having an unemployment rate of 29% , worsening the condition every fraction of second and the inflation rate is highest compared to any other country. MSME stands for Micro, small, and Medium Enterprises, According to MSME Act, 2006, the enterprises are classified based on their operation such as manufacturing and service sector. Government of India in June 2020, with a view to create job opportunities in the MSME sector, redefined the definition of MSMEs based on its turnover, which is as follows:

<b>Enterprise type</b>	<b>Turnover</b>	<b>Investment</b>
Micro Enterprise	Rs. 5 crore	Rs. 1 crore
Small Enterprise	Rs. 50 crore	Rs. 10 crore
Medium Enterprise	Rs. 250 crore	Rs. 50 crore

MSMEs play a vital role in shaping the economy especially in developing countries. Even though the pandemic created an alternative way for various sector to opt for work-from home, it is not possible for all the sectors like manufacturing, where in MSMEs are those manufacturing hubs contributes to the major share in the countries export, as well as creating employment opportunity to its fullest, now it is in the inevitable stage of shutting down its operation for a longer period never before. Those MSME sector which contributed more than 33.4% of manufacturing output of India, at present facing the risk of extinction. MSMEs are an important sector in the Indian context because majority of the population in India are dependent on MSMEs for their livelihoods. And significantly contributes to the

employment opportunity, whereby all other factors such as innovation and exports will contribute to the growth of the country.

MSMEs just before the outbreak of covid-19 has to fight against the political environment, sociocultural environment, technological environment, legal environment, etc., There are also few other problems that hinder for the expansion of the business for MSMEs which includes: lack of technology advancements, infrastructure building, delayed payments, lack of access to capital, etc,. In India after agricultural sector, MSMEs is treated as a backbone to the country as it provides more employment opportunities but at present it is caught in the hands of cruel virus called Corona and struggling to come out of it. In order to make

these MSME's come to its normal form Government of India has come across various schemes and programs. Few are as follows:

1. Technology centre system programme[TCSP]
2. Credit linked capital subsidy scheme[CLCSS]
3. Prime Minister employment generation programme[PMEGP]

There are various types of assistance which have been provided by Government of India through its MSME departments such as NSIC, as well as respective state governments are also engaged into the progress of MSMEs through its MSMEs Development institute like in Karnataka KSSIDC for the incredible functioning of the MSMEs in the country. MSMEs helps the country's exports to increase and more efficient and effective interms of competition where the products and services must satisfy all the requirements of that particular country and the society. The contribution of MSMEs is phenomenal for the growth of the Indian economy.

## REVIEW OF LITERATURE

The below mentioned literatures are reviewed from the articles and research papers published in E-journals, E-magazines ,newspapers and websites by various scholars.

In the words of Chintan Vaishnav and Arvind Saraf, in the article regarding India's Package towards rescuing small business enterprises, stressed upon the consequences that MSMEs are going through and gone through in the two phases of lockdown of 40days. Sectors such as entertainment, travel and tourism, are at its peak of incurring losses. MSMEs are those which include a small vendor near our locality to the extent of 10 crore involved in supply of goods and services thereby contributing a major portion in the GDP rate of the country as well as contributing the reduction of

unemployment percentage to a greater extent. But the 40 days lockdown made MSMEs vulnerable to financial shocks, in order to rescue MSMEs from this financial shock government should take necessary step at the right time, Those companies which couldnot withstand with the hindrances created by a virus are planning to close down its operation due to lack of support can regeminate and mark its remarkable status in the competitive world.

"Covid-19 and its impact on MSME in India", an article by outlookindia.com: A great fall in Indian economy never before in the last six years. In the era of technology, a virus made all, literally the entire world to standstill, made the life even more complicated and tough ever before, The worlds supply chain is blocked, MSMEs sector which depends more on china for raw material to convert it into a finished product and make money out of it is fully shattered. A report by Confederation of All India Traders[CAIT] showed that MSME form 70% of India's trade, one side MSMEs couldn't bear the sudden amendments such as GST, demonetization, currently this global pandemic, but on the other hand India's chemical and pharmaceutical industry to print its footprints in the globe by way of sup[plying the required medications and first aid kids. All the facts and figures reflected the loss of jobs by the major population of the country, that no one could not even imagined, the unemployment percentage that MSMEs have created is estimated to be around 114 million as well as a lose of GDP contributes to more than 30%. Government should comeup with a rescue package in order to save the life blood of the country which is not only beneficial to the growth of MSMEs but growth of MSMEs contributes to the economy of the country.

