



# The Impact of Covid-19 Pandemic Crisis on Micro-Enterprises – An Empirical View

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## Abstract

Many nations have imposed travel restrictions and movement controls as a result of the Covid-19 epidemic. The small business sector in India is one of the most affected by the movement's control order. In fact, microbusinesses experience a greater effect than their bigger counterparts. Due to the closure of various supporting sectors like as retail and transportation, entrepreneurs are experiencing business cancellation or closure, as well as a reduction in revenue. There is currently a scarcity of research on the effects of a pandemic epidemic on microenterprises in poor nations, particularly in terms of business continuity and recovery. It's critical to investigate how micro entrepreneurs deal with crises and what decisions they make to keep their businesses afloat. The viewpoints of two micro-entrepreneurs in Sabah's rural areas on their business continuity plan during movement control orders are presented in this study. The results of unstructured phone conversations give insight into micro-enterprises' business survival strategy and recovery plan during and after a crisis. This research will ideally help to the establishment of effective support mechanisms for micro-entrepreneurs to flourish during and after a crisis through linked entrepreneurial development organisations.

**Keywords:** Covid-19 Pandemic, Micro-Enterprise, Business Continuity Strategy, Business Recovery Plan.

## 1. Introduction and Background of the study

The Novel Coronavirus (Covid-19) acute respiratory epidemic crisis, which began in Wuhan, China in December 2019, has already spread to over 200 countries across Asia, Europe, North America, and Australia. The World Health Organization (WHO, 2019) has classified this epidemic as a pandemic due to an increase in human-to-human infection (Qiu, Rutherford, Mao, & Chu, 2017), which has resulted in over 200,000 fatalities in the three months since the outbreak began (WHO, 2020). In fact, when compared to previous coronavirus outbreaks such as MERS-CoV, SARS-CoV, and Influenza, Covid-19 had the greatest infection rates and mortality (Liu, Gayle, Smith & Rocklov, 2020; Peeri, et al, 2020). Previous research has suggested

that restricting movement is the most effective way to reduce the spread of infectious illnesses like coronavirus (Chinazzi, et al, 2020; Sohrabi, et al, 2020, Smith & Freedman, 2020). Several nations, including Southeast Asian countries such as Indonesia, India, Thailand, the Philippines, and Singapore, have enforced travel restrictions, social distancing, and event postponements for at least 14 days in response to the Covid-19 epidemic. In many countries, emergency or quarantine orders aimed at preventing the spread of coronavirus have resulted in not only psychological effects such as depression, anxiety, and stress (Ghani, 2020), but also economic consequences such as the closure of retail stores and disruption of product delivery chains (Karabag, 2020). The 14-day movement control order (MCO) in India, for example, which began on March 18, 2020 and is now in its sixth extension, has impacted the operations of various vital industries, including food and drinks, agriculture, retail, transportation and construction, and tourism (Saari, 2020; Department of Statistics India, 2020). It is critical to grasp the concept of crisis before concentrating on the effect and ways to mitigate the damage. According to Booth (1993), a crisis is a circumstance that an individual, group, or organisation is unable to deal with using typical routine methods. Gradual threat, periodic danger, and abrupt threat are the three forms of crises (Booth, 1993). The Covid-19 situation is clearly a 'sudden danger,' as it sprang out of nowhere and has affected not just the entire organisation, but also entire sections of the economy. The impact of the Covid-19 pandemic on the global socio-economic system can be severe, and recovery is critical to surviving in a new normal way of life. However, little is known about the problems faced by small businesses and the mechanism by which they adapt during and after an epidemic situation. Micro-business, being the most significant small and medium enterprise (SME) in the Indian economy, should be a primary emphasis for crisis management strategy, according to this article. Micro-enterprises account for over two-thirds of India's SMEs (SME Annual Report, 2016), with less than five employees and annual revenues of less than RM300,000 (SME Corp India, 2014). Many prior studies have claimed that because of their remoteness, micro-firms in less developed regions have higher hurdles than enterprises in urban and developed areas, particularly in terms of infrastructural limits, labour availability, and low financial reserves (Siemens, 2012; North & Smallbone, 2007). As a result, this study examines the business continuity and recovery plan in reaction to the movement control order during the Covid-19 crisis in India, based on unstructured phone interviews with two micro entrepreneurs in Kota Belud and Ranau, Sabah India.

