

COVID-19 IMPACT ON SMALL BUSINESSES SURVIVAL

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ABSTRACT

The COVID-19 pandemic had negative effects on all businesses, but the small and medium-sized enterprises (SMEs) were impacted disproportionately. The lockdown and a decline in sales reduced the revenue generating capacity of these businesses, which subjected them to serious financial constraints that threatened their survival. In addition, most of them had to divert their marketing resources to critical functions that could contribute directly to their resilience and survival. Some of the enterprises have been forced to adopt new business models (such as e-commerce, diversification, and automation) to sustain their operations. The labor issues associated with the pandemic contributed directly to the crippling of the SMEs. Farms lost temporary foreign workers, many SMEs reported massive sick leave requests, and a majority of them had to facilitate their workers to perform their duties from home. Financially constrained businesses fired a fraction of their workers or cut their wages. The impacts of this pandemic have been studied extensively, but the benefits related to government loans extended to SMEs have not been explored adequately, which should be considered in the future research.

Keywords: *Pandemic, SMEs, financial, marketing, models, labor, survival.*

1. COVID IMPACT ON SMALL BUSINESSES SURVIVAL

SMEs make a significant contribution to the national as well as the global economy. It is estimated that they contribute about 90 % and 70 % of the total global private sector and employment, respectively (Dasewicz et al., 2020). However, they are more vulnerable to economic crises than the large companies.

The occurrence of major events (such as the disease pandemics) with a direct impact on the economy affects their financial and overall operational efficiency adversely, which reduces their chances of survival. This has been demonstrated during the ongoing COVID-19 pandemic that has affected SMEs across the world. In this paper, the impacts that COVID-19 pandemic has caused on survival of small businesses will be discussed with a focus on the financial challenges, marketing issues, changes in business models, labor problems, and the future research.

2. FINANCIAL CHALLENGES

2.1 Severity of Financial Constraints

Small businesses are more vulnerable to crises due to their limited capacity to invest in initiatives that enhance their resilience. The occurrence of COVID-19 subjected them to serious financial constraints that threatened their going concern. The lockdown, coupled with a decline in sales subjected the SMEs to the risk of illiquidity, which is a key determinant of their survival and the ability to maintain their respective levels of operation that existed prior to pandemic.

A study conducted by the Organization for Economic Cooperation and Development to investigate this issue indicated that 20 %, 30 %, and 38 % of the SMEs were going to run out of liquid cash after one, two, and three months, respectively (OECD, 2020). In overall, more than 50 % of these small businesses were at the risk of experiencing a cash shortfall within six months (OECD, 2020). These statistics