According to Economic Times, in an article regards to way to comeout from this disaster is been discussed,

where as suggestions been given, as MSMEs and startups together can fight and enjoy the fruitfulness jointly by way of collaborations and partnerships between MSMEs and startups. When both MSMEs and startups converge into a single line expertise with innovation make both move forward to a greater success amidst the outbreak of corona virus.

Kredx team in an article called "Covid-19 impact on MSME's and its significance on economic revival", stated that the world after this pandemic creates new ways of doing business and trade, such as innovation in all its aspects which include innovative marketing ideas, innovative way of manufacturing thereby curbing the product costs to some extent. The time taken to adopt to technology must be shorter so that businesses can succeed in its long run.

### **STATEMENT OF THE PROBLEM**

This research paper aims at analysing the factors influencing the performance of MSMEs, especially analysing those external factors due to the outbreak of a deadly virus called corona, even before such global pandemic micro, medium, small enterprises experienced the troubles due to sudden implementation of GST- Goods and Services Tax regime, this pandemic had worsen the situation even more, despite all these hindrances few businesses finding potential ways to 'survive besides being successful', by following the suggestions of experts as well through its own experience. Inorder to make MSMEs survive and come to its earlier form, government is finding its possible ways to withstand the economy of the country, by means of providing financial assistance to MSMEs- considered as backbone to Indian Economy next to agricultural sector.

### **OBJECTIVE OF THE STUDY**

The primary goal of this study is to identify those hidden factors curbing

the performance of MSMEs and in the year 2020- filled with full of suspenses and mistery. And to find out the path for MSMEs amidst all the obstaclesto withstand and get back to its form.

The other objectives of the study includes the following:

- 1.To understand the effect of Covid-19 on MSMEs.
- 2.To analyse the other external environment impact on MSMEs.
- 3.To review the schemes of government on MSMEs.
- 4.To analyse the initiatives of government on protecting MSMEs after and during Covid-19.
- 5.To suggest the potential opportunities, that Covid-19 has created for MSMEs despite its destruction in India.

### **SCOPE OF THE STUDY**

- 1.The study is limited only to Bengaluru jurisdiction.
- 2.This study was targeted only on the Indian MSMEs.
- 3.The statistical tools used in this study form their inherent defects.
- 4.Due to time constraint, sample size of the survey is restricted only to 64 respondents.
- 5.Inability on the part of some of the respondents to answer certain questions is one of the drawback to this study.

### **RESEARCH METHODOLOGY**

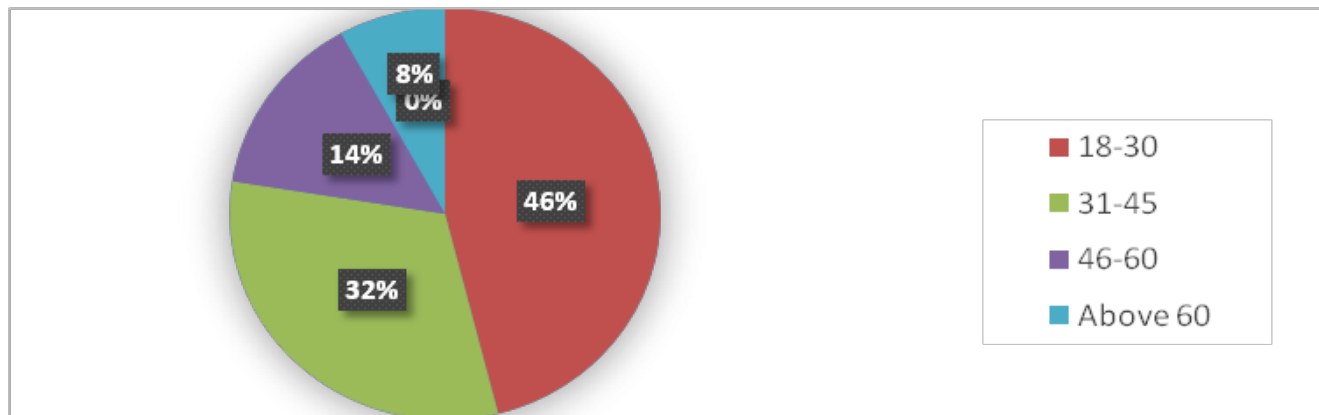
Research methodology refers to the techniques and tools as well as procedures used by a research scholar in his/her course of research work inorder to ascertain the facts and figures, perception of population relating the research topic. There are various statistical techniques available to the researcher such as ANOVA, questionnaire etc.,. As well as there are two methods of collecting data required to conduct the research, which includes primary data and secondary data.

