

IMPACT OF LOCKDOWN ON SMALL BUSINESSES: A STUDY OF KURUKSHETRA DISTRICT OF HARYANA

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ABSTRACT

Small businesses are the businesses surround us like: Grocery stores, Medical store, Bakeries, Traders, and Retailers etc. Small businesses are the second-largest employment provider in Indian economy after agriculture and play an important role in GDP and contribute approximately 35% to GDP. The small businesses are also very helpful in equitable income distribution and for the development of backward and rural areas. On 22 March 2020, the government of India imposed the strictest lockdown in response to the Covid-19 pandemic outbreak. The first lockdown followed by another one during second wave of COVID-19 in May 2021 impacted business very adversely. The effects seem to have not gone completely even today. Using data from primary survey of small businesses through online questionnaire designed as Google Form, this paper examines the current situation of small businesses, problems faced by them and various relief measures taken by government of India for businesses during Covid-19. The responses of 125 businesses surveyed in June 2021 evidence the considerable distress with an 80.8% reduction in sales and 76% of businesses reported that the recovery period from this lockdown situation could be more than 6 months for them.

KEYWORDS: Covid-19, Lockdown, Small Businesses, Problems, Relief Measures.

INTRODUCTION

Lockdown is an emergency protocol implemented by the government or authorities to prevent people from leaving a given area. Lockdown is a temporary shutdown of all the economic activities in a country. Due to the corona virus outbreak, Indian government implemented lockdown to prevent people from being infected and to break the transmission of the disease by maintaining social distancing. The outbreak of Covid-19 began in Wuhan in January 2020 and spread across the world. First case of Corona Virus in India was found in Kerala on 30th January 2020. On 19th March 2020, Prime Minister Narendra Modi asked all citizens to observe “Janta Curfew” on 22th March 2020 (Sunday). At the end of the curfew, PM stated, “Janta Curfew is just the beginning of a long battle against Covid-19”. Following this, while addressing the nation on 24th March, he announced the nationwide lockdown from midnight of the day.

SMALL BUSINESSES

Small businesses are the ones which we see on every other street and in every corner. Every second thing a person buys comes from the small businesses. Small businesses require less capital,

small work forces and little or no machinery. Small businesses are either services or retail operations like Grocery Store, Medical Store, Bakeries and Small Manufacturing units. **According to the definition provided by the government:** “A Small Scale Business is a business setup in which the financial commitment towards infrastructure such as building and equipment, whether made as an owner or on rental or purchase basis, does not surpass Rs. 1 Crore.” The government of India defines Micro, Small & Medium Enterprises (MSMEs) on the basis of dual criteria of Investment and Turnover as:

Classification	Micro	Small	Medium
Investment	< 1 crore	< 10 crore	< 50 crore
Turnover	< 5 crore	< 50 crore	< 250 crore

PROBLEMS FACED BY THE SMALL BUSINESSES DURING LOCKDOWN

Small Scale Industries play an important role in the development of the Indian economy, and it is the second largest sector after agriculture that provides employment or generates employment opportunities with less investment. But in present pandemic affected scenario, small scale industries are not in a position to play their role effectively due to various constraints. The various problems faced by Small Scale Industries are:

Finance - Finance is the lifeblood of business and no business can function in the absence of adequate funds. Due to the outbreak of Covid-19, the government imposed lockdown suddenly and all the economic activities stopped immediately. The small businesses also shut down temporarily because all the sources of funds were closed during the pandemic. Finance has been the major problem faced by most of the businesses during this period.

Shortage of raw material - Lockdown restricted the interstate transactions resulting in a broken supply chain. The supply of raw materials got hampered which caused increase in the prices of raw material and ultimately increase in the prices of goods and services they were producing.

Labour - Lockdown restricted people from going outside their homes, so they were not able to go to work and the migrant workers also started returning back to their states, this adversely affected the functioning of the small businesses due to lack of labour.

Technology - Technology is a major challenge to small businesses because most of them do not even know how to pay online and operate online apps or websites. Due to lockdown, people were not able to go to banks for monetary transactions which also impacted small businesses very badly.

RELIEF MEASURES BY GOVERNMENT OF INDIA FOR BUSINESSES DURING COVID-19

The spread of Covid-19 in India and its mitigation plan of a nationwide lockdown had a significant impact across various sectors of the economy. To address these adverse times and to make

sure that businesses and the economy bounce back to their feet, the Government of India has been preparing strategies and action plans not only for the continuity and revival of business but also on improving ease of doing business in the country by releasing notifications, amendments, circulars and also various types of monetary help in terms of loans and subsidies.