## **2. Business Continuity and Recovery Strategy**

Many research on business continuity plan have been undertaken among big manufacturing oriented organisations (Kepenach, 2007) or in the developed area (Herbane, 2013). Micro-enterprise research in developing nations, on the other hand, is scarce. Furthermore, most studies on crisis management processes focus on dealing with the effects of epidemic disease outbreaks (e.g. Ritchie, 2003), natural disasters (e.g. Flynn, 2007, Bresciani, et al, 2002; Fabeil, et al, 2019), economic and financial crises (Devece, Ortiz & Armengot, 2016), and inadvertent disasters and terrorisms (e.g. Flynn, 2007, Brescian (Cook, 2015). There is currently a scarcity of research on the impact of new and emerging crises, such as a pandemic breakout, on small businesses. Micro-firms in less developed locations, it is hypothesised, have higher hurdles than bigger enterprises or metropolitan areas, particularly during a crisis. Entrepreneurs should be concerned about the

impact of a crisis or tragedy on their firm since it has an influence on present and future business performance. According to statistics, 75% of organisations without a business continuity strategy would fail within three years of a tragedy or crisis (Cook, 2015). During disasters and crises, Quarantelli, Lagadec, and Boin (2007) emphasise the need of managing and planning procedures. They describe management as crisis contingency techniques, whereas planning refers to the plans that must be implemented in order to face a future circumstance. The authors of this study see business continuity as an entrepreneur's crisis management strategy and business recovery planning as a post-crisis planning process. A crisis recovery plan, which includes the resumption and restoration of operations, is frequently included with a business continuity strategy (Cook, 2015). McCarthy (2003) claims that the experience of a crisis enables entrepreneurs to become more logical and led by planned behaviour when making a choice in his study on crisis management of entrepreneurial enterprises. Entrepreneurs demonstrate their ability to innovate by implementing survival strategies for managing the impact of a crisis on their business, such as marketing innovation through alternative promotion or pricing (Naidoo, 2010), alternative distribution channels (Yu-Lian, 2008), product reengineering, and the use of low-cost, high-impact online campaigns (Bourletidis & Triantafyllopoulos, 2014). According to the Indian Institute of Economic Research (MIER) and the Indian Entrepreneurship Academy (AUM) (RTM, 2020), the government's economic stimulus package to mitigate the impact of the crisis on SME entrepreneurs is insufficient in the long run. As a result, throughout the crisis management cycle – particularly, responding, resuming, recovering, and restoring – entrepreneurs must prepare to continue operating the firm by embracing a new or innovative method (Cook, 2015). Many research on crisis management contain at least three typical phases, namely, pre-crisis, crisis, and post-crisis (Pursiainen, 2018, Fabeil, et al, 2019), which are generally broken into more comprehensive phases. These may comprise (i) risk assessment, (ii) prevention, (iii) preparedness, (iv) response, (v) recovery, and (vi) learning, which are particularly useful in the field of disaster reduction and business continuity, as the ISO standard suggests (Pursiainen, 2018). This concept is applied to the current study's findings in order to comprehend the influence of the crisis on business strategy at each stage of the movement control order (MCO) during Covid-19 in India.

### **3. The Research Problem**

India's government has issued the fourth extension of the mobility control order (MCO), which has been in effect since March 18, 2020 (Prime Minister's Special Message, 2020) as a preventive measure in response to the country's Covid-19 epidemic. Closure of government and private properties, excluding those essential to important national services such as health and safety, telecommunications, retail, banking, and transportation, is one of the restrictions listed (National Security Council, 2020). During the MCO period, some service sectors in most states are limited to 8 to 10 hours of operation. Retail establishments like as farmer's markets, restaurants, petrol stations, delivery services, supermarkets, and manufacturing plants, for example, are only permitted to operate until 6:00 p.m. in Sabah (Kota Kinabalu City Hall, 2020). The MCO's impact on small enterprises has been the subject of various media publications. Microentrepreneurs, for example, lose daily revenue as a result of disrupted supply chains caused by the closure of supporting industries, as well as a lack of labour and dwindling cash reserves (Dzulkipli, 2020; Aling, 2020). Many