Primary data refers to the original /

first hand data collected directly by the researcher by conducting a face to face interactive session or by way of issuing a questionnaire, in this study primary data is collected virtually with the help of questionnaire technique through google forms. Secondary data includes the research papers, articles, magazines, journals which are already been published for the reference of the needy. The secondary source of data for this study is collected with the help of various websites, already published articles, research paper, e-magazines, e-journals relating to the study.

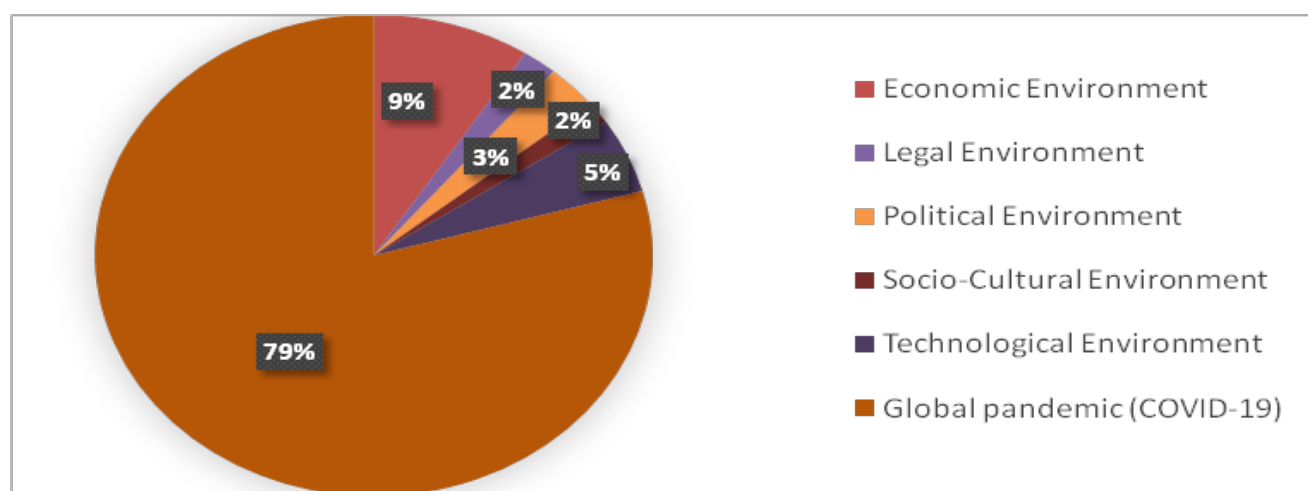
## **ANALYSIS AND INTERPRETATION:**

### **Age of the respondents**



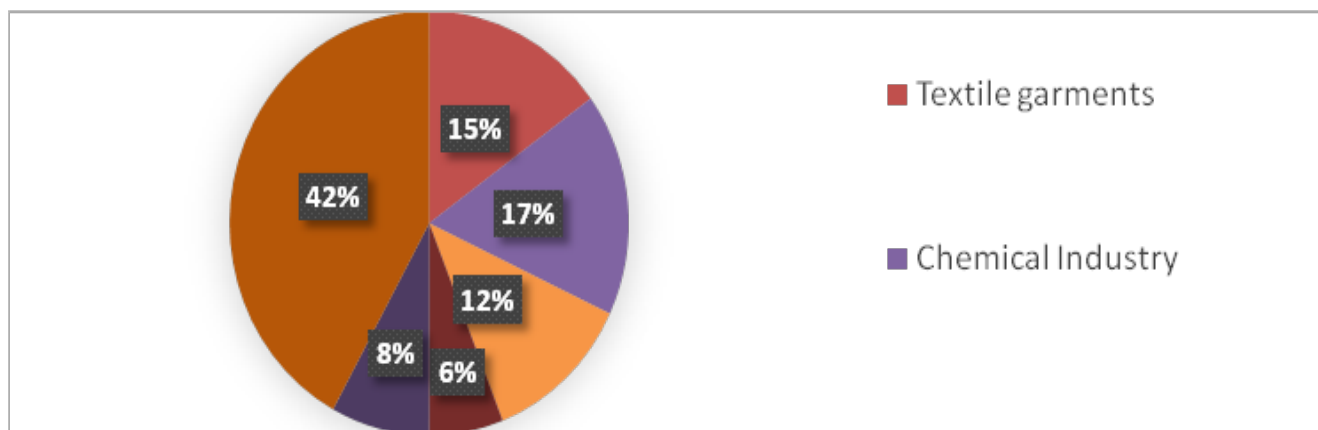
This study had a respondents of total 64 in numbers, where the age of respondents is categorised into teenagers, youngsters, adults and senior citizens. To the questionnaire majority of the population responded are between the age of 18-30 i.e., youngsters: occupies 46% of the overall survey. 31% of the respondents are adults between the age of 31-45, and 14% of the respondents includes between the age of 46-60 and a very minimal percentage of people between the age of above 60 has responded to the questionnaire.