SBI Covid-19 Funding Scheme

One of the largest Indian lenders, the State Bank of India has introduced a funding scheme to assist small and medium businesses to continue their operations. As per an article by Business Standard, SBI made additional credits available via Covid-19 Emergency Credit Line (CECL) to its existing borrowers on an ad-hoc basis.

SIDBI for Startups

SIDBI also made efforts to provide aid to the affected startups by launching a proposed scheme called Covid-19 Startups Assistance Scheme (CSAS). This scheme was designed to provide assistance to innovative startups having ability to adapt to economic impact from Covid-19 and to ensure its employees' safety and financial stability. The objective of this scheme was to provide quick working capital to startups in 45 to 90 days. Therefore, for faster processing, a Recommendation Committee comprising 5 members (3 from SIDBI and its nominees and 2 from the Venture Capital Industry) was also planned. Through this scheme, startups could receive a loan of up to INR 2 crore.

Increase in Insolvency Threshold for MSMEs

To bring in some relief to the MSME sector, the Finance Minister announced a rise in the threshold of default to Rs 1 crore from the existing Rs 1 lakh to prevent triggering of insolvency proceedings. She also said that they would be watchful of the situation and proposed to consider suspending section 7, 9 and 10 of the Insolvency and Bankruptcy Code in future.

Emergency Credit Line Guarantee Scheme (ECLGS)

In order to mitigate the stress caused by the Covid-19 pandemic on several sectors across the country, the government announced an Emergency Credit Line Guarantee scheme, which incorporated ECLGS 1.0, ECLGS 2.0 and ECLGS 3.0.

ECLGS 1.0

The ECLGS was launched as part of the Rs 20 lakh crore Covid-19 relief package called the Aatmanirbhar Bharat Abhiyan. The scheme aimed to provide Rs 3 lakh Crore worth of collateral-free, government-guaranteed loans to micro, small and medium enterprises (MSMEs) across India to mitigate the distress caused by the Corona-Virus-induced lockdown. ECLGS 1.0 had a 1-year moratorium period and 4-year repayment period. Under the scheme, borrowers could avail additional credit of up to 20% of their overall outstanding credit as on February 29, 2020. The scheme was envisaged to provide collateral-free and fully guaranteed credit to entities that had outstanding credit of up to Rs 25 crore as of February 29, 2020 and with an annual turnover cap of Rs 100 crore for the financial year 2019-20.

ECLGS 2.0

In November 2020, Finance Minister Nirmala Sitharaman announced the launch of ECLGS

2.0 by extending the Rs 3 lakh crore schemes to support 26 stressed sectors identified by the Kamath Committee including healthcare sector. The scheme was valid till March 31, 2021. The tenure of the credit under ECLGS 2.0 was five years, including a one-year moratorium. Companies with dues of Rs 50-500 crore as on February 29, 2020, were eligible. The ceiling for outstanding credit was increased from Rs 25 crore to Rs 50 crore under ECLGS 2.0.

ECLGS 3.0

In order to support the Hospitality, Travel and Tourism, Leisure, and Sporting sectors, which were among those most affected by the Covid-19 Pandemic, the government on March 31 widened the scope of the Rs 3 lakh crore schemes by announcing ECLGS 3.0. Under ECLGS 3.0, business enterprises in the hospitality, travel and tourism, leisure and sporting sectors would be able to avail credit under the scheme. It also extended ECLGS 1.0 and ECLGS 2.0 by another 3 months, along with ECLGS 3.0, to June 30, 2021. ECLGS 3.0 involved the extension of credit of up to 40% of the total credit outstanding across all lending institutions as of February 29, 2020 from 20%. The tenure of loans granted under ECLGS 3.0 was six years, including a moratorium period of two years. The scheme was to only consider overdue loans of less than 60 days as on February 29, 2020, with total credit outstanding not exceeding Rs 500 crore.

REVIEW OF LITERATURE

The literature demonstrates that the situation of lockdown and Covid-19 pandemic has impacted the small businesses badly. The review includes the following studies:

Sheikh and Saxena (2020) highlighted the Indian-MSME-sector already suffering stress, which further suffered a hard blow of Covid-19 pandemic. Marked by liquidity crisis, this sector also suffered exodus of labors which posed a major challenge on their continuity. Post lockdown, their restart also came to grey due to lack of skilled labors and technology. Indian government took various steps to support MSMEs. Banks also formulated various schemes to ensure the financial lifeblood to MSME's and allowed moratorium for repayment of loans.

