

# Exploring the effect of Covid-19 on Small and Medium Enterprises: Early Evidence from Sri Lanka

James Robinson  
*University of Jaffna, Sri Lanka*

Navaneethakrishnan Kengatharan<sup>1</sup>  
*University of Jaffna, Sri Lanka*

## **Abstract**

*The exponential growth of the COVID-19 pandemic is of great global economic problems and has received magnificent worldwide attention. The vulnerability of the pandemic with lower economic immunity is greater in developing countries. The present study aims to explore the effects of the COVID-19 pandemic on SMEs in Sri Lanka. Data were marshalled with the aid of qualitative interviews from conveniently chosen 14 small and medium enterprises (SMEs). The study reveals that the mitigating strategies and protocols to combat the COVID-19 have come at high economic and human costs and gravely sullied the SMEs in Sri Lanka including the shortage of materials, decline in both global and local demand for their products and services, difficulties in repaying loan and interest, cancellation of orders, dire cash deficit (inflows) and lack of savings (even problems with payroll and utility bills), limitations in recalling the employees back to work, high cost in preventing workplace COVID-19 strategies, absence of new orders, etc. The COVID-19 pandemic is emotionally challenging for both employees and operators of the SMEs. The government relief and the best policies and guidelines to support the SMEs are indeed crucial for riding through the crisis. The present study further ensures the overarching importance of formulating after-effects COVID-19 economic revival policies. Needless to say, the resilience of the SMEs is greatly dependent on the concerted efforts of the government, SMEs operators and other policymakers.*

Keywords: COVID-19; Mitigating strategies; SMEs; Sri Lanka

JEL Codes: F10; F50; F60; M10; M12

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## **1. Introduction**

The novel coronavirus, called COVID-19, originated from the Hunan seafood wholesale market selling many animals including bats, snakes, raccoon dogs, palm civets at Wuhan in Hubei, China (Rothan and Byrareddy, 2020; Shereen et al., 2020). The COVID-19 is a highly transmittable from human to human mainly by respiratory droplets from coughing and sneezing has spread across many countries, and therefore, it was declared as a true global pandemic by the World Health Organisation (Abiad et al., 2020; Bhutta et al., 2020; Cavallo and Cai, 2020; Shereen et al., 2020). Coronavirus is one of the pathogens that chiefly damage human respiratory system (Rothan and Byrareddy, 2020). Generally, the syndrome associated with the COVID-19, in 2 to 14 days, includes fever, cough, shortness of breath and sore throat (Mitra and Mitra, 2020). However, in the worse scenario, the COVID-19 causes pneumonia, sepsis, septic shock and intense respiratory

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<sup>1</sup> Corresponding author: Navaneethakrishnan, Kengatharan, Email: kenga@univ.jfn.ac.lk

trouble disorder (Chinazzi et al., 2020; De Caro et al., 2020; Mitra and Mitra, 2020). There are no drugs or vaccine against COVID-19 (Rothan and Byrareddy, 2020; World Health Organization, 2020). The COVID-19 creates a public health crisis and it is now a global disease (Bartik et al., 2020; Borges do Nascimento et al., 2020).