### **External factors influence on business**



From the above pie chart, it is very clear that MSMEs suffered to a great extent due to the outbreak of Covid-19, for MSME businesses even though there exists a greater risks from the other external factors of business environment. Risk due to COVID-19 is tremendous, 79% of the respondents said covid-19 as a major threat to their business, and all the other factors affects MSMEs to its least, economic factors affects 9%, legal environment and socio-cultural environment affects 2%, technological factors affects 5% and political factors affects only 3% of performance of MSMEs.

### Scope for MSMEs in different industries



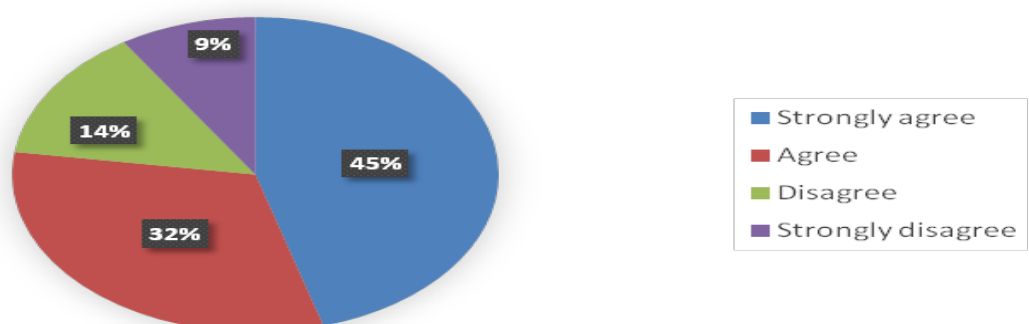
The above pie chart shows the significance of various industries in the MSME sectors, where in drugs and pharmaceutical sector occupies the major portion of about 41%, next to pharmaceutical industry textiles and garments occupies 15%, chemical industry occupies 18%, scope of electrical appliances, machinery and spare parts manufacturing of upto 12%, the least scope is created for food and beverages manufacturing industries and metal industry, where in both occupies 6% and 8% respectively.