Kaur P. (2020) highlighted the impact of Covid-19 on different sectors like Employment, MSMEs, Transport, Education, Environment, Mental Health of People, Industrial Sector, Agriculture, Defense sector etc. These lockdowns have put negative impact on the economies and all production activities came to stand still. Supply chain has been stopped. Movement of people and material from one place to another has been curtailed. She concluded that the Corona virus outbreak put negative impact on all the sectors of economy, but it has a positive side also – clean and clear environment.

Rani D. (2020) highlighted the impact of Covid-19 on affected sectors, such as aviation, tourism, retail, capital markets, MSMEs and oil. Also she highlighted the impact of Covid-19 pandemic on GDP growth rate, impact on Migratory labor. It is a period of inequality, poverty, and social exclusion of vulnerable people. She advocated the need of government intervention to overcome this crisis and to revive the Indian economy. **Dubey and Sahu (2020)** highlighted the current condition of MSMEs amid corona virus crisis and the economic relief packages, specifically for MSMEs, entitled as “Atmanirbhar Bharat (Self- dependent India)” in order to revive the business activities of MSMEs.

Koshle et al., (2020) highlighted the impact of Covid-19 on businesses, medical support system, vehicle industry, pharmaceuticals industry, material industry, hardware industry, IT industry, and travel and aviation industry. **Saikia and Dey (2020)** studied the impact of Covid-19 on Indian MSME sector and evaluated the various relief measures offered by the government or policymakers during Covid-19 period to these sectors. They concluded that, Covid-19 has posed an unprecedented challenge for India, the large size of the population, the precarious situation of the economy, especially of the financial sector in the pre-Covid-19 period, and the economy's dependence on MSMEs, the lockdowns and other social distancing measures would be hugely disruptive. Central and state governments and also policymakers need to be prepared to scale up the response as the events unfold to minimize the impact on the MSMEs.

OBJECTIVES OF THE STUDY

- To study the impact of lockdown on small businesses operating in Kurukshetra.
- To understand the problems faced by these small businesses during lockdown situation.
- To identify the relief measures offered by the government during lockdown.

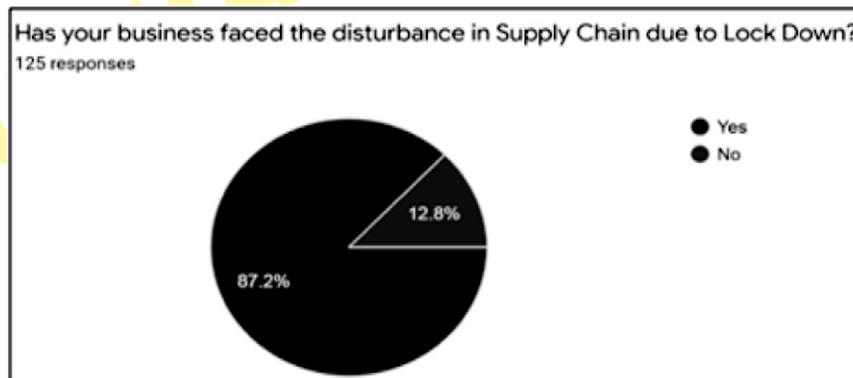
RESEARCH METHODOLOGY

Research is descriptive in nature and used primary source (Questionnaire designed in Google form) for collection of responses of 125 businessmen selected from Kurukshetra and around using non-probability sampling technique i.e. Convenience Sampling technique.

DATA ANALYSIS & FINDINGS

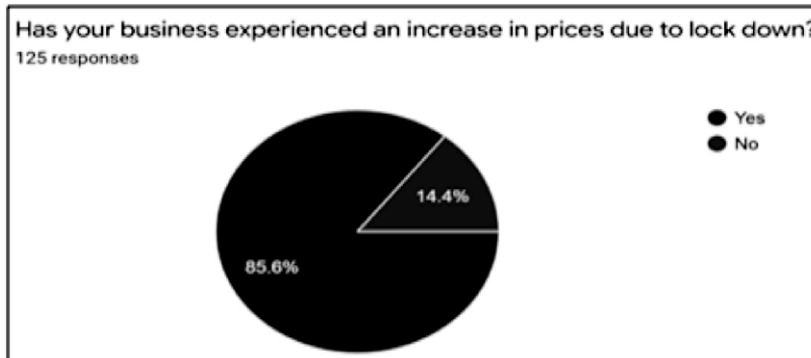
The Covid-19 situation has impacted small businesses adversely and the data was collected from such small businessmen of Kurukshetra and nearby areas for this study. The data so collected was analyzed statistically using the Percentage Method and was graphically presented using Pie-Charts to show different piecemeal percentages of responses to different questions of questionnaire.

Graph-1: Has your business faced disturbance in Supply Chain due to Lockdown?



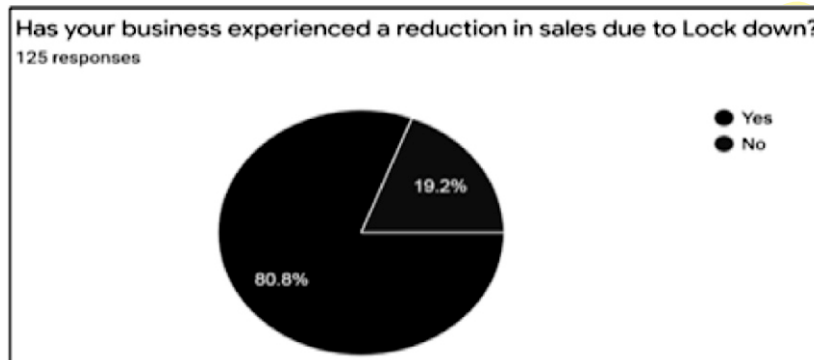
From the above data it is cleared that 87.2% (109) respondents faced disturbance in supply chain while 12.8% (16) respondents did not face any problem with their supply chain. So we can say that supply chain is significantly affected due to lockdown situation.

Graph-2: Has your business experienced an Increase in Prices due to lockdown?



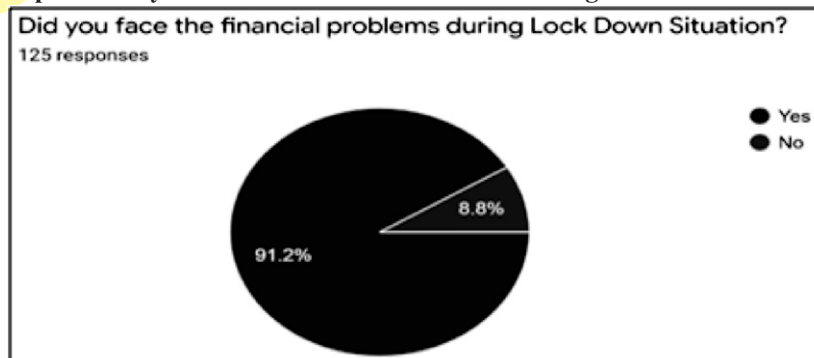
The above graph reveals that 85.6% (107) respondents experienced an increase in prices due to lock down and 14.4% (18) respondents did not experience any increase in the prices. With this interpretation we can say that there is an increment in prices due to lockdown situation.

Graph-3: Has your business experienced a Reduction in Sales due to lockdown?



The Graph-3 shows that 80.8% (101) businesses faced reduction in sales during lockdown and 19.2% (24) businesses did not face any reduction in their sales during the lockdown situation. Hence, the Sales of small businesses are reduced due to lockdown

Graph-4: Did you face the Financial Problems during Lock Down Situation?



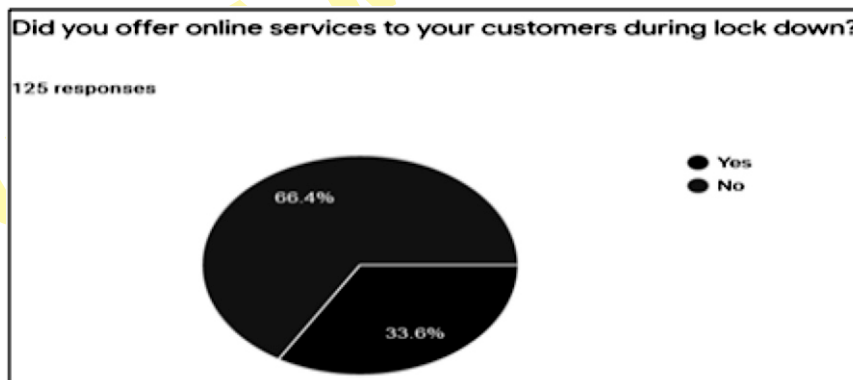
The Graph-4 suggests that 91.2% (114) respondents faced financial problems during lockdown because everything was temporarily closed and there were no resources for earning finance during this pandemic but 8.8% (11) of the respondents did not face any lockdown resulted financial crisis. So we can say that finance has been a major factor during lockdown that had a significant impact on the operations of the small business.

Graph-5: Did you Provide Online Services to Your Customers before Lockdown Situation?



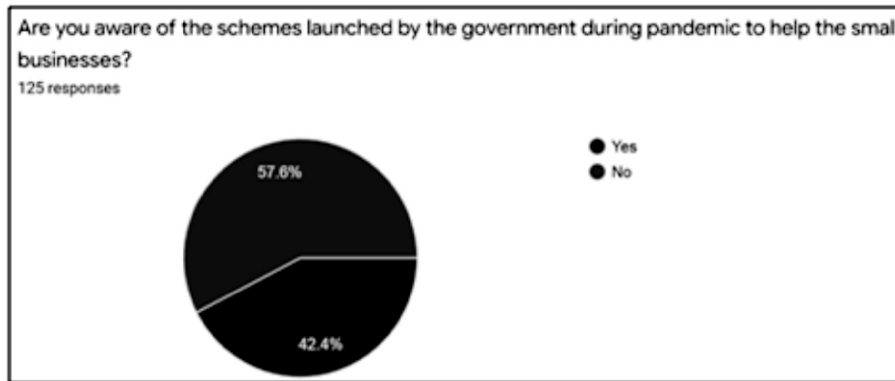
From the above chart it is revealed that before lockdown/pandemic only 29.6% (37) respondents were providing online services to their customers, and 70.4% (88) respondents were not providing online services before lock down. Hence, the data suggests that most of the people did not provide online services before lockdown.

Graph-6: Did you Offer Online Services to Your Customers during Lockdown Situation?



From the above chart this can be deduced that only 33.6% (42) respondents provided online services to their customers during lockdown, whereas 66.4% (83) respondents did not provide online services to the customers. So the data indicates that majority of the businesses were not providing online services to their customers during lockdown.

Graph-7: Are you aware of the Schemes Launched by the Government During Pandemic to Help the Small Businesses?



Government provided various reliefs and launched various schemes to help small businesses so that they could cope up with the lockdown situation but the data in the above graph shows that 57.6% (72) businesses were not aware about these reliefs and schemes whereas 42.4% (53) were aware but most of them only heard about those schemes but didn't know who could apply and how to apply for those services. They suggested that it's not enough to launch schemes to help small businesses but campaigns should also be organized to aware the businesses about their rights.

SUGGESTIONS

Analysis reveals that only 29.6% (37) are females and rest of the respondents are males. This shows that the representation of females in the field of entrepreneurship is very low. The females need proper education, support and environment to participate in the field of entrepreneurship and give their contribution in growth and development of India. Government should bring in some special projects to help small businesses run by female during the situation of lock down/pandemic.

Due to the severe effect of lockdown, small businesses are already facing a lot of problems like increase in prices of petrol/diesel, increase in the cost of raw materials, etc. due to which ultimately the prices of the products and services are increasing and for small business this is highly challenging to manage these things, so Government needs to come up with some special subsidies for purchasing of daily use products and raw material and should also introduce subsidies in taxes, etc.

Appropriate infrastructure such as land, access road, electricity, water supply, telecommunication facilities, etc. should be provided to small businesses so that there is significant increase in the number of viable MSME units.

Provide loans and subsidies to the entrepreneurs who want to start their businesses during lock down in order to generate employment opportunities.

There is lack of knowledge in small businesses about the technology like making cashless payment, using websites, etc., most of them even do not know much about these things. So there is a need to provide some education about these apps and websites so that they can run their businesses efficiently while maintaining social distancing protocols during pandemic situations.

The main problem is that the small businessmen are not educated and are not aware about the schemes. Also, they are reluctant to participate in research work because they think that the information shared for research work might be leaked by the researcher and sometimes also they do not even understand the questions in the questionnaire and try to avoid responding. Hence, there is a need to bring in some campaigns and projects to educate these small businessmen and entrepreneurs about the value of their participation in such endeavours.

CONCLUSION

From the surveys conducted during the study it was found that there were a lot of employers who were working at a small level in rural, semi-urban or urban areas. They were facing so many difficulties and problems related to shortage of finance and raw material, lack of skilled labor and lack of managerial skills to solve these problems. The government was introducing so many schemes and facilities to support small businesses but most of the small business owners were not aware of this; so it indicates that there was lack of knowledge among them also. Lockdown situation has induced need of increased working capital and finances for small businesses to survive challenges like labour shortage, increased raw material costs etc. To solve these kinds of problems they need some special subsidies from the government to survive during this pandemic.

During the lock-down many small businesses have temporarily shut down and some of these will be closed permanently because of lack of knowledge of technology and the schemes and subsidies being introduced by the government from time to time. Also, some of them even do not want to leave traditional offline ways of doing business and switch to online services.

We can conclude that lockdown adversely affected the small businesses and most of the businesses will take more than 6 months to recover from this situation and they want some government assistance to come out of this crisis situation.

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