



# INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact Factor: 6.078

(Volume 7, Issue 2 - V7I2-1269)

Available online at: <https://www.ijariit.com>

## Delineating the psychological impact of COVID-19 on small businesses in India

Neha Jain  
[kaparianeha14@gmail.com](mailto:kaparianeha14@gmail.com)  
University of Calcutta, Kolkata,  
West Bengal

Inayaa Gulati  
[gulatiinayaa@gmail.com](mailto:gulatiinayaa@gmail.com)  
UniteSync, Vasant Vihar,  
Delhi

Ananay Rajput  
[shreeabhaydata@gmail.com](mailto:shreeabhaydata@gmail.com)  
UniteSync, Vasant Vihar,  
Delhi

### ABSTRACT

*The covid-19 pandemic has caused large-scale loss of life and economy across all sectors. It has psychologically and socially impacted the general population ranging from their health and well-being to their education, career, and businesses. It has impacted the global economy drastically. India saw its worst recorded decline in economic growth since 1996 during the pandemic. In India, most of more than 100 million people engaged in small businesses were laid off and about one-third of the small businesses went beyond the scope of rescuing during the pandemic. In such a scenario, this paper intends to delineate the psychological impact of the pandemic on small businesses in India which faced a significant economic blow. At the same time, the resilience of some small businesses that managed to cope and thrive during these difficult times have been briefly discussed.*

**Keywords:** *Small Businesses, Covid-19, Psychological Impact, Stress, Mental Health*

### 1. INTRODUCTION

The coronavirus pandemic has swept the world at large and has brought with itself long-term losses and destruction that will be difficult to recover from. It has caused a significant psychological and social impact in all sectors ranging from health, education, business to the economy globally (Srivastava & Agarwal, 2020). After the lockdown in the most prominent countries of the world, we are entering a new normal. As with every shift in the order of human life, there comes a shift in behavior, feelings, and actions in human nature. Human nature is complex and dynamic which is impacted by a variety of factors. With the pandemic, the psychological effect of it on human life has not gone unnoticed. People have reported a heightened level of stress, poor wellbeing, increased health anxiety, depression as well as an exacerbation of existing mental health concerns due to the quarantine that has manifested in the form of increased fear, anger, anxiety, panic, etc (Chatterjee, 2020; Grover et al., 2020; Singhal & Vijayaraghavan, 2020).

With such a significant impact on the general well-being of people, the economic impact of the pandemic was felt hardest by small businesses across the world (Humphries et al., 2020; Sanghera, 2020). The effort to curb the transmission of the virus was met with the lockdown of communities and the closing of businesses (Akpan, 2020). The effect of the pandemic on small businesses manifested itself in the form of mass layoffs and closures with 43% of businesses temporarily closing due to the pandemic wherein the unemployment rates were found ranging from 47% to more than 50% across various businesses (Bartik et al., 2020).

Small businesses in India faced a similar blow. The Micro, Small, Medium Enterprises (hereinafter referred to as MSME) sector in India is large and extensive contributing a total of 30% to India's gross domestic product (hereinafter referred to as GDP) (Sanghera, 2020). Industry experts and analysts have opined that this rate may reach an over 40% mark in the next couple of years (Kumar & Nambiar, 2020). The Annual Report on MSME of 2019-2020 by the Government of India reported that the MSME sector in India employs a total of 110.909 million people and that there is a total of 63.388 million estimated number of MSMEs in India. As per the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, small businesses are defined as having a total of more than twenty-five lakh rupees but not more than five crore rupees in the manufacturing sector whereas more than ten lakh rupees but not more than two crore rupees in the service sector.

As the pandemic brought with itself havoc in the general well-being of the people and has caused large-scale economic deprivation for small businesses, the psychological impact of the pandemic on small businesses invites attention and exploration.

## **2. METHODOLOGY**

For the current study, the researchers have sought a mix of both primary and secondary sources like newspaper articles, reports, surveys, and research articles. Following phrases and terms like psychological impact of the pandemic on small businesses, small business and stress, mental health and small business, pandemic and wellbeing, the psychological impact of unemployment, etc. were used to obtain the relevant data.

## **3. RATIONALE AND OBJECTIVE**

Upon review of the existing literature, a research gap was noticed in the quest of exploration of the impact of the pandemic on the small businesses in India. Small-medium enterprises because of their limited resources, knowledge, and capacity largely ignore the psychological issues of organizations and rarely maintain a clear policy on mental health (Martin et al., 2009). However, it has long been established that stress, work, and mental health are deeply interrelated subjects. The new global information economy that drives people's work has serious implications for their mental health as workers' mental health has become an important business productivity weapon the effect on which is leading to an escalation of psychiatric disorders worldwide (DeVries & Wilkerson, 2003). With this intersection in mind, the current paper shall explore and answer the following questions:

1. What has been the psychological impact of the COVID-19 pandemic on small businesses in India?
2. How have the small businesses in India managed to cope with the pandemic?