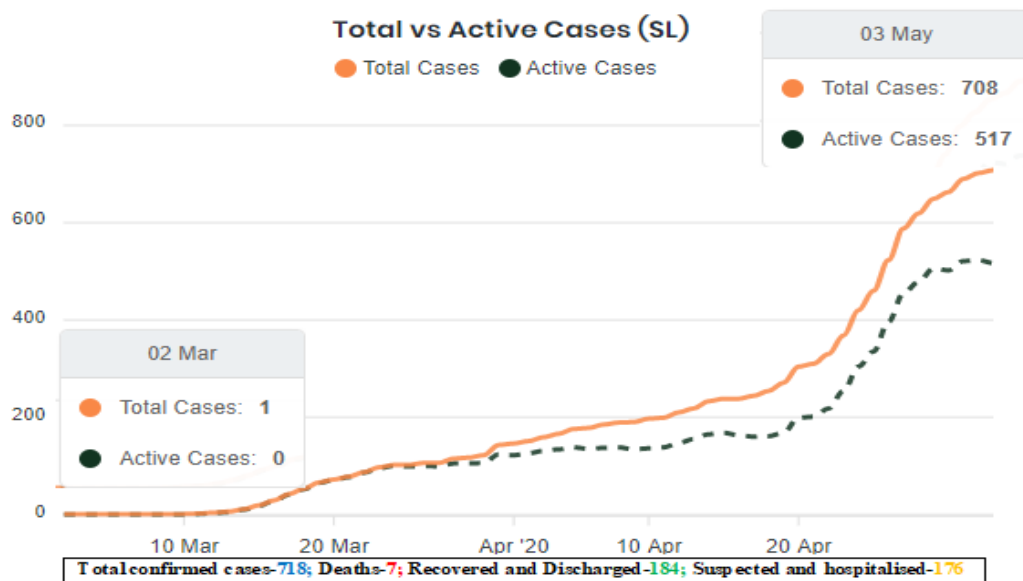
World Health Organisation (2020) recommends several protocols for preventing the transmission of the COVID-19 such as detecting and isolating cases, contact-tracing and quarantine, social and physical distancing (at least one metre). Notably, many countries strictly adopt preventive mechanisms including proper hygiene, lockdown, frequent hand washing, wearing personal protective equipment (i.e. mask and gloves), and cough etiquette (De Caro et al., 2020). All those mechanisms are vital to contain the COVID-19 pandemic from peaking at unmanageable levels. Social distancing is stopping the possibilities of contacting infected persons with non-infected persons, such as cancelling events, closing schools and businesses, work from home, island-wide curfew, and travel restrictions, nonetheless, it is economically painful (Adolph et al., 2020; Bartik et al., 2020). The back-of-the-envelope calculations for staying at home for several weeks highlight that the economic costs of travel ban, and social distancing are crucial (Hevia and Neumeyer, 2020). The recession is entirely dependent on the period of lockdown (Fernandes, 2020; Ranasinghe et al., 2020). If the lockdown continues for a period of 1.5 months (or three months), it is expected that 2.8% (or 6.3 %) of global economic shrink (Fernandes, 2020). The COVID-19 outbreak has reduced domestic consumption, tourism and business travel, and production and manufacturing (Abiad et al., 2020). The COVID-19 has made a huge impact on world economy such as suspended car manufacturing in Europe, closure of schools, deserted tourist destinations (like Paris and Madrid), cancellations of public gatherings including the closure of movie theatres, stopped air travels, etc (Fernandes, 2020). A recent study of Karabag (2020) reports that the COVID-19 has an impact on gross national production, fiscal and monetary policies, and employment. On balance, the pandemic has caused grave social and economic consequences (Shereen et al., 2020).

It has been observed an exponentially increased in infected cases and deaths and the resultant grave global business impact (see Karabag, 2020). In comparison with developed countries, most of the developing countries are fighting the pandemic with a weak health infrastructure and financial deficit (see Hevia and Neumeyer, 2020). Bhutta et al. (2020) reported that critical care capacity and trained health workers such as respiratory care technicians/nurses are limited in SAARC countries (Bhutta et al., 2020). Most recent studies highlight that a high mortality and morbidity rates harm labour, production capacity and productivity (Loayza and Pennings, 2020) and warn the shocking effects of the severe pandemic (Peters et al., 2020). The COVID-19 caused lower economic growth and engendered a global recession (Craven et al., 2020). It is difficult to make an intuition as to how long the COVID-19 pandemic will last (Karabag, 2020) and the consequences of COVID-19 have surpassed the global financial crisis 2008-2009 (e.g. Loayza and Pennings, 2020). The consequences of the COVID-19 are noticeable worse in developing countries owing to the reduction in exports, reduced commodity prices, declined in tourism, difficulties in accessing financial markets, and dropped in remittances (Loayza and Pennings, 2020). Economic immunity is lower across developing countries, hitting major sources of income (Fernandes, 2020) and the vulnerability of the pandemic is greater in developing countries (Loayza and Pennings, 2020). Nonetheless, there is a paucity of research studies in the context of developing countries and consequently, the present study focused on one of the developing countries, Sri Lanka, to explore the consequences of the COVID-19.