### Extent of COVID-19 impact on MSMEs



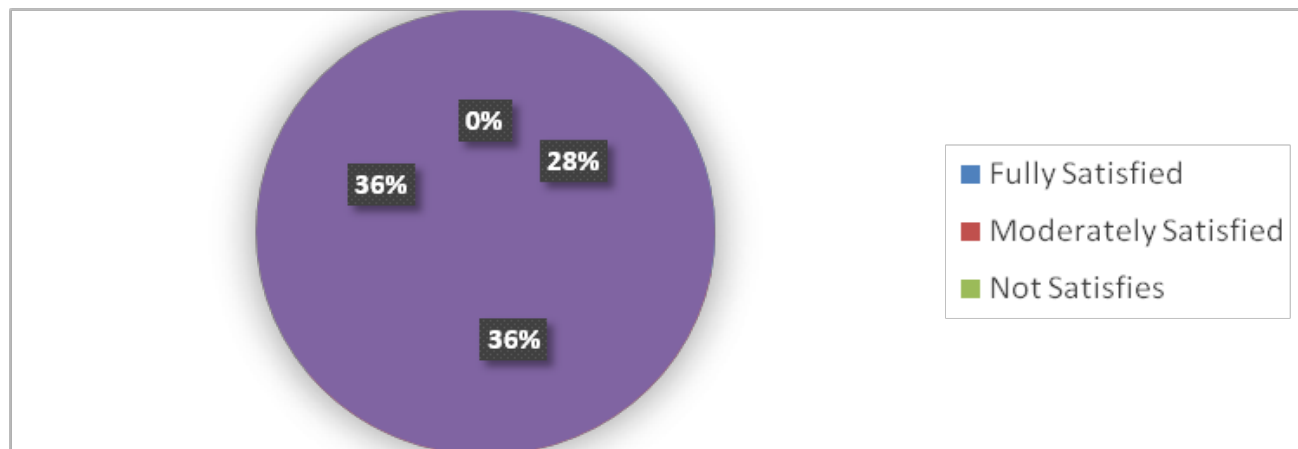
The majority of the respondents from the MSMEs sector which includes 86% of the respondents, said: severe impact has been created by COVID-19 to their business performance, and only 14% of the entrepreneurs faced moderate impact due to the pandemic.

### COVID-19 Pandemic created an opportunity to Indian MSMEs



It is very clear that majority of entrepreneurs (45%) and business personnels strongly agree upon the term, covid-19 pandemic actually created a path to Indian MSMEs to shine as earlier, and 32% are agreed with the asked question and only a least percentage of respondents strongly disagreed with the statement.

### Satisfaction level towards Government rescue package on MSMEs



The pie chart showing the satisfaction level of MSMEs personnels on the rescue package, determined that an equal amount of personnels are not satisfied with the package and only 28% of the entrepreneurs are satisfied with the rescue package.

### FINDINGS AND ANALYSIS

The above study on the external factors of businesses such as political factor, economic factor, legal factors, tax system, socio-cultural factor, technological factor as well as the global pandemic like COVID-19 wherein the life of MSMEs can be divided into two phases: pre covid-19 and post covid-19. During the phase of pre covid-19 business has to suffer from the above external factors mentioned, whereas in the post covid-19 scenario businesses realized that COVID-19 is at its peak in affecting the performance of MSMEs, which MSMEs couldnot even imagined.

Fortunately, the current scenario created a golden opportunity for Indian enterprises to expand their business to a global level and can also make their local products and services a globally recognised brand. Through the above

study it is found that pharmaceutical sector have a long way to go in catering to the needs of countries world wide, where as on the other hand Sectors such as entertainment, travel and tourism, are at its peak of incurring losses. The respondents to this study includes business professional of Micro, Small and Medium enterprises, to which a question is raised regarding their level of awareness on the schemes and financial assistance provided by Central government and State governments through its various development institutes such as MSMEs development centre, NSIC (National Small Industries Development Corporation), Ministry of Labour and Employment, Ministry of Small Development and Entrepreneurs Schemes, in Karnataka State- KSSIDC (Karnataka Small Scale Industries Development Corporation) only 60% of the population has awareness about the facilities and benefits provided by these NBFC's. But 40% of the respondents are unaware of the schemes of MSMEs development institutes. Among those who aware of the governments financial assistance and concession in interest rates only 54.5% are availing to the benefits of

MSMEs development scheme and the remaining 45.5% of the population are opting to other ways to finance their business other than the government schemes and credit facilities. But even though 54.5% are availing to the financial assistance of government, feels are not sufficient to expand its business to a greater extent. The ultimate goal of any business is to diversify its operation as well as expand globally, through this study our effort to know the level of expansion/reach by the existing MSMEs revealed that 68.2% of the total respondents extended their trade across sea, by way exporting its product and services to different countries across the world. This shows how importance is the role of MSMEs to the exports of developing countries like India, thereby the overall GDP percentage of country is reached a greater levels.