entrepreneurs began to look for alternate ways to keep their businesses afloat. Selling and advertising items via social media and mobile applications like Facebook and Whatsapp is one of the alternative business continuity strategies used by businesses during the MCO era. Furthermore, some of them decided to engage a part-time transporter/runner to deliver their product to the final client and use a cash-on-delivery (COD) system (Halim, 2020). However, due to the limitations of business infrastructure assistance, not all small enterprises in rural locations are able to embrace this alternate method. The Ministry of Agriculture and Food Industry (MAFI) in Sabah has promised to offer enough support and assistance to SME entrepreneurs, particularly those in the agricultural and food industries (Utusan Borneo, 2020). The MAFI recommendations include allowing the farmers market to operate, with the Federal Agricultural Marketing Authority (FAMA) serving as a collection centre for farm products, and ensuring logistic flexibility during the MCO to make the supply chain for perishable products from end-of-businesses to end-users easier (Daily Express, 2020). In coping with crises, micro-enterprises' business continuity plan has not been adequately examined. Many earlier research on the implications of coronavirus epidemics such as MERS, SARS, and Ebola on business continuity have been conducted; however, the majority of these studies have focused on large-scale firms in developed countries (Pine & McKercher, 2004; Cole & Watkins, 2015). In their research of the performance of entrepreneurial organisations during times of crisis, Bartz and Winkler (2016) discovered that micro-enterprises develop slowly during times of crisis, showing fragility, compared to bigger enterprises, which expand quicker and more adaptable. Crises, it is believed, are harmful to micro-enterprises; as a result, entrepreneurs must devise ways to manage and plan for alternate techniques to mitigate the crisis' impact on their firm.

#### **4. The Research Objectives**

The goal of this study is to look at the crisis management approach during and after the Covid-19 epidemic from the perspective of micro-entrepreneurs. This research comprises conducting phone interviews with two micro-entrepreneurs throughout the second and third phases of MCO in India (1-month duration). The purpose of the interview is to learn about their company continuity and recovery strategy in the event of a disaster. This research provides useful information to connected organisations or departments participating in small company development initiatives, particularly for micro-enterprises in rural areas, so that suitable measures may be developed to aid the sector throughout the crisis cycle.

#### **5. Research Approach**

This research consists of unstructured phone interviews with open-ended questions done in May 2020, during India's fifth phase of movement control. In this study, an unstructured interview was used to collect the views and attitudes of individual entrepreneurs based on their life experiences (Marshall & Rossman, 2006). Two micro-entrepreneurs who are the founders of a micro-enterprise with an annual sales turnover of less than RM 300,000 were chosen to participate in the research. Respondents were chosen for their legitimate

experience as significant micro-entrepreneurs in Sabah, and the researcher considered they would be able to give useful information related to the study's goal. The parsimonious principle, which favours simplicity over complexity and need over extra information in explaining a phenomena, underpins purposeful sampling (Allen, 2017). This provides for a 25-30 minute interview with a free-flowing but instructive dialogue (Miles & Huberman, 2019; Bryman, 2015). The questions were included within a larger study measure to reduce participant fatigue while also achieving the research goal. The essential elements from the interview were written down in memos. The purpose of the interview is to obtain thoughts and experience from entrepreneurs on their company continuity and recovery strategies during the Covid-19 issue. In addition, the researcher used entrepreneurship literature relevant to small business crisis management to gain a better knowledge of the notion of business continuity and recovery plan during a crisis. The responses were analysed and summarised in a proposed diagram to give useful insight into how micro entrepreneurs run their businesses during a crisis and devise a strategy for recovery.

## 6. Results

### Business Continuity Strategy during Crisis

The interviews reveal that entrepreneurs employ multiple synchronous strategies to ensure continuous operation of their business during MCO, namely

- Shorten the supply chain through centralised synchronous distributors,
- Produce emerging product to meet current customer's needs (customers are looking for essential foods, and cleaning and sanitary products during MCO),
- Use digitalised marketing through mobile applications and social media, such as Facebook and What Sapp,
- Employ 'collect on delivery' or 'cash on demand' transaction for the sale of goods, and
- Receive payment via bank transfer or e-wallet.

According to the entrepreneurs interviewed, synchronous distribution approach allows entrepreneurs, especially in the agri-based business to earn decent income during a crisis. This strategy is parallel to Omni-marketing channel approach which suggests the use of several channels in distributing goods to the customer, for example through distributors, mobile apps, and physical store, is more beneficial than single and independent channel approach (Palmatier, Sivadas, Stern & El-Ansari, 2020). In addition, the result of the interviews proposes the establishment of 'centralised wholesale mart' selling essential perishable produces like fish, vegetables and fruits, which they label as 'frozen food hub'. This 'frozen hub' is seen by respondents as suitable to be located in several main high-traffic areas, and can be placed in government administration offices, higher education institutions or primary housing areas. This approach is in line with Yu-lian (2008) and Ping-hong (2009) who proposed the use of 'direct sales store' to market perishable and agri-based products. Figure 1 summarises the alternative distribution approach undertaken by entrepreneurs during

normal time and MCO period. Interestingly, respondents viewed this approach as more economical and not necessarily appropriate during this disruptive time, but also can be implemented in the future.

