

## IMPACT OF ECONOMIC CRISIS ON SMEs – A CRITICAL REVIEW OF LITERATURE

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**ABSTRACT:**

*Small and Medium Enterprises are the backbone of most economies and in particular in UAE they constitute more than 90% of the businesses. Small and Medium Enterprises contribute to the economy in several ways including generation of employment, filling up of institutional voids, contribution to the Gross Domestic Product, and many more. Based on the Literature Review for the last two decades, this paper discusses how the Small and Medium Enterprises get impacted whenever there is a crisis in the economy due to Economic Recession or Civil War or Natural Calamity or Pandemic like the COVID 19. The study exposes the critical fact that despite being the backbone of the economy, the Small and Medium Enterprises are highly vulnerable and the most impacted at the onset of any crisis. The study draws attention to the Public Policy, Entrepreneurial Orientation, Entrepreneurial Behavior, Technology Orientation and Strategic Thinking as some of the key factors to be focused on for sustainability of SME business performance.*

**Keywords:** *Small and Medium Enterprises; Business Performance; Economic Crisis; Business Growth*

**1. INTRODUCTION**

The recent economic crisis which was caused by the COVID 19 Pandemic has left the whole world tattering and struggling for survival. The most affected are the Small and Medium Enterprises who are in manufacturing, trading and services industry with the exception of a few who are fortunate to be in the right business during this crisis. SMEs which are providing ancillary services in the Healthcare Industry and producing products like sanitizers, masks, etc. have done well. SMEs which are in the last mile delivery enabling the supply chain management to achieve fulfillment have also benefited. However, the cash flow situation in the market has left many of the SMEs high and dry not being in a position to sustain the pressures. The lockdowns in many countries which started in March is still continuing even in August 2020 with no clear signs of recovery.

We have seen different crises in the past though there is no comparison with any of them with the present pandemic caused by Covid 19. Each time there was an economic crisis we have seen that the SMEs are the worst affected as they are the most vulnerable (Soininen, J., et al 2012). The business of the SME typically revolves around the Owner/Manager with nimble movements and quick actions leading to major decisions (Wang C. et al 2007).

Government Policies and Support has been a great source of help during crises situations, and we have seen in the past several models have worked in favour of the SMEs like the Total Factor Productivity Model (TFP); Asian Growth and Development Model (ADGM). The emphasis that is needed during crises situation is on the “entrepreneurial engine” which requires appropriate policy and business environment to support growth (Hall C 2003).

The Research Scholar having spent more than 30 years with the SME sector was keen to skim through the available body of knowledge on this subject of “impact of economic crisis on SMEs” and decided to embark on a critical review of the literature for the last 20 years. The Literature survey and review was undertaken for the period 2000 to 2020 in order to understand the actual impact of crises on SMEs in general and see if there are any questions still remaining unanswered in this regard.