### **SUGGESTION**

The 'life blood of any developing country' is, its Micro, Small and Medium Enterprises, which caters do the needs of not only domestic markets but also international market. The MSMEs satisfies not only the consumption needs, but also satisfies the employability needs of the population in any developing or under-developed country. So called, "the life blood of Indian economy is in the stage of losing its life". A business is established in order to achieve perpetuity in its operations but a sudden shock to the life of human beings by a small invisible virus made the entire world stuck for more than 5 months, movement of goods and services stopped beyond the essentials, made the world realise human life is precious than money. As in the Modern world, money plays a crucial role, everyone is in a urge to achieve something made humans run behind the money. The current global pandemic is not only a threat

to human life but also a greater threat to the economy as well, businesses are closed for several months, people lost their jobs. To it's the greatest-hit is the MSME, and those tiny MSMEs could not hold up with the disruptions caused by covid-19 merged with large well-performing organisation, here through our study, we have arrived at the possible solutions for MSMEs to succeed despite the global pandemic. Let treasure the possible opportunities to MSMEs besides COVID-19 outbreak. Determining the extent to which the financial stability of the organisation will create a path to take necessary steps and move forward, while analysing the impact, factors such as current market demand, availability of raw materials, availability of required capital, is there free movement of transport between states and countries, available human resources at this point of time need to be given special attention. Covid-19 crisis segregated the businesses into-business before and after covid-19, the business plan drafted prior to the outbreak cannot be executed since consumers choice of preference is also changed and can also be categorised as: consumer choice of preference before 2020 and after 2020. The outdated business plan doesn't cater to the demand of customers. Therefore, a new business plan must be drafted with scope for innovation, technology, time saving product, quality with quantity along with reasonable rate, etc,. In order to achieve all the above said elements businesses should start analysing the cost reduction and cost elimination method by way of avoiding unnecessary costs to the enterprise such as cut in advertisement cost upto certain period of time, converting fixed cost into variable cost for example: MSMEs can pay rent based on its level of units manufactured or based on its volume of sales made during the month, this leads to fluctuation in the yearly estimated budget and costs but



to a good cause for the business to move forward even in this uncertain situation and those budget should aim at eliminating unnecessary costs/spending. Reinvesting into the funding strategies since governments concern towards MSMEs is reflected in its rescue package announced for development of Indian economy, where in the majority of the funds being allotted to the development of MSMEs, that is Rs.3 lakh crores collateral free loans on a credit basis at a lower rate of interest in order to save the major contributor to Indian GDP, as well as the employment rate, but if the financial assistance been given at free of cost considering the global pandemic and inability on the part MSMEs to repay the loan during a pandemic time, which might reduce the debt position of MSMEs and concentrate on its vision. A step by step execution of the planned strategies and actions should be adopted to mitigate the risk of loss in the furtherance of business. The step by step adoption can be divided into three stages:

a. **Passive stage:** Where in all the people within the organisation must aware of current pandemic effect on the business, and awareness creation should be undertaken to make sure even the lower level management knows every actions, plans, strategies for current and future regards to the organisation.

b. **Active stage:** Right personnel at the right time take corrective decisions, plan the actions according to the level of risk arises due to the pandemic.

c. **Advanced stage:** Efficient threat surveillance mechanism and overall cooperation between hierarchies of the management.

Along term goal can be achieved only if, the progress of the task is ascertained, to plan accordingly. Likewise, MSMEs need to keep track of all its activities weekly/ monthly along with all the

precautionary measures/new way of life such as social distancing, make sure everyone wearing masks, the entire workplace including equipments, machines, furnitures are well sanitized keeping in mind the well-being of employees.

## CONCLUSION

Dwelling in the past doesn't make one successful, disaster happened is happened, there is no way to go back and change something bad happened but future can be made fruitful if one's thoughts are practical and actionable. Same applies to the disruptions faced by MSMEs due to the global pandemic, striving out ways to go forward is the real attitude of any successful business. A pate on back, motivates more: Government of India, in order to provide 'life to its life blood of economy', redefined the MSMEs limit to register and avail the benefits of government schemes and credit facilities made many MSMEs which are in its stage of extinction, wakeup like a tortoise and compete with those over confident rabbits. "No pandemic can stop growth of MSMEs" if experts advice are seeked, all the potential opportunities are utilised properly. Success of MSMEs is the success of entire Indian community, majority of the population's employment dream will be fulfilled, nation's dream of increased exports than imports will be fulfilled, etc., Talk of the town #Boycott Chinese product created a fortunate opportunity especially, for the businesses in India to have "MADE IN INDIA" products all around India, as well cater to the needs of foreign countries with India's enormous amount of human resources available, this boosts not only the economy of India but also created a path way and motivates young personnels having new and innovative business ideas to open up business and succeed along with success of the Nation.

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