## 2. COVID-19 and Sri Lanka

Sri Lanka is one of the upper-middle-income countries with a population of 21.7 million people (The World Bank, 2020). The economy of Sri Lanka grew at an average of 5.6 per cent and the estimated GDP per capita is USD 4030 (The World Bank, 2020). Before identifying any COVID-19 cases in Sri Lanka, as a caveat, the Sri Lankan government took proactive measures for preventing the COVID-19 such as quarantining and thermal scanners and health measures at the airport. The first case of the COVID-19, a Chinese tourist, was identified in Sri Lanka on 18 February 2020 and the first local case affected by the COVID-19 was reported in Sri Lanka on 11 March 2020 (Hewage et al., 2020; Jayaratne, 2020). The government of Sri Lanka has initiated many preventive protocols to counteract the spread of the novel COVID-19 including quarantines protocols for all incoming passengers, stoppage of on-arrival visas (12 March 2020), travel bans (13 March 2020), stoppage of all arrival flights carrying passengers to Sri Lanka (22 March 2020), island-wide curfew (20 March 2020), and social distancing. Notably, Sri Lanka strictly imposed social distancing interventions by means of numerous protocols such as no handshaking or hugging, stoppage of public transport and marketplaces, bans on social and religious events, closure of schools and universities, bans on leisure activities like cinema, zoological/ botanical gardens and museums, island-wide curfew and work from home, isolation of the dangerous area, travel restrictions across districts/provinces, and home delivery of essential goods and medicines (see Hewage et al., 2020). Taken together all facts, well-thought-out preventive mechanisms were established with a coordinated deployment of resources by concerted efforts of tri-forces, medical staff and other government officials under the strong leadership of His Excellency President, Prime Minister and Minister of Health (Jayaratne, 2020) and the WHO appreciation is the embodiment of such robust initiatives.

As of 04 May 2020, a total of 3,534,544 COVID-19 confirmed cases and 248,169 deaths globally (Johns Hopkins University, 2020). According to the South Asian Association for Regional Cooperation (SAARC), the number of reported cases in South Asia, viz., India, Pakistan, Bangladesh, Nepal, Sri Lanka, Maldives, Bhutan, and Afghanistan are very few till the latter part of March (see Bhutta et al., 2020). Remarkably, only a few numbers of confirmed COVID-19 cases and the deaths were reported in Sri Lanka (see Figure 1).



**Figure 1: COVID-19 cases in Sri Lanka**

(Source: Health promotion bureau, Sri Lanka (<https://hpb.health.gov.lk/covid19-dashboard/>))

The government of Sri Lanka provided social assistance of LKR 5000 to many vulnerable groups including the recipients of samurdhi allowance, senior citizens allowance, disability allowance, and kidney disease allowance and delivered food support such as “triposha” and other nutritious supplements (Gentilini et al., 2020). In addition, many formalised unions such as Jaffna University Teachers’ Association, philanthropists and other well-wishers gave a helping hand to poor families affected by the COVID-19.

Although the travel limitations, island-wide curfew and lockdown have dwindled the spreading of the COVID-19, these have severely tainted the Sri Lankan economy in many ways. The COVID-19 outbreak is expected to reduce 0.359 of GDP (319.4 million USD) (Abiad et al., 2020). Many small and medium enterprises (SMEs) have severely affected by the COVID-19. For example, Tourism, the third biggest foreign exchange earner (GDP around 12.5%), is the backbone of the Sri Lankan economy, has been badly affected by the COVID-19 owing to the shutdown of the international airport and the lockdown of the country. Similarly, apparel industries have been compelled to limit their production owing to the shortage of raw materials. The COVID-19 has abruptly halted most of the SMEs activities at a varying level: for instance, aviation, tourism, hospitality and entertainment sectors were severely ruined by the pandemic (see Craven et al., 2020). There could be a long-term economic effect of the COVID-19 on SMEs, however, none of the studies have been hitherto explored. Therefore, the present study focused on the consequences of the COVID-19 on SMEs.

### 3. SMEs in Sri Lanka

According to the small medium enterprise policy framework for SME development in Sri Lanka, enterprises with fewer than 300 employees and not exceeding annual turnover of Rs.750 million are christened SMEs (Ministry of Industry and Commerce, n. d.). The SMEs contributes greatly to economic growth, regional and rural development, employment generation, and eradicating poverty (Ministry of Industry and Commerce, n. d.; Kengatharan, 2012). The National Human Resources and Employment Policy (NHREP<sub>a</sub>) of Sri Lanka reports that SMEs are accounted for 80 per cent of all businesses, creating more employment opportunities and persuading youth and women participation thereby providing unblemished advantages to the economic development of the country (Kengatharan, 2013; Ministry of Industry and Commerce). The Ministry of Industry and Commerce reports that SMEs made up of over 75 per cent of the total number of enterprises with providing 45 per cent of the employment and contribute to 52 per cent of the Gross Domestic Production (GDP). However, SMEs confront many challenges in Sri Lanka such as owners’ limited knowledge and experience of HRM practices, high level of employee absenteeism, male-dominated workforce, poor industrial relations, problem with the quality of employment, lack of available information, and inadequate skills including product development, packaging, labour legislations/laws, intellectual property rights (IPR) and distribution and sales promotion (NHREP<sub>a</sub>).

In Sri Lanka, around a two-third of the labour force is informally employed, conferring on low wages and no social protection (NHREP<sub>b</sub>). The informal workforce, formed by predominantly men, aged workers, and less-educated workers, is representing all sectors of the economy (NHREP<sub>b</sub>). The majority of such employees may be put at risk because of the shutdown of the SMEs and island-wide curfew. As said earlier, the COVID-19 is the person-to-person transmission (Wickramasinghe et al., 2020) and therefore, the tourism industry has become one of the prime carriers of the disease. The large part of income dwindled by social distancing and international travel bans. Moreover, a large number of SMEs (in)directly depending on tourism such as hotels, travel agents, suppliers, tour operators, and tour guides are on the verge of collapse (see Fernandes, 2020). Similarity, apparel industries are struggling to remain open owing to the shortage of raw

materials, cancellation of orders, not new orders coming in, decline in global demand and the COVID-19 mitigating strategies (social distancing). Özatay and Sak (2020) opined that employees are at the risk of losing their jobs, primarily in hotels, restaurants, public transportation, and the civil aviation sectors (Özatay and Sak, 2020). From a large corpus of previous studies, the effect of the COVID-19 on SMEs has been far less globally focused and has not been hitherto explored in Sri Lanka. Therefore, the present study aimed at exploring the consequences of the COVID-19 on SMEs in Sri Lanka.

#### **4. Method of Inquiry**

We had 14 telephone interviews with SME operators, representing hotels, apparels, foods, restaurant, and communication industries. Since the pandemic continues, the SMEs were conveniently chosen. The fourteen 14 interviews can be considered enough in this context (see Karabag, 2019). All interviews were conducted in Tamil and then transcribed and finally translated into English and the reliability was assured by using backward translation technique (See Merriam, 2009). The semi-structured interview is a widely used technique for eliciting information within the time constraint and also giving opportunities to clarify unclear snippet (Gnanarajan et al., 2020; Hitchcock and Hughes, 1995; Kengatharan, 2019).

Prior to conducting the interviews, we have prepared a guide and the interview questions consist of open-ended and closed-ended questions. Sample questions we asked include “Does your business remain open?”, “What are the problems your business faced owing to the pandemic?”, “Do you face any financial difficulties?”, “Do you have enough cash balance to pay your employees?”, “What you think about paying your employees while they are staying at home?”, “Do you have enough materials and other resources to operate your business smoothly?”, “How are you tackling the COVID-19?”, “How your business affected by the pandemic?”, “Have you received any supports from the Government?”, “What supports you are expecting to rebuild your business?”, “Have you laid any of your employees off?”, “Do you have access to further loans?”, “Are you comfortable with repaying the loan?”, “Do you able to function your business as before the pandemic?” With the aid of NVivo-10, we have analysed transcripts and applied coding techniques (inductive coding). The dependability and the validity of the data were also assured. As suggested by Karabag (2019), the information bias was minimised, and the individual case analyses were performed.

#### **5. Findings and Discussion**

The exponential growth of global pandemic and the subsequent strategies to contain the COVID-19 such as island-wide curfew, travel bans, and social distancing were severally tainted many SMEs: productions were seized, and shutdowns were more prevalent at least temporally. One of the owners interviewed sadly disclosed that “We’ve lost almost 90 per cent of our business”. In a similar vein, some other SMEs operators said “Virus hit our business very hard, the pandemic is dire”, “We’re now in a state of despondency” and “We haven’t faced such kind of disastrous from our inception and we’re really ill-prepared for this COVID-19”. Although SMEs are grappling with a novel COVID-19 pandemic, all businesses were not disrupted in the same degree. We have learnt that essential businesses remain open and others were forcefully shut. Majority of the respondents interviewed agreed that they have temporarily closed their business operation due to the pandemic and others have confirmed partial functioning of their business, nonetheless, no one reported the permanent closure of the businesses. Notably, SMEs operators interviewed expressed their worries as to how long COVID-19 will last that is dubious and the opinions blew hot and cold.

By and large, most SMEs are financially fragile having less than one month of cash on hand (Bartik et al., 2020). Similar problems were echoed by the SMEs operators interviewed. One

manager interviewed expressed that “We’re facing unprecedented financial difficulties ... we haven’t had any such a previous experience” and another manager said, “We’ve frozen all capital expenditure”. Despite the financial and other difficulties, some SMEs engaged CSR activities, an example line is “Although we were facing challenges, we helped health workers by providing masks and protective wear”. Majority of the informants agreed that the demand for their products and services were significantly dropped in because of the pandemic. One SME operator clearly uttered that “Customers have cancelled many orders, advising us to not shipping the completed orders” and another informant dismally said, “Customers are not coming in here, the virus changed their behaviours”. Most notably, managers interviewed expressed that there was no new order for their products, dwindled national and global demand. All in all, now most of the SMEs are idling owing to the COVID-19 pandemic, saying that “We’re providing limited services, so we don’t need all employees to run our business now”. Owing to the reduction in demand, the SMEs could not make reasonable revenues and said they were at terrible risk. One of the informants expressed that “utility bills, transportation and personnel expense are very high, we don’t have much cash in hand to cover all our bills and not enough revenue, so we sometimes feel we can keep our business shut for a period of time”. As to apparel industries, many challenges were recorded including the shortage of raw materials. Almost 70 per cent of materials were coming from China and India. One SME operators expressed that “we’ve used the stockpile of materials so far, however, if pandemic continues, we will struggle to get materials needed for our production”.

Many SMEs are financially at terrible low ebb struggling to make salaries without income. Nonetheless, the majority of the SMEs have paid two month’s full salaries for their employees while they stayed at home. One SME manager expressed “Just we need a few employees to do our business and therefore, many of our workers are staying at home for several weeks... we’re struggling to pay for them”. Another informant clearly articulated that “We’ve paid last two months salary for our employees, however, there is a provision allowing us to make a payment of 50% of salary or 10000Rs whichever is highest”. Other SMEs operators said, “We’ve reduced salaries of executives between 5% and 60% based on how much they are earning”; “We’ve paid full month salary in March and 70% of salary in April”; and “We’re forced to cut significant labour costs that our business spends”. Majority of the informant agreed that if lockdown continues for another two months, they could not pay the salary for their employees.

