

## STRATEGIES FOR SMEs DURING ECONOMIC CRISIS

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### ABSTRACT:

*Small and Medium Enterprises (SME) are the backbone of any economy and play a vital role in the creation of employment and in providing the much-needed support to the large industries. All the ancillary and support services needed by large industries are provided by the SMEs. The business support for spare parts or components or logistics or services is mostly provided by the SMEs in most of the economies. However, when there is economic crisis the SMEs are the first to be affected as they are the most vulnerable. The SMEs suffer the most during any crisis situation and they also quickly swing back into action when the economy revives. This immediate and severe impact on the SME sector eventually leads to a roller coaster ride for the SME owners and managers which becomes very challenging to handle. The research scholar is looking at creating a set of strategies which could help the SMEs during economic crisis to survive and stay in business.*

**Keywords:** *Small and Medium Enterprises; Economic Crisis; Strategies; Business Model; Decision Making; Business Performance*

### 1. INTRODUCTION

At the time of writing this article, a pandemic has swept the world taking it into an economic crisis. It is being described by some as the biggest since the Great Depression of the 1930s and rightly so as certain measures have reached levels unseen since that of the depression which occurred about 90 years ago. So we decided to look into what exactly an economic crisis is, what role Small and Medium Enterprises (SMEs) play in the economy and try to understand what could be possible strategies these SMEs could follow during an economic crisis to survive, sustain and eventually grow their business.

Normally, negative GDP growth over two or more quarters is called a recession. However, if the recession is prolonged or if the effect of the recession is severe, then it is also called a depression.

Economic crises occur from time to time, despite many theories being developed on why they occur and what measures could be taken to prevent them from occurring. Such matters are outside the purview of this article. Rather than focusing on how to prevent an economic crisis, we would like to solely focus on measures that SMEs can take to survive them.

Small and Medium Enterprises (SMEs) are normally defined by having a low measure of either turnover, assets or employees. The precise definitions of what entities are covered as SMEs vary from country to country. In general, an entity of less than 250 employees can be considered as an SME in most places and hence, for this article we will assume the same for the sake of simplicity.

According to the Small Business Administration (SBA), 99.9% of businesses in the United States were small business in 2018. In the United Kingdom, they make up 99.9% of all businesses as well and as per the European Commission, they make up 99% of all businesses in the Eurozone. As per a recent study by the Dubai Ministry of Economy, SMEs make up 99% of all business in the emirate. We can conclude from the numbers that SMEs tend to make up the majority of the businesses and therefore serve as an indispensable backbone in most countries.