## **4. ECONOMIC IMPACT OF THE PANDEMIC ON SMALL BUSINESSES IN INDIA**

Since 1996 India has been compiling the GDP statistics on a quarterly basis. With the pandemic, India's economy contracted by 23.9% in the April-June quarter of 2020's fiscal year as per the Ministry of Statistics and Programme Implementation. This is India's worst decline ever recorded since 1996. A survey conducted by the All-India Manufacturers' Organization in June 2020 found that 35% of India's MSME were considering shut down due to the burden of the pandemic. Additionally, 70% of MSMEs reported that they might reduce their employee count to save their businesses. About one-third of the MSMEs reported in the survey that their businesses were beyond rescuing and saving. Additionally, a 2020 report by The Reserve Bank of India found that across all sectors of the Indian economy, MSMEs have turned out to be the most vulnerable and most stressed during the pandemic.

Misra (2020) reported that small businesses have been the worst hit by the pandemic in the Indian sector by noting that as per a survey conducted on small and medium Indian enterprises, only 7% reported having enough cash in hand to last for 3 months or less. With the pandemic, the economy saw a shrink as 140 million people in India got unemployed, many businesses closed, and went into debt due to shrinking demand causing a severe impact on the small businesses in India (Schmall, 2020).

To provide economic relief to the MSME sector through the pandemic the Indian government announced some measures ranging from the promotion of e-market linkages in replacement of trade fairs and exhibitions to INR 20,000 crore subordinate debt for stressed MSMEs as well as INR 300000 crore collateral free loan with 100% credit guarantee (KPMG, 2020). Although the government took responsible steps to tackle the decline in the economic growth of MSMEs during the pandemic, no plans were put in place to provide relief to the psychological impact on the same.

## **5. PSYCHOLOGICAL IMPACT OF THE PANDEMIC ON SMALL BUSINESSES IN INDIA**

The psychological well-being of small businesses has not received much attention in the literature. However, a few studies have investigated the relationship between mental health and small business ownership. For instance, Visentin et al. (2020) have very intricately delineated this relationship in their paper where they note that even though small business ownerships lead to empowerment and increased self-worth, small failures like business difficulties, potential failure may lead to deeply traumatic outcomes like anxiety, depression, and other mental health concerns. Additionally, a small business owner may face isolation, lack of peer support, feelings of guilt, and low self-esteem due to the continuous role stress and owner-operator dynamic. High burnout and emotional exhaustion due to the accumulation of negative life events have been reported by small business owners (Lechat & Torrès, 2017). Another study that investigated levels of psychological distress in small to medium enterprises owners found that 36.8% were suffering from high or very high levels of psychological distress, whereas 50% of those owners present in the last month of work reported being less productive than usual (Cocker et al., 2013).

The situation in India is mostly similar with the pandemic causing an exacerbation of stress and mental health concerns. Stress and mental health issues became a predominant outcome of the pandemic in the case of business in India with many employees reporting feelings of isolation, anxiety, fear of the unknown, and increased levels of distress (Bora, 2020; Vora, 2020).

Many Indian employees reported that their mental health worsened during the pandemic with more than half of unemployed people reporting to be stressed in the new normal (Wadhvani, 2020). It is worthy to mention here that the employment status of a person highly influences their depressive affect, morale, and anxiety (Shamir, 1986). As learned through the existing literature, small businesses in India witnessed a high rate of unemployment during the pandemic through mass layoffs and closures, the psychological impact of this unemployment during the time of a pandemic deserves special mention especially because there exists a large body of evidence that shows a negative correlation of unemployment and economic deprivation with life-satisfaction and well-being (Feather, 1997; Goldsmith, 1996). Clark et al. (2001) formulated their scarring hypothesis for the relationship between life-satisfaction and unemployment stating that life satisfaction is lower for currently unemployed people as well as those people who have had a high level of unemployment in the past.

To understand the psychological impact of the pandemic on small businesses, it is imperative to take into consideration Maslow's need hierarchy theory (Maslow, 1943). In the need hierarchy theory, Maslow has proposed five needs of humans arranged in a hierarchical manner that motivate people and impact the development of society. Physiological needs, safety needs, social needs,

esteem needs, and self-actualization needs form the need pyramid of which physiological needs are at the foundational level. If any of the needs are not met at any particular level, the individual will not be able to progress towards a higher need (Taormina & Gao, 2013). The pandemic frustrated many needs of individuals, especially the physiological needs through increased threat to health, the safety needs were unfulfilled as people faced unemployment and lack of economic facilities, and the esteem needs were unsatisfied as people lived in isolation during the quarantine. The psychological impact of the pandemic on small businesses can be understