

Original Research Article

Covid-19 is a Panacea or Pandora Box for Micro, Small and Medium Enterprises

Abstract

MSMEs (Micro, Small, and Medium-sized Enterprises) are the backbone of many economies worldwide, providing income and jobs to many people. The global and Sri Lankan economies have been seriously impacted by the coronavirus (COVID-19) outbreak. MSMEs are the primary victims of the COVID-19 epidemic, which faces numerous obstacles that impede their growth and survival. The analysis aimed to see how COVID-19 affected MSMEs in Sri Lanka. The extent of the sector's effects was measured using descriptive statistics and SWOT analysis techniques with a Likert scale. From July to September 2020, the study used a mixed method approach, with primary data collected from 200 randomly selected entrepreneurs through a well-designed organized questionnaire survey in the Batticaloa District of Sri Lanka. According to the findings, 62 percent of entrepreneurs have extremely high job experience power, while 52 percent have extremely low technical adaptation strength during this pandemic era. In terms of weakness, 61 percent and 60 percent of respondents, respectively, revealed a high degree of weakness in their companies, such as a lack of technical skills and expertise. According to the opportunity survey, 87 percent and 86 percent of respondents, respectively, had exceptionally low opportunities in subsidy facilities and social media use. Furthermore, during COVID-19, 59 percent, 68 percent, and 34 percent of respondents experienced extremely high threats due to curfew, increased input prices, and marketing facilities, respectively. To resolve critical situations like the COVID-19 outbreak and improve MSMEs in the region, the study recommended that NGOs, local government bodies, and policymakers develop awareness and support for entrepreneurs through confidence building, planning of workshops, seminars, and exhibitions.

Keywords: SWOT Analysis; Micro, Small and Medium Enterprises (MSMEs); COVID-19; Economic impacts, SME.

1. Introduction

Entrepreneurship plays a vital role in the societal transition towards sustainability. Entrepreneurial motivations and qualities are recognized as core elements in the growth of

every MSME business operation. Furthermore, Mathushan et al. (2020), Creative and creative acts are inspired by creativity, refilling the connection between investment in innovations and economic development information. Entrepreneurship is an essential process that permeates

the information filter to promote the spillover of knowledge and eventually stimulate economic growth by acting as a conduit for knowledge spillover.

Moreover, small and medium-sized enterprises (SMEs) provide development nerves to the economy's fabric and corner (Kalpande et al., 2015). SMEs play an essential role in accelerating economic growth, as they are productive and dynamic contributors to the national economy. Sri Lanka's estimated GDP of US\$ 84 billion in 2019 is covered by key sectors of services, industry, and agriculture with contributions of 57.4%, 26.4%, and 7%, respectively (Annual Report 2019 | Central Bank of Sri Lanka, 2020). Micro, small and medium-sized enterprises (MSMEs) play a vital role in their socio-economic development. It is estimated that MSMEs contribute 52% of GDP and are considered the backbone of the economy. In Sri Lanka, it is estimated that MSMEs account for more than 90% of all non-agricultural sector companies and 45% of total employment (Gunawardana, 2020). According to the 2013/14 Economic Census of the Department of Statistics and Censuses (DCS) Sri Lanka, the number of establishments in the SME sector is 1,017 million, which provides sustenance for almost 2,255 million people in the non-agricultural sector (Gunawardana, 2020). The distribution of MSMEs in the country concerning the four categories of enterprises; Micro with 935,736 (91.8%), Small, 71,126 (7.0%), Medium 1%, and Large 0.2%. The entire MSMEs sector represents 99.8% of the country's total establishments (Gunawardana, 2020).

COVID-19 will have a more profound effect on SMEs in developing countries, making it much more difficult for them to implement an effective stimulus without facing onerous exchange rate restrictions (UNCTAD, 2020). Due to the global COVID-19 pandemic, global GDP will likely be affected by 2.3% to 4.8% (ADB, 2020). Also, according to the UNCTAD report, the world needs a support package of up to US\$ 2.5 trillion to deal with the damage (UNCTAD, 2020). Moreover, according to the International Labour Organization (ILO, 2020), nearly 25 million people around the world could lose their jobs (loss of workers' income of up to US\$ 3.4 trillion) (ILO, 2020). Sri Lanka felt the pandemic's actual impact in mid-March 2020 by detecting the first Sri Lanka case and the closure of schools and economic centres. Since then, more and more infected patients have been seen, particularly by people arriving from abroad. Subsequently, a curfew and the closure of certain areas were introduced to control the virus's spread. The curfew has been lifted from time to time so that people can meet their daily needs, and preventive measures such as social distancing, compulsory use of face masks, and the use of other personal protective equipment have been taken. With this situation, most economic activities were seriously affected, putting MSMEs through great difficulties and other potential sectors such as tourism. Daily wage workers (people hired temporarily) were mostly affected due to lockdown, and, in this context, the government proposed various relief measures for their livelihood and subsidies.

SWOT analysis is a strategic management tool to identify the extent to which an organization's current strategy can cope with the change occurring in the business

environment (Rangkuti, 2015). SWOT is the combination of four main terms as Strengths, Weaknesses, Opportunities, and Threats. Strength refers to the abilities inherent in competition and strength. Weaknesses are the intrinsic deficiencies that prevent its growth and survival. Strengths and weaknesses are mostly internal. Opportunities are the right opportunities and opportunities for growth. Threats are highly managed challenges that can suppress strength, exacerbate weakness, and stifle seized opportunities. However, employing SWOT analysis requires a sound understanding of the concept, which most MSMEs owners and managers may not possess. Hence, there is a gap between conducting a SWOT analysis and the MSMEs' capacity during this pandemic period.

The study's main objective is to identify the strengths, opportunities, weaknesses, and threats on MSMEs through the marketing Likert Scale technique during the COVID-19 outbreak. To achieve this primary objective, need to reach more sub-objectives like assessing the potential strength of the MSMEs sector during a pandemic; investigate the various weaknesses affecting the MSMEs sector during g pandemic; Highlighting the opportunities broad policy interventions by the Government and other players; analysing the threats of the industry which occur consistently, and suggesting measures for improvement of the MSME sector by limiting the threats and weaknesses.

2. Methodology

This mixed method research began with primary data collection from entrepreneurs in the Batticaloa District of Sri Lanka (Fig.1) through a questionnaire survey of 200 randomly selected entrepreneurs. (The following formula was used to determine the samples size (n); $n = N * X / (X + N - 1)$, where $X = Z_{\alpha/2} * p * (1-p) / MOE^2$, and $Z_{\alpha/2}$ is the critical value of the Normal distribution at $\alpha/2$ (Confidence level of 95%, α is 0.05 and the critical value is 1.96), MOE is the margin of error, p is the sample proportion, and N is the population size (Daniel, 1999)) from July to September 2020. The questionnaire had already been pre-tested for reliability and validity, and the results were confirmed by interviewing 15 local entrepreneurs (who are not part of the sample studied). The interview was 30 minutes long and used a well-structured questionnaire to obtain primary data.



Figure SEQ Figure * ARABIC 1: Study area map

Furthermore, the study used a qualitative method to assess the entrepreneurs' inherent strengths, weaknesses, motivation, and behaviour (Creswell, 2016). Key informant interviews were used with relevant stakeholders (divisional secretariat and development officials) and focus group discussions with entrepreneurs. During the focus group discussions, we have included male and female entrepreneurs. The number ranged from 8-10 people. The author McDaniel and Gates, 1999 also highlighted the qualitative approaches used, particularly when interpreting and clarifying the holistic definition and research target's significance. This research interview aims to recognize the COVID 19 perspectives, thoughts, values, inspiration, and tactics and their impacts on the industry. Data collected from the respondents were analysed and interpreted following the objectives of the study by assessing the SWOT through Likert scales, which are the creation of Rensis Likert and were first introduced to the field in 1932 in an article entitled, "A technique for the measurement of attitudes" in *Archive of Psychology* (Likert, 1932). The data analysis was performed using statistical treatment with SPSS (Statistical Package for Social Sciences) computer program, version 25.

3. Results and Discussions

3.1 Demographic Characteristics

Table 1 shows demographic characteristics of the MSMEs community, 44% of the respondents were male while 56% of respondents were female. The respondents' age categories show that 33% and 39% of respondents belonged to the 30-40 age group and the 40-50 age group. Only 2% of respondents were under 30 years old, and 15% were between the 50-60 age category. It was also revealed that 9% of respondents were illiterate, 42%, 33%, and 14% had primary (grade 1-5), intermediate (grade 6-11), and advanced level (grade 12-13) education, respectively. Only 2% had completed high school (degree level). According to the study results, the maximum number of respondents (approximately 50%) had 10-15 years of experience in the job, 27% between 6 and 10 years. Only 12% had above 15 years of experience in their business. According to the data, the 39% income of respondents (LKR) ranged less than 10,000 per month. Similarly, 42% of respondents receive Rs.10,001 to Rs.20,000 per month, 11% of respondents Rs.20,001 to Rs.30,000 per month, 7% of respondents Rs.30,001 to Rs.40,000 per month and only 1% of respondents earned more than Rs.40,000 people per month.

Table 1: Demographic Characteristics

Gender	Percentage	Income source	Percentage
Male	44	Single job	49

Female	56	Two jobs	48
		More than two jobs	3
Age of the respondent (years)	Percentage	Education	Percentage
Below 20	0	Primary	42
20 – 30	02	Intermediate	33
30 – 40	33	Advanced	14
40 – 50	39	Higher	02
50-60	15	None	09
Above 60	7		
Family Size	Percentage	Monthly Income (LKR) of Household Head	Percentage
Less than two members	0	Below Rs.10,000	39
2-4 members	58	Rs.10,001- Rs.20,000	42
5-7 members	41	Rs.20,001- Rs.30,000	11
More than 7 members	01	Rs.30,001- Rs.40,000	07
		Rs.40,001- Rs.50,000	01
Experience (Years)	Percentage		
Below 3	02		
3 - 6	11		
6 - 10	27		
10 – 15	48		
Above 15	12		

3.2 Business Sector

The findings show that 28% of respondents were doing their MSME in the production of food and food processing. Also, the respondents were categorized under cloths (20%), clay products (13%), palm products (9%), processing of rice (7%), and flour products (4%), cane products (3%), bakery (1%) and beverage production (1%) sectors respectively. Although there are many households involving MSMEs as their livelihood activities in the region, this study highlights major MSME product categories, which are mostly affected during the COVID 19 lockdown. Simultaneously, the agricultural products such as fruits, vegetables, and other milk, its' value-added products are affected significantly much higher than the other business due to maintaining the social distance and supply chain. The findings are consistent with other studies in Sri Lanka and elsewhere, highlighting that enforcing the necessary social distancing measures and subsequent curfews hindered Sri Lanka's economy (Hossain, 2020).

The government announced no barriers to producing bakery products, which is why bakery enterprises did not significantly affect during the pandemic period compared to other SMEs. Interestingly, some entrepreneurs spent their time on handicraft production at home during

the lockdown. However, their marketing was significantly hampered due to the closure of shops. The majority of the SMEs have lack online marketing channels and technological know-how to connect online businesses. The finding suggests that there needs to be an essential training requirement in ICT for the entrepreneurs.

Although there were so many adverse effects on SMEs due to the Covid-19 threat, new opportunities also have emerged, especially for agriculture-based value addition processes. The agriculture sector was not much affected due to the COVID-19 danger, and people realized the country's value of being self-sufficient in rice and essential food items. With the lockdowns and curfew, the Government also encouraged home gardening and cultivation of bare lands, and many responded to these requests favourably. Further import restrictions were imposed on items that could motivate locals to produce the products within the country. This will pave the way for creating value-added agriculture-based products, local cosmetic industry based on herbal products.

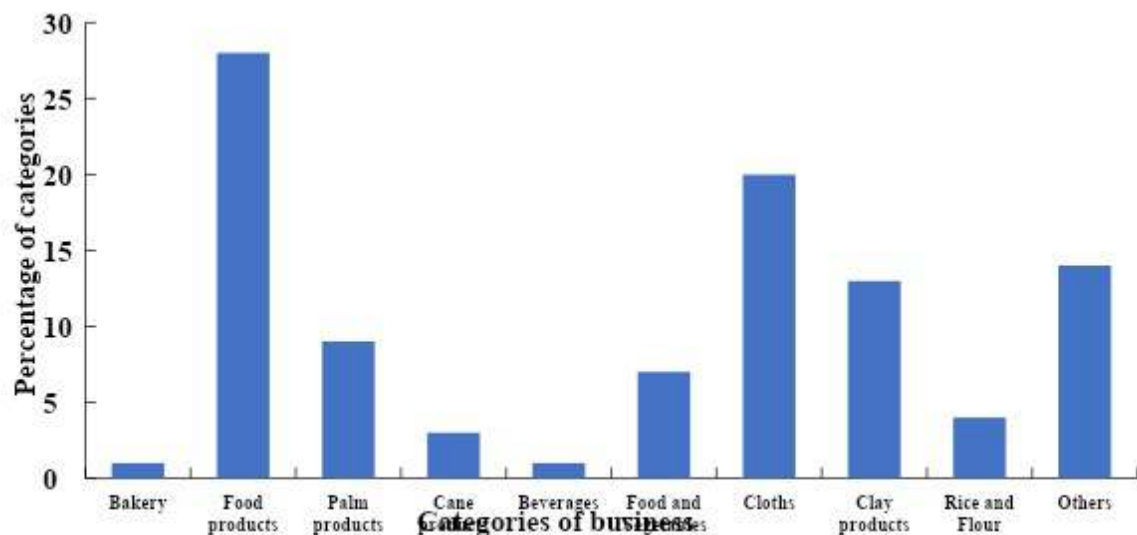


Figure 2. Categories of business

4. SWOT Analysis on Impact of COVID-19 on MSMEs

A. Analysis of Strengths

Strengths are the business or team's characteristics that give it an advantage over others in the industry (Das 2017). We find that 62%, 43% and, 79% of entrepreneurs have extremely high strength in job experiences, customer communication, and availability of suitable locations for marketing (see figure 1). Therefore, these high-level strengths led to continuing their business during the COVID-19 period. Even though 52% of entrepreneurs have extremely low technological adaptation strength to operate their business during this pandemic period,

this suggests that there needs to be more technological support for SMEs to expand their business post-pandemic situation. It negatively affected their production using lack of food storage facilities, lack of types of machinery for packaging, and so on during that situation. However, Hedge and Sabarirajan (2018) indicate that the owners' management has scored the highest mean value, followed by favourable capital-output ratio inexpensive labour, co-operation from employees, and closeness to market.

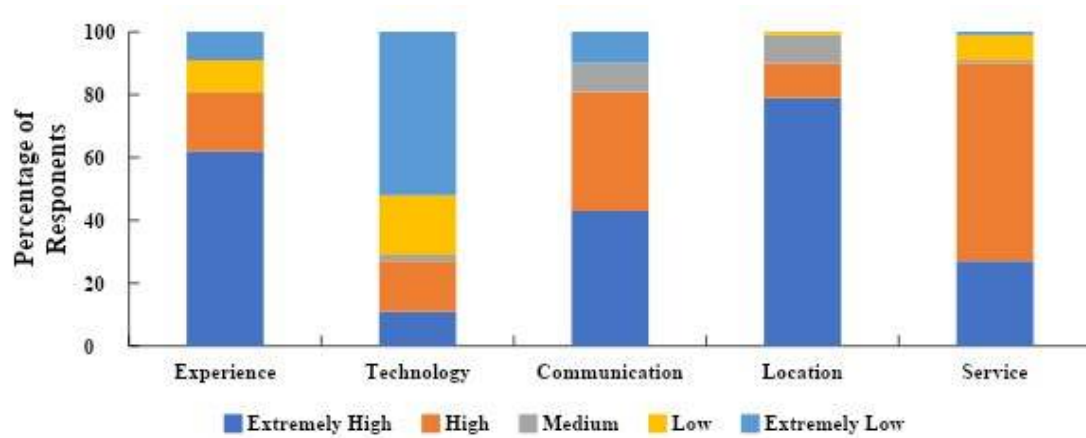


Fig. SEQ Figure * ARABIC 3: Strength of MSMEs

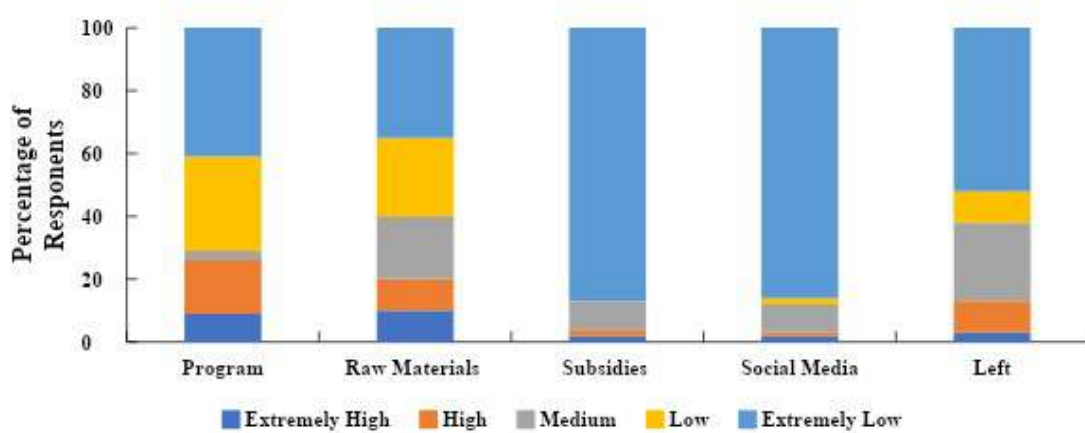
B. Analysis of Weaknesses

Weaknesses are characteristics that place the firm at a disadvantage relative to others (Das 2017). In case of weakness, most of the entrepreneurs (80%) have medium to extremely low weakness in their products' schedule during the pandemic situation. Even though 61% and 60% of respondents had an extremely high level of weaknesses such as lack of technical skills and expertise in their business, respectively, this finding was supported by Hedge and

Sabarirajan (2018) revealed that lack of quality consciousness is highest, followed by high percent of absenteeism, lack of trained workers, lack of technical superiority, lack of long-term strategic focus, lack of infrastructure facilities. Lack of quality standards should

overcome by developing and acquiring quality standard products and maintain the procedures such as certifications of products. Hence, this should overcome by enhancing the credit support from Government, NGO's and cooperative banks.

Fig. 4: Weakness of MSMEs



C. Analysis of Opportunities

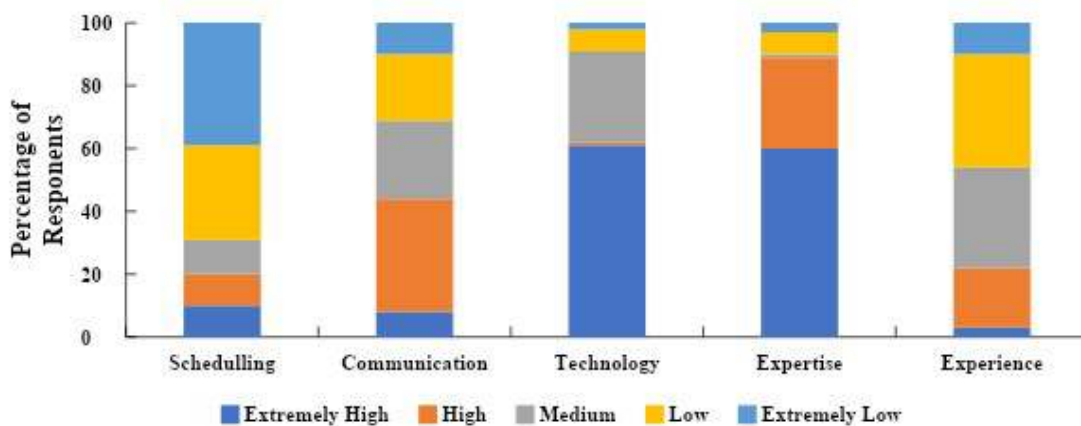


Fig. SEQ Figure * ARABIC 4: Opportunities for MSMEs

Opportunities are external chances to make greater sales or profits in the environment (Das 2017). According to the analysis of opportunities, 87% and 86% of respondents had extremely low subsidies and social media usage opportunities, respectively. Furthermore, around 70% of entrepreneurs did not get any opportunities to participate in the awareness program or seminars to mitigate the pandemic situation. Online marketing, home-based online operations have not improved significantly in this region. Hedge and Sabarirajan (2018) also stated that the emergence of online marketplaces and alternative funding has also

made it easier for entrepreneurs to secure business funding. ICT involvements make it much easier to make the business process via less human contact and expand the sales.

D. Analysis of Threats

Threats are external elements in the environment that could cause trouble for the business (Das 2017). Based on figure 04, 59%, 68%, and 34% of respondents had extremely high threats due to curfew, increased input price and, marketing facilities, respectively, during COVID-19 period. The loss of sales targeted for the New Year Season in April 2020 is the most significant blow faced by the MSMEs catering to the al market. Furthermore, Hedge and Sabarirajan (2018) the sound following threats like financial stringency, competition from

large and multinational firms, technological obsolesces, negligence towards industrial training, and increased price in inputs

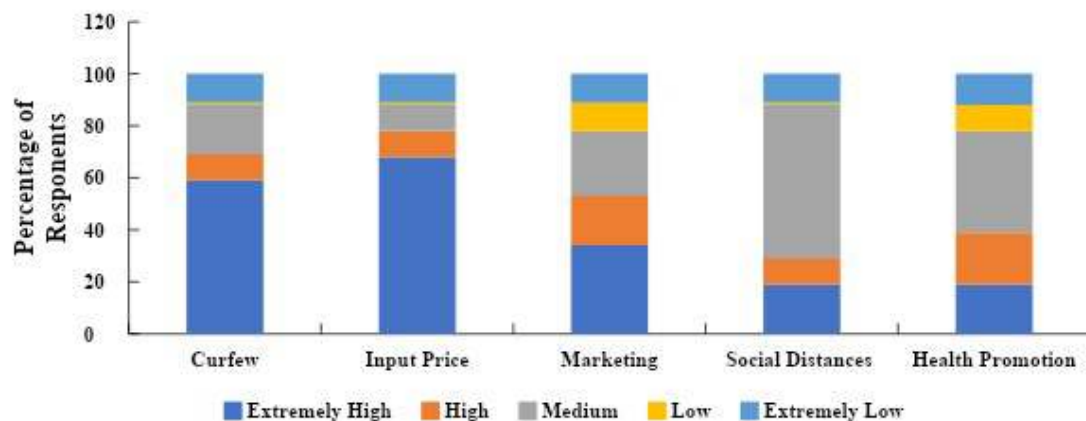


Figure SEQ Figure * ARABIC 5: Threats on MSMEs

5. Results from Focus Group discussions and key-informant interviews

According to this method, informant - 1 (handicraft producer) expressed that business situation compared with before, during, and after COVID-19. The entrepreneur lost their profit because of reducing the consumer during this pandemic; informant - 2 (dressmaker) disclosed the shop due to the lack of inputs such as clothes, needles, and other things due to the curfew lockdown period. Informant - 3 (ornament producer) reduces the products because of the not-so-purchase by consumers. Further, Informant - 4 (vegetable seller) did not affect

that much compared with other producers because they sold the product from door to door but directly affects the supply chain from district to district; Informant - 5 (bakery producer) did not affect that much because the government allowed distributing their products to nearby areas with health guidance; Informant - 6 (mid-meal producer), who highlighted the effect the daily family business and income sources; informant -7 (snacks producer) the business methods have changed the market system from traditional to e-business through social media for advertising the products and delivery system. However, most of the entrepreneurs received the financial assistance of LKR 5,000 under the relief scheme. Even though this support did not uplift their enterprise production, they spent it for consumption purposes.

6. Conclusion

MSMEs are the most vulnerable and impacted by natural disasters, such as the floods in the Batticaloa District in 2010 and the Easter Sunday terrorist attack in 2019. The Batticaloa District was still recovering when the COVID-19 threat arrived. According to the findings, most entrepreneurs have extremely high job experience, and half of the entrepreneurs have extremely low technical adaptation strength during this pandemic era. When it comes to flaws, most entrepreneurs have medium to extremely low flaws in service scheduling, technical, and knowledge availability. According to the study of opportunities, most respondents had minimal opportunities in subsidies and social media use. During COVID-19, more than half of the entrepreneurs faced exceptionally high threats due to curfews and increased input prices.

As a result, policymakers should consider overcoming those core findings by introducing online platforms for market access and speeding up funding facilities for entrepreneurs. Also, there is a social network and group linking program that should be continued in this region. Local and central governments should collaborate to encourage businesses to go online and connect with business people via social media to minimize travel and social distance during a pandemic. Significantly, this research used a SWOT analysis to determine the problems that this region faces at the grassroots level. Any researcher should concentrate on MSME business mechanisms, financial assistance, and how many entrepreneurs remain in the sector or have left and shifted away from it.

7. Recommendations and Future works

The study proposed establishing a framework for delivering customized training and orientation sessions focusing on creating working capital and the reactivation of the supply chain and establishing marketing ties and ongoing ventures. Ascertain that government assistance programs for micro-enterprises and the self-employed are meticulously designed to stimulate economic activity. Giving final opinions makes the application process for advanced bank loans with lower interest rates more accessible. It's also worth noting that gender-sensitive policies exist, as women head many MSMEs. Women should be able to use banking facilities on an equal basis with men. For similar activities, assist in bringing products to market quickly, providing timely adaptations, and providing marketing and patent rights advice.

8. References

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Annexure

Analysis of Strengths

	Strengths				
	Experience	Technology	Communication	Location	Service
Extremely High	62	11	43	79	27
High	19	16	38	11	63
Medium	0	2	9	9	1
Low	10	19	0	1	8
Extremely Low	9	52	10	0	1
Total (%)	100	100	100	100	100

Analysis of Weaknesses

	Weaknesses				
	Scheduling	Communication	Technology	Expertise	Experience
Extremely High	10	8	61	60	3
High	10	36	1	29	19
Medium	11	25	29	1	32
Low	30	21	7	7	36
Extremely Low	39	10	2	3	10
Total (%)	100	100	100	100	100

Analysis of Opportunities

	Opportunities				
	Program	Raw Materials	Subsidies	Social Media	Left
Extremely High	9	10	2	2	3

High	17	10	2	1	10
Medium	3	20	9	9	25
Low	30	25	0	2	10
Extremely Low	41	35	87	86	52
Total (%)	100	100	100	100	100

Analysis of Threats

	Threats				
	Curfew	Input Price	Marketing	Social Distances	Health Promotion
Extremely High	59	68	34	19	19
High	10	10	19	10	20
Medium	19	10	25	59	39
Low	1	1	11	1	10
Extremely Low	11	11	11	11	12
Total (%)	100	100	100	100	100