### **3.2 Business Recovery Plan after Crisis**

The movement control order amid Covid-19 outbreaks in India has reached five phases, led to more than two months quarantine. Based on the interview, the result suggests the pandemic crisis has impacted microenterprises in different level of disruption throughout the MCO phases. Some enterprises began to experience business interruption for a month before MCO was imposed in India. In fact, the extent of impact was more extensive during the initial phase of MCO though started to demote throughout the later phases. The entrepreneur perceived the slow demand for their products as reactions from changes in consumer buying behaviour, that their buying intent on staples and sanitisation goods has been elevated during the crisis. In order to ensure continuous earnings, entrepreneurs need to be more flexible and make important adjustment in their business. According to Cook (2015), entrepreneurs' business recovery approach during crisis evolves in at least four stages, namely responding, resuming, recovering and restoring. This study explains the business recovery plan undertaken by interviewed entrepreneurs throughout the four phases of MCO in India. Table 1 depicts several alternative strategies for business recovery in time of crisis – before, during and after MCO

Based on the interviews, it can be generalised that there is no formal crisis management planning or contingency planning employed by micro-entrepreneurs. However, a variety of approaches were used to deal with the impact of the crisis, including the operation of business from home, becoming own private runner, digital marketing, the multi-channel sales strategy and the penetration of the new market segment during a crisis by selling emerging essential products. The impact-reduction strategies undertaken by entrepreneurs in this study is parallel with crisis phases as suggested by Cook (2015), which involves responding, resuming, recovering and restoring. The interviewed entrepreneurs viewed post-crisis stage might only occur twelve months after the crisis ends, which can be regarded as 'restoring' phase. Presumably, during this stage, entrepreneurs are likely to have possessed more experiences, skills and resources to recover from the crisis. Such knowledge have become the basis for business recovery plan like the restructuring of business model or concept, revising the business plan, and updating market segments, as well to learn to do business under the 'new normal' procedures.

## **7. Result Discussion**

This paper summarises findings from unstructured phone interviews with two local micro-entrepreneurs in Sabah, India, which was conducted in May 2020, during the fifth phase of movement control order amid Covid-19 outbreaks in India. The study focuses in two main areas from the entrepreneurs' perspectives, i.e. (i) to understand the business continuity strategy and (ii) the business recovery plan employed by microenterprise in coping with crisis impact. The Covid-19 crisis can be regarded as a difficult situation for microenterprises due to its abruptic threats. The results suggest that there is no systematic or formal

management to crisis employed by micro-enterprises; nonetheless, their responses towards crisis are more ad-hoc to reduce the impact. Entrepreneurs seemed to demonstrate their ability to survive in their business by undertaking several business continuity approaches and recovery strategies, especially in terms of product delivery and marketing. This finding is parallel to McCarthy (2003), who suggested that the experience of crisis leads entrepreneurs to act more rational and engage in planning when making decisions. Interestingly, the respondents viewed the economic stimulus fund provided by the government as a non-paramount remedy to reduce the impact of the crisis. The accessibility to support and facilities is difficult among micro-entrepreneurs in less-developed areas that they have to deal in a piecemeal manner. This issue is in line with Crushnahan (2004) who studied the impact of environmental crisis on a rural island tourism business in Indonesia. In order to ensure micro entrepreneurs to manage their business in a crisis situation, specifically in a less developed area, it is crucial to provide assistance and support facilities that are more relevant to them, especially in terms of knowledge and skills on crisis management methods. The business knowledge like online marketing techniques, product delivery procedures, new product development, costing and pricing strategy during crisis and customer database management could serve as a basis of crisis management plan for micro-enterprises. This study is limited in that it focuses primarily on results from two respondents only. Nevertheless, the depth analysis of the interviews contributed to the literature in relating to strategies for business continuity and recovery among microenterprise. Further analysis using survey with larger group of respondents/audience is required in future studies to fully understand the survival mechanism adopted by micro-enterprises in response to the crisis.

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