

CHALLENGES FACED BY SMES DURING THE COVID 19 PANDEMIC

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Abstract

The novel coronavirus (COVID-19) was first identified in December 2019 and considering its severity, on 30th January 2020, World Health Organisation (WHO) declared it as a “public health emergency of international concern” and following it, the cases exponentially grew worldwide. On 11th March 2020, it was declared a “pandemic” by WHO. COVID-19 has ruined the Small and Medium sized Enterprises (SMEs) in developed and developing countries without any lucid differences. From a large corpus of studies, SMEs are the prime victims of COVID-19 since the resources such as finance and other resources that SMEs hold are not sufficed in comparison to large-sized enterprises. This study aimed at exploring the challenges faced by SMEs during the COVID-19 pandemic. The study anchored to review empirical evidence, policy documents, research studies, government reports and other relevant documents that are available on open database. COVID-19 is an unprecedented pandemic which instigated a significant economic global shock. Most SMEs regardless of countries, culture, and the nature of businesses were severely hit by COVID-19 pandemic. Albeit, there was a huge number of studies undertaken in the context of COVID-19 and the performance of the SMEs, many further studies that are discussed at the end of this study are warranted to fill in the lacunae left by earlier studies. On balance, several research studies reported that the current pandemic is much worse than all other financial crisis during the last five decades. COVID-19 pandemic has put millions of small and medium-sized enterprises at risk and shaken the world in an unprecedented way.

Keywords: Covid-19 Pandemic, SMEs, Sri Lanka

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1. Introduction

The widespread COVID-19, the novel coronavirus, originated in the wet animal market selling live animals in the city of Wuhan in China towards late 2019 (Pantano et al., 2020; Robinson & Kengatharan, 2020; Rothan & Byrareddy, 2020; Shereen et al., 2020; Toresdahl & Asif, 2020). “Coronaviruses are single stranded, positive-sense enveloped RNA viruses of the subfamily Orthocoronavirinae, family Coronaviridae, order Nidovirales” (Peters et al., 2020) and identified β -coronavirus (Guo et al., 2020). COVID-19 easily spreads through human-to-human interactions primarily through respiratory droplets of coughing and sneezing. COVID-19 has significantly affected the world economy due to the recommended protocol by World Health Organisation (2020) and the government of the respective country including 14 days quarantine, social and physical distancing (at least one metre), lockdown, stoppage of social events, closure of all types of schools and firms, working from home, nation-wide curfew, travel bans, etc. These mechanisms of COVID-19 catastrophically affected the SMEs. The SMEs sector, for example, was seriously harmed by the COVID 19 threat, as they lost their biggest sales opportunity during April 2020 and 2021 festival seasons. Similarly, because the Sinhala and Hindu new years coincide in mid-April and Vesak and Ramadan festivals fall in May, the biggest demand time for handloom and handicrafts products in the local market is from March to May. During this period, entrepreneurs produce stocks to cater to the primary festival season, and they usually make profits or recover their losses. They were in a perilous position as a result of the COVID 19 threat, which will began in mid-March 2020.

2. SMEs in National and Global Context

SMEs make a tremendous contribution to the national economy of any country regardless of them being developed or developing countries (Chong et al., 2014; Shafi et al., 2020). Notwithstanding, the criteria for defining SMEs may vary across countries and types of businesses. Based on European regulations, a firm employing fewer than 250 employees but more than 20 employees is defined as an SME (Ihme et al. 2014; Kalantaridis, 2004). In Sri Lanka, SME is defined as a firm which has less than 300 employees and lower than Rs.750 million of annual turnover (Ministry of Industry and Commerce, 2020). As discussed earlier, diverged sectors of businesses define SMEs differently. For instance, in Germany SME in the manufacturing sector is characterised as the firm having less than 500 employees, not exceeding an annual turnover of 100 million Deutsche Mark (Kannan & Boie, 2003). Malaysian SMEs in the manufacturing and agricultural sectors, SMEs are defined as firms having annual turnover of RM25 million but not less than RM250,000 or having not exceeding 150 employees (Chong et al., 2014). In contrast, SMEs in the service sector is characterised as firms having annual turnover of RM 5 million but not less than RM200,000 or having not exceeding 50 employees (Chong et al., 2014). In Sri Lanka, SMEs are the backbone of the economic growth of the country, alleviating poverty, reducing unemployment, and promoting rural development (Ministry of Industry and Commerce, 2020). In the context of Sri Lanka, SMEs encompass eighty per cent of all types of businesses

(Robinson & Kengatharan, 2020). In Sri Lanka, SMEs are making forty-five per cent of total employment and their contribution is about fifty-two per cent of Gross Domestic Production (GDP) (Robinson & Kengatharan, 2020). In Malaysia, SMEs contribute to thirty-two per cent of GDP and nineteen per cent of exports. Notably, SMEs in Malaysia contribute to 56.4% of employment (Chong et al., 2014), in contrast, in Sri Lanka, SMEs contribute to fifty-two per cent of GDP and forty-two per cent of employment (Ministry of Industry and Commerce, 2020). Similarly, in Pakistan, Micro, small and medium-sized enterprises such as retails businesses, wholesale businesses, service sectors and other trades contribute 40% of GDP and generate 40% of export earnings (Shafi et al., 2020). COVID-19 has made a tremendous impact on the financial performance of the SMEs.

3. Challenges Faced by SMEs During COVID- 19 Pandemic and Ameliorating Strategies

By and large, SMEs are globally affected by not only COVID-19 but also other environmental disturbances (Shafi et al., 2020). The environmental disturbances in the past heavily affected SMEs such as great floods in Holland-1953, Thailand-2011, Earthquake in Japan-2011, and Tsunami-2011 (Shafi et al., 2020). In a similar vein, many epidemics have also equally damaged the SMEs such as Spanish Flu (1918), SARS (2002–2003), Ebola, Avian influenza (2004-2006), MERS (2012), etc.

Many studies evidenced that COVID-19 severely affected particularly small-medium enterprises (SMEs) (e.g. Indika, Perera & Abeywardena, 2020; Deyshappriya and Nawarathna, 2020; Shafi et al., 2020; Robinson & Kengatharan, 2020;). For instance, Shafi et al. (2020) focused on the impact of COVID-19 on SMEs based on the one hundred and eighty-four Pakistani micro, small, and medium-sized enterprises (MSMEs) and the data were marshalled from an online administered questionnaire. The study highlighted that MSMEs were severely affected and further brought out challenges of MSMEs that included finance, supply chain problems, problems with transportation, low demand, shortages of raw materials and low levels of sales and the resultant reduction in profit. Further, the study highlighted that almost 83% of MSMEs were not strong enough to handle the prevailing changes that COVID-19 causes.

The COVID-19 indirectly affected economy, particularly SMEs. Lockdown, travel bans, airline suspensions, and restrictions on labour mobility became poisonous to the sustainability of the SMEs (Shafi et al., 2020). These changes created major economic ramifications. According to the report of the Asian Development Bank (ADB), COVID-19 affected the global GDP around 2.3 per cent to 4.8 per cent (ADB, 2020). Notably, the global foreign direct investment was curtailed by five to fifteen per cent (UNCTAD, 2020). Therefore, COVID-19 heavily deteriorated the economy than that of the 2008 crisis (UNCTAD, 2020). COVID-19 made a profound impact on SMEs in developing countries (e.g. Robinson & Kengatharan, 2020) leaving millions of people in poverty and loss of income over 220 billion dollars.

Many SMEs were permanently closed down and other SMEs were facing many financial related problems such as cash flow (Robinson & Kengatharan, 2020; Shafi et al., 2020; Indika et al., 2020). The most revolutionary study in Sri Lanka was carried out by Robinson and Kengatharan (2020). The study was based on the fourteen SMEs that were conveniently chosen. The study highlighted that developing countries were of lower economic immunity. It was confirmed that many SMEs were badly affected by COVID-19 pandemic and reported a worse financial performance. Most SMEs were affected by COVID-19 pandemic due to many preventive mechanisms that government took: on-arrival visa was banned, travel ban, stoppage of all flights, island-wide curfew and policy of social distancing. Many SMEs were struggling with material shortages, reduced demands, loan and interest repayment, cash inflow problems, lack of sales, lack of revenues, and increased cost associated with COVID-19 spread. The researchers warned that there was a possibility for shutting down SMEs due to high operating costs. The owners, operators and managers interviewed were appealing for financial aid and other supports. Sri Lankan government made several initiatives to safeguard the SMEs in Sri Lanka such as contribution to salary for the employees who did not work, partially paying utility bills, relief in tax, credits on concession terms, write off loan provided for SMEs, etc.

The study of Shafi et al. (2020) disclosed that South Asia is underperforming reporting the worst economic performance in forty years. This study found that in Pakistan 94.57% of businesses were affected by COVID-19 primarily owing to lockdown and many of the businesses were ordered by the Government to shut down for containing the spread of COVID-19. Further, this study made a detailed analysis of the effect of COVID-19 on SMEs. The study found that SMEs are facing many issues related to finances around sixty-eight per cent, supply chain problems around forty-eight per cent, reduction in demand around forty-four per cent, reduced sales around 38 per cent and profit around thirty-eight per cent. The study further found that 75% of firms reported more than sixty per cent of sales decline and 67% of firms reported a decline in profit by over sixty per cent during 2020. Another study revealed that over fifty per cent of SMEs were severely affected by COVID-19 and finding difficulties to survive due to the low cash reserves (Sohail, 2019).

Not surprisingly, SMEs lay off forty-three per cent of employees and around twelve per cent of remuneration was scaled down (Shafi et al., 2020). Similar findings echoed in another study undertaken by Harvard Business School that found that 40% of lay off employees (Bartik et al., 2020). Considering a large number of studies, it was lucidly clear that SMEs are struggling to sustain in the market. Many SMEs are in need of financial assistance from the government, loan at the lower interest rate, reduction in utility bills, etc. (Shafi et al., 2020). Many SMEs operating in Pakistan claimed that they will not continue to survive without the support of Government and non-governmental organisations during the ongoing COVID-19 (e.g. Shafi et al., 2020).

The global economy has been severely afflicted by the outbreak of the COVID-19 (Lin, & Zhang, 2020). The study of Lin and Zhang (2020) uniquely

focused on the impact of COVID-19 global food supplies. The study further claimed that food supply was nastily affected due to COVID-19 and owing to the limited business operations. The study gleaned data from agricultural export companies in China to show that there was a great fall under the category of SMEs. Also, some product exports that were produced by SMEs flourished in the market such as medicinal herbs and a vast majority of the products were not in demand in the global market. In a nutshell, the SMEs more than larger firms were seriously affected by COVID-19 challenging its survival (Lin & Zhang, 2020). Further, it was reported that the world export legend, China, market has been fallen by 17.2% in the first two months of 2020.

Seminal comparative research closely looked at the impact of the COVID-19 on the dairy industries in China (hundred and twenty-eight dairy farms) and the United Nations (Qingbin et al., 2020). Most of the industries that were heavily affected by COVID-19 were SMEs. Notably, the study found that businesses in above countries face many financial challenges including reduced in farm gate milk prices, increased costs of production, shortage of operating capital and reduction in sales due to the lockdown and resultant closure of schools, hotels, markets, restaurants (Qingbin et al., 2020). Most of the SMEs are seeking financial relief of Governments such as low-interest bearing loans. However, their study was constrained by data availability.

Many studies confirmed the health crisis and economic crisis of COVID-19 (Amaratunga et al. 2020). The economic crisis is closely connected to the financial performance of the businesses. The study of Amaratunga et al. (2020) claimed that in Sri Lanka, manufacturing, garment and service industries and associated SMEs are heavily affected by the lockdown. Remarkably, tourism became a major victim for SMEs in Sri Lanka owing to the travel bans imposed by the Government and thus arrivals of the tourists were decreased by seventy-one per cent in the month of March 2020 and no tourist arrivals were reported in the following three months (April, May and June). Moreover, the Purchasing Manager's Index [PMI] went down to 24.2 in the month of April 2021. All of these scenarios are indicative of the poor financial performance of the SMEs. The study supported the notion that SMEs and other informal sectors are severely damaged by the COVID-19 pandemic.

A revolutionary study was conducted to assess the impact of COVID-19 on SMEs in Masvingo, Zimbabwe. The research was conducted on the interpretivism assumption and used qualitative research methods, which included descriptive case studies and purposefully chosen 10 in-depth interviews with seven SMEs (Nyanga & Zirima, 2020). The result showed that SMEs were negatively affected owing to the COVID-19 regulatory such as lockdown. Succinctly, the production was halted and led to the worse financial performance of those SMEs. Masvingo, Zimbabwe is not financially strong enough and SMEs were expecting more support of the government resuscitate after the financial difficulties of the SMEs due to the COVID-19 pandemic.

The study of Nyanga and Zirima (2020) highlighted that SMEs are providing over ninety per cent of employment in developing countries. The SMEs are severely affected by restriction in exports, closure of borders, shortage of

materials, problems with supply chain, low demand for the products. The aviation, tourism and hospitality SMEs were directly affected by the COVID-19 pandemic. Another interesting study's findings were reported in China. The report clearly articulated that most of the SMEs are financially fragile; one-third of SMEs operating in China have only had one-month cash balances to cover expenses and another one third have survived another two months with its financial balance (Organization for Economic Co-operation and Development (OECD), 2020). Although a sixty per cent of Chinese SMEs were resuscitated, the global demands for their products were not returned.

Some other studies raised deep concerns about the sustainability of the SMEs in many countries. For instance, thirty per cent of SMEs in Poland is in jeopardy owing to the reduction in sales, increased cost that created major cash flow issues (OECD, 2020). Similarly, most of the SMEs are at risk in Rwanda and South Africa due to the lockdown that was imposed in an attempt to contain the spread of COVID-19 (OECD, 2020). Millions of people lost their employment in SMEs due to COVID-19. This is due to the strategies containing the spread of COVID-19 such as complete lockdown and temporary closure of businesses which left the SMEs not operating and thus, they were not capable of raising money to run the businesses (Nyanga & Zirima, 2020).

Yang et al. (2020) revealed that COVID-19 has hit many SMEs in the United States of America. The researchers particularly focused on restaurant businesses. The data for this study were collected from foot traffic data and card transaction data. The study highlighted the worse financial performance of the SMEs as did other studies; This study also reported that there was decreased demand/orders for the restaurant SMEs (Yang et al., 2020). Based on the data to date, the United States of America was the most vulnerable and all associated SMEs were affected at a great deal. Another seminal study was undertaken by Sweet (2020) among six thousand and five hundred restaurant owners revealed that almost sixty per cent of restaurants were closed owing to financial problems, particularly the restaurants lost a large number of dine-in customers. Therefore, most of the SME's revenues plummeted; businesses were struggling to survive.

The food and restaurant sectors were also vulnerable since the COVID-19 is contagious and that stops human gathering and interaction (Yang et al., 2020). The government stay-at-home order has fuelled many businesses (Robinson & Kengatharan, 2020). The study argued that most SMEs related to restaurant and food were facing huge problems owing to the loss of customers. More clearly, customers do not come to the restaurants, and the online orders for food have not replaced the dine-in customer's incomes. There was a serious problem in the sustainability of the businesses. SMEs were expecting most of the support from the government and other charity organisations. However, most Governments across the world, especially in developing country are struggling to manage their finances. Since COVID-19 is a pandemic and spread across all nations, the support was limited, and the values of currency have steadily fallen which cause another problem (Robinson & Kengatharan, 2020). However, resource allocation, is the

need of many SMEs. Not surprisingly, many SMEs are no longer in operation due to the worst financial predicament caused by COVID-19 pandemic.

Research on the impact of COVID-19 on sports entrepreneurship was carried by Ratten (2020). The study made a detailed analysis of the strategies for combating the disastrous COVID-19 and its consequences on the entrepreneurship of the sports sector. The study was based on the secondary data that had been marshalled from wide ranges of resources including empirical studies and reliable online resources. The study further explored the relationship between sports and entrepreneurship and its contribution during the difficult times caused by the COVID-19 pandemic. The study found that even though sports entrepreneurship was financially struggling owing to lockdown and social distancing policy of controlling COVID-19, some SMEs in sports had gradually resuscitated its business through creativity and also had started developing more supportive ecosystems. The study ended with fruition of contributing to developing new policies and practical implications for the practitioners and policymakers beyond national politics. Most similarly another study that was undertaken in the context of sports claimed that many of the entrepreneurship businesses were in severe trouble making them surprised and at unease about what they could do during this pandemic (Kraus et al., 2020). SMEs in sports are relatively prone to less crisis management (Ratten, 2020).

Ratten (2020) reported that most of the sports league events were cancelled, and sports fans and the amateurs were disappointed. The earning of most of the sports industry became very weak. It was also noted that travel restriction together with social gathering had also made a great concern for SMEs of sports industries. The sports allied businesses such as hotels and restaurants were also badly affected. A good example is that Olympic events that were scheduled were halted on the 24th March 2020 at the gathering of the committee. In Sri Lanka, all sports activities were stopped by the announcement of the Government that creates a significant loss in most of the SMEs operations (Robinson & Kengatharan, 2020). In addition, in some other countries, a social distancing that is maintaining physical distances among people changed the ways of playing the games (Ratten, 2020). The revenues including ticket selling, promotional campaign, and sponsorship were greatly affected (Ratten, 2020) and more restrictions were placed on fitness centres, gyms and other athletics. Further, the SMEs in sports were badly affected and the reported financial performance was in a worse scenario and consequently many of the sports businesses were no longer in its operations. On an equal footing, most of the sports businesses are looking for strong support from the administrators of the sports industry.

Most interestingly, Ejiogu et al. (2020) carried out interesting research to see the role and the support of the government to sustain the SMEs. The data for the study were taken from secondary data sources that were primarily based on the Nigerian government official documents, policies related documents, media reports, central bank reports, etc. The study found that short term reliefs provided by the Nigerian government enabled some SMEs to survive. The study further explored that numerous SMEs operating in Nigeria were shocked by the COVID-19 pandemic. A weak financial performance may question its survival. Therefore, the

major responsibility of any government is to provide strong support to the SMEs since they are the backbone of the country's income and employment generation. Although Government provides short term relief to SMEs, long term mechanism is imperative; therefore, it is paramount to carve best policies to safeguard SMEs (Ejiogu et al., 2020; Robinson & Kengatharan, 2020).

Remarkably, Bartik et al. (2020) undertook a seminal research study on the impact of COVID-19 on small business that is associated with outcomes and expectations. They have explored over 5800 small businesses in the United States of America and found interesting and useful findings that helped small businesses to survive. The study found that due to constraints in financial performance, many businesses were involved in mass layoffs and permanently closed their business operations. The study further assured that many small businesses were financially fragile. In a similar vein, even large businesses also were held up with just two weeks of cash on hand at the time of their survey. The sheer fact is that most of the small businesses are financially fragile, and it gives a warning to the governments to provide mechanisms to sustain them. The study of Bartik et al. (2020) evidenced that forty-three per cent of small businesses were temporarily closed owing to the lockdown measures and employee health concerns, and reduction in demands. The study further highlighted that thirty-nine per cent of employees working in small businesses lost their jobs. However, online businesses, which small business had undertaken such as finance and professional services recorded small disruption. Many other studies also recommended using a fund that received from other countries and sources such as aid, relief and grant on the SMEs (Robinson & Kengatharan, 2020).

Alekseev and other authors conducted a seminal study to explore the effect of COVID-19 on small businesses operating in the United States of America in 2020. The data were collected from owners of the small businesses, managers and employees working in small businesses. The survey was conducted through social media where 1.9 million Facebook users were invited and the study found that only 66 297 individuals are eligible and out of them 46 669 users are the small business owners and managers, 4163 are business operators and other 15435 are the small business employees. The study revealed that around 45 per cent of small businesses operating in the United States of America had reduced their active employees with a combination of furloughs and layoffs during this pandemic. Notably, almost 29 per cent of small businesses allowed their employees working from home and on the other hand, the small businesses did not permit their workers working from home. Even during the worse financial situation, some small businesses kept their operations open by providing health and safety tools such as protective equipment. Most interestingly, COVID-19 hit a majority of the females and their jobs were in jeopardised. Moreover, the study found that around fifty-seven reported that they have shut down their small businesses because of the government orders. The study of Alekseev et al. (2020) disclosed that as discussed above many of the small businesses were forced to close by the government and health authority, worse financial performance, and other customer related reasons. The big challenges of many small businesses were the shortage of capital, funding. Most interestingly,

roughly 47 per cent of small businesses reported that they are afraid of borrowing funds due to the fear in paying back. Of many small businesses, information and communication businesses, manufacturing, retails and wholesales businesses were having huge financial cash flow problems, nonetheless, cash flows of some of the other small businesses such as construction, hotels, cafes and restaurants, services and transportations and logistics were not seriously affected during the COVID-19 pandemic till the date of the survey (Alekseev et al., 2020). In the case of manufacturing small businesses, the prices of the products, other than essential products, were significantly reduced.

Vidya and Prabheesh (2020) studied the implications of COVID-19 pandemic across global trade networks. The study warned worse economic scenario due to the poor financial status of the businesses. COVID-19 is the global worst economic crisis since the economic depression in the 1930s. Another similar study explored the impact of COVID-19 pandemic on the global economy by Song and Zhou (2020). The international monetary fund claimed that the economic crisis was caused by COVID-19 pandemic (Song & Zhou, 2020). Consequently, many businesses struggled to survive and thus appealed to government support. It is a wisdom that during the economic crisis the financial performance of SMEs will be worse leading to the closure of the business operations where production would be permanently halted and creates uncertainty of the employees leading to mass lay off. This has a knock-on effect of increased unemployment benefits in the developed countries but in contrast, there would be intensified starvation (Song & Zhou, 2020). Further, the study reported that COVID-19 created increased debt, lower productivity and low investment and thus many SMEs were fighting to sustain the prevailing worse scenario.

Intriguingly, Ali et al. (2020) did research on the financial impact of COVID-19 on dental care providers. The primary aim of the study was to investigate the financial constraints experienced by the dentists globally. The dentist and their self-started businesses are more akin to small medium-sized enterprises. The study was based on the published articles, and they used the following keywords “COVID-19,” “COVID-19 and dentistry,” and “the financial impact of COVID-19 on dentistry.” The articles that were published in English were only considered. Finally, their research was based on the fifty-three relevant articles. By nature of the COVID-19 and its spread via droplet, many dentist businesses were closed down and limited numbers of customers were visiting if they needed the dentist services. The study evidenced that forty-two per cent of dentists lost their income completely and they were more vulnerable than other SME professions such as lawyers, pharmacists, and physicians (Ali et al., 2020). Therefore, it can be concluded that the dentist's healthcare firms were severely harmed by the COVID-19.

Susskind and Vines (2020) researched the impact of economics of the COVID-19. The study opined that there was a large scale of employment loss that signalling the poor performance of the many businesses. The study found that the income of the small enterprises fell by more than 90 per cent creating huge financial instability among those firms. Moreover, many SMEs operating in microfinance

businesses were not able to collect loan repayments back. COVID-19 hit demand shock for many SMEs including transportation, restaurants, and tourism and supply shock such as in Garment and manufacturing (Robinson & Kengatharan, 2020; Susskind & Vines, 2020). The study of Susskind and Vines (2020) found that several SMEs were struggling to operate during this COVID-19 pandemic; many of the SMEs were forced to shut down due to poor financial performance and remaining other SMEs were continuously voicing up for assistance of the government and other donors. Many firms were only having fewer than three months reserve to run the business (Susskind & Vines, 2020) and the staff were slashed by large scale and many SMEs were thinking that the Government should immediately act to bail them out. The SMEs are crucially contributing economic development of any country in the world. The researchers emphasize that there should be public funding to SMEs. On an equal footing, experts were calling to reform the SMEs and finance (Susskind & Vines, 2020). Moreover, SMEs were unthinkable affected by the spread of COVID-19. It is the major responsibility of the government to make the SMEs survive that would help the country to boost the economy and to help the global economy to survive.

The seminal study of Vasiev et al. (2020) examined the consequences of the COVID-19 pandemic in China. The study highlighted that there was an eighteen per cent drop in production, In Chinese economics, a large portion of the businesses is accounted for 18 million SMEs. Similar to many other studies, the study also confirmed that the SMEs operations were more than imaginably damaged by the COVID-19 pandemic including bankruptcies of the many SMEs and many SMEs possess only a few months of cash in hand (Vasiev et al., 2020). The Chinese government is well known for inevitable intervention on the impact of the COVID-19 pandemic on SMEs and promulgated new policies, financial regulations and benefit plan including deferral in loan repayment and social security contribution, emergency credit facilities, and tax relief and deferments.

Another influential study on the impact of COVID- 19 pandemic on European SMEs was undertaken by Juergensen et al. (2020). The study confirmed that SMEs in countries of the European Union faced tough challenges by COVID-19 pandemic. In the European economy, 99.8 per cent of enterprises are SMEs and around 67 per cent of employments are provided by the SMEs. The study drew the sample taken from manufacturing firms which constitute fifty-eight per cent of SMEs in the European Union. The study confirmed that most SMEs were vulnerable to the effect of COVID-19 pandemic facing profitability and liquidity problems at a considerable extent. SMEs are far less resilient than large-sized businesses and consequently, the study lent credence to the fact that SMEs that were critically struggling to survive should be reinvigorated. Furthermore, the manufacturing SMEs were the main focus of the paper and found that SMEs in the manufacturing sector were severely affected by the COVID-19 pandemic and equally warned that one-size-fits would not be an effective mechanism to sustain them. It implies that many SMEs that are poorly recording on their financial performance are due to several reasons including low demand for their product, material shortages, COVID-19 containing policies, limits in exports, etc. Therefore,

prior to implementing any scheme for resuscitating SMEs, the study warrants firm-specific need analysis.

Most notably, Shen et al. (2020) conducted thought-provoking research to investigate how the COVID-19 pandemic impacted the firm performance of the businesses. The data were garnered from Chinese companies. The study found that the COVID-19 had a negative impact on the financial performance of the firms, evidencing the lower revenue during these prolong pandemic periods. People were repeatedly told not to go out and consequently, many SMEs were empty and many shopping malls were temporarily closed and others were permanently closed. Similarly, many SMEs in tourism, film, and transportation were mostly affected. For example, travel restrictions were imposed to contain the contagious COVID-19 and thus, many tourism SMEs and allied SMEs were struggling to operate without earning much revenue. Mass lay off was recorded and many SMEs were in predicament of not knowing what they should do. Taken together, the study showed a fall in aggregated demand. The Chinese government devised several means to sustain the SMEs owing to its overarching contribution to the national economy. A considerable amount of investment has been pumped into the economy and introduced many policies including loans for SMEs provided, tax relief, reduction in utility bills, etc.

Alonso et al. (2020) explored the impact of COVID-19 pandemic on hospitality firms. They chose samples from forty-five small hospitality firms, and they warranted the theory of resilience to back up their arguments. The hospitality firms were more victims in the pandemic. Even though the government provided all essential supports to SMEs of the hospitality firms for their long-term sustainability the SMEs should reinvigorate per se, However, pandemic continues, and tourists hesitate entering another country and on the other hand, prevailing travel restriction was another bottleneck to stand on their foot. Therefore, hospitality firms are still struggling to generate their income and thus there is an urgent plea for financial support from the government and other apparatus of the nations.

Le et al. (2020) conducted a detailed study on the survival and development of SMEs that were affected by COVID-19 pandemic. The study was undertaken in Thanh Hoa province, Vietnam with a sample of five hundred and twelve SMEs. The study maintains that SMEs were badly damaged by COVID-19 and the financial performance of the SMEs was worst than ever before. Many SMEs were struggling in despair. Consequently, there was a huge demand for government support to revive the market. Some other studies reported that SMEs pertaining to agriculture sectors are massively affected by COVID-19 (Barichello, 2020; Pulighe & Lupia 2020).

Several studies insisted on the overriding importance of financial management and its strategy for the survival of SMEs during these trying times of the pandemic (Ball, 2020). The study believes that leaders and executive officers should be aware of financial management and should make wise decisions that help SMEs survive. It may include reuse of existing finance, reserve utilisation and reserve buffer, finding the alternative source, business diversification, selling an unprofitable business than bearing costs to manage them, loan term loan policies,

the introduction of information technology and its application in business and finance. The study highlighted the worse scenario in the financial performance of the business during the COVID-19 pandemic than the financial crisis reported in 2008 (Ball, 2020). Many SMEs reported the net worth of continuous decline that damage the strength of the balance sheet creating the fiscal position of the SMEs. However, the study also observed that there was a varying degree of financial concerns as to SMEs financial positions. On an equal footing, many developing countries are confronting huge deficits in their budgets that incubate more serious outcomes.

A detailed study was undertaken by Danielli et al. (2020) who explored the measures and government initiative to sustain business across many countries. In Spain, there were many mechanisms introduced such as stopped SMEs contribution of social security, loan, loan guarantees by the government, compulsory shutdown in economic activities, financial support, and providing strong support for homeless people. In Sweden, the following beneficiary schemes were widely introduced to safeguard the SMEs and the people such as removed income ceiling, reduced changes in tax, provided subsidies, rental reduction, postponement of taxes and employer contributions, and government-guaranteed loan. Similar to other countries, in France the following initiatives were provided for the SMEs and community in general such as employment protection, delaying the payment of tax, direct compensation to the SMEs and other businesses, aid provided for some industries and credit insurance for the SMEs and another kind of the businesses. Most interestingly, in Japan, the supports include the following such as assistance to SMEs, subsidies, delay in paying tax and social security contributions, loan and capital support, and government-guaranteed loan. The researcher observed almost similar benefits provided to SMEs, people, and other sectors. The benefits generally covered wide ranges of activities such as tax reduction, income support, deferral of tax, business relief, capital injections, support for the welfare and government-guaranteed loan. In Germany, the benefits provided for SMEs and people, in general, include the following: subsidies, short-time working, direct grants, reduced tax, provided hundred per cent social security benefits and government-guaranteed loan. The researchers recorded the following benefits in the case of SMEs, other sectors and the folk in general, such as the provision of fee-free guarantee for SMEs loans, moratorium debt payments, a sixty per cent of the tax credit, suspension of mortgages, deferral of tax and government-guaranteed loan (Danielli et al., 2020).

4. Conclusion

From a large corpus of research studies, it was lucidly evidenced that the COVID-19 pandemic has severely affected the performance of the SMEs across nations regardless of any types of industries. The review of literature warrants future studies that have to be undertaken to fill the gaps by answering the following questions: Does COVID-19 affect all SMEs in a similar way? Are there any differences between developed and developing countries in its effect? What are the SMEs that are most vulnerable? What are the mechanisms, strategies and policies that help boosting the financial performance of the SMEs? Are those mechanisms, strategies

and policies appropriate for all SMEs? How could the government assist in improving the financial performance of the SMEs?

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