In the SMEs, over 70% of employees are vulnerable (The World Bank, 2020). It has been observed that owing to the shortages of raw materials and reduction in low global demand, there were the shutdowns of many apparel industries and resultant job cuts and job losses (The World Bank, 2020) and other sectors are also vulnerable such as hotels, restaurants, apparel industry, public transportation, and civil aviation (Özatay and Sak, 2020). Succinctly, millions of employees are at the risk of losing their jobs (Ranasinghe et al., 2020). Majority of the SMEs operators reported that they have not removed any of their permanent employees, expressed “We try to keep our employees with us ...they are giving us true benefits”. Since the employees are at the crux of the social network, job losses plague the organisations, a new type of Pied Piper effect where employees who lost their work persuade a lot of their valuable colleagues to follow them, taking a raft of valuable colleagues with them. However, on many occasions, a large number of temporary/casual/seasonal staff was removed. One said, “We’re making critical decision to remove temporary staff” and another operator sadly expressed, “Some of our employees are not coming in to work, they might have found alternative jobs because their basic salary is low, we’re not paying service changes”. One of the HRM managers interviewed said that the company he is working for instructed to freeze all recruitment and no replacement even if any employee left our company.

Although the government of Sri Lanka ordered work from home, it is counterfactual that many of the SMEs activities are unable to work remotely or from home, alluding to many factors such as IT facilities of the SMEs and its workforce, knowledge of the workforce, fiscal status of the SMEs and the nature of the business. Some other SMEs operators said that work from home was not effective, consistent with Omary et al.'s (2020) findings that revealed that working from home has badly affected the efficiency of operations. Moreover, most SMEs depending on social and physical gatherings such as restaurants, hospitality industries, tourism and theatres were severely affected by the COVID-19. Social distancing left the employees less productive and curtailed the level of production. Some informants expressed their view by saying that; "We don't know how long takes to rebuild our business" and "I'm worrying about restarting my business cos it would take a long and costly process". Although the government has partially lifted the lockdown, on average 60% of employees were invited to work. Some SMEs have started small scale operations including home delivery and said, "We're sure we'll fire on all cylinders to combat this crisis".

All SMEs operators understand that the COVID-19 is spread by respiratory droplets from coughing and sneezing and consequently gave due importance to workplace preventive mechanisms: compulsory handwashing with soap and water, avoid shaking hands and wearing face masks and gloves. Notably, some SMEs provide travelling facilities for their employees to avoid public transport. A sample quote is "Ensuring the safety of the customers and the staff is our prime concern". Based on the strong evidence we confirm that SMEs try to keep their workplace free from the threat of spreading the virus. Some of the SME informants reported the difficulties of adopting some mitigating strategies to contain the virus, quoted "We're forcing to forgo a long-held culture of our employees". The same thought was documented in the study of Peters et al. (2020) highlighting that most people find difficulties in adopting preventing mechanisms that are closely connected with cultural beliefs, credo and mores (Peters et al., 2020). It was observed that authorities in Sri Lanka face challenges in maintaining social distancing protocol; the forceful social distancing mechanisms are not effective but when it comes through behavioural changes of individuals will be more effective (Hewage et al., 2020) and the human interaction is overriding important in our culture for enhancing physical, mental, and professional well-being (see Omary et al., 2020). Moreover, SMEs ensure the need for passing on factual updated information to their employees since the workplace rumours can spread quicker than the virus. Most of the SMEs operators interviewed were willing to keep their business open and exploring many HRM strategies such as four-day work week, half-time working, work sharing, authorising unpaid leave if employees are interested in, and flexible work environment, to control the labour cost until normalising their operations. Meanwhile, informants emphasised overarching importance of formulating tailor-made compensation policies for their employees who are on the site and on furlough. Further, informants expressed the need for reducing the emotional distance between management and employees and ensured the availability of training and counselling system to employees who are affected by the pandemic. All in all, to revitalise their businesses, some SMEs operators are thinking of engaging their customers virtually and driving online sales. An example quote is "We didn't get used to modern technology; however, we feel the modern technology is one of the most important strategic weapons to beat the competition and sustain in the market".

Almost of all SMEs operators stressed the desperate need for numerous government supports to ride through this pandemic including partially contributing to wages of their employees, contributing to the utility bills, differing the payment of the utility bills, moratoriums on loan repayments, bearing the interest charges on their loan, paying the large portion of social security contributions, interest-free loan, tax relief, facilitating marketing and access to finance, providing

capital investment, providing IT facilities, unemployment benefits to the employees, and other subsidies. An example quote is “We do hope that the Government will support our business to ride through this crisis”. As researchers, we have seen glaring consequences of the COVID-19 on the SMEs and the government should digest them. Therefore, it is absolutely imperative that the government should provide relief to vulnerable SMEs. In addition to the above demands of the SMEs, the government should also strengthen its policies to safeguard both SMEs and employees for instance; the government should promptly act to stop layoffs. Continuing lockdowns and island-wide curfew for a longer period are challenging because the majority of the employees are depending on daily work-wage for covering basic family needs and they do not have alternative sources of income in hand. It is vital to confirm that the government of Sri Lanka has already ordered to postpone collecting the utility bills and loan repayment, and as a countermeasure to import substitution, exerted lot efforts for ramping up agricultural (domestic driven) production. The COVID-19 pandemic is emotionally challenging for both employees and operators of the SMEs. Therefore, formulating the right policies and guidelines to support the SMEs are indeed crucial and should be communicated clearly. On balance, concerted efforts of the government, SMEs operators and other policymakers are imperative and should also be prudent of formulating after-effects COVID-19 economic revival policies.

## **6. Conclusion: Implications for practice**

By throwing new light on the consequences of the COVID-19 pandemic on SMEs in Sri Lanka, the present study addressed Karabag’s (2020) call for studies on investigating the impact of COVID-19 in business and management field. The mitigating strategies and protocols to combat the COVID-19 pandemic such as social distancing, island-wide curfew and travel bans have come at high economic and human costs and gravely sullied the SMEs in Sri Lanka. Most notably, the SMEs are financially fragile and facing a number of challenges: the shortage of materials, decline in both global and national demand for their products and services, difficulties in repaying the loan and interest, dire need of financial (even problems with payroll and utility bills), limitations in recalling the employees back to work, and absence of new orders. Remarkably, some SMEs are thinking of temporally shutting down their businesses. The government of Sri Lanka has offered some relief to the SMEs, for instance, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has announced that the loan repayment for a period of 60 days from March onwards was suspended (CBSL, 2020). Notwithstanding, the SMEs operators are expecting more supports from the government to ride through the crisis such as partially bearing employees’ salaries, reduction in the utility bills, long-term credits on a concession basis, providing inputs at the lowest cost, tax reduction, marketing facilities and capital investment. Meanwhile, the government should revitalise existing HRM practices and promulgate the enactment of legislation if necessary, to safeguard the labour force in Sri Lanka. On an equal footing, during the period of the pandemic, employees may be physically and mentally affected and therefore, the SMEs should identify employees needing training and counselling. Since there is a panic of shutting down the SMEs because of financial fragility, some HRM practices, such as a four-day work week, work sharing, half-time working, unpaid leave, reduction in salary, might help the SMEs to remain open. The government and management of the SMEs should ensure that the workplace is a minimal threat of spreading the virus by establishing health and safety measures. On balance, considering unalloyed benefits of the SMEs in Sri Lanka such as providing employment, wealth creation and poverty alleviation, the government should legally lend a hand for the SMEs’ survival during the unexpected COVID-19 chaos. It behoves government and SMEs operators to devise best strategies for dealing with after-effects of COVID-19.

Although the present study has provided several useful implications for practice, certain limitations should be acknowledged. Due to the prevailing crisis, the present study has considered



a limited number of SMEs. In many cases, our request for a physical visit was turned down by owners/managers of the SMEs. Our findings are based on a small number of cases and therefore, the findings cannot be generalised to all the SMEs operating in Sri Lanka or other similar developing countries. Moreover, this study was undertaken at the early stage of the pandemic and therefore, the consequences and the level of harmfulness might vary in a few months' times. Future studies should focus on the role of the government and deserving strategies for promoting economic growth in the country. There is also a need for undertaking comparative studies to shed new light on the consequences and remedial actions required for safeguarding all kinds of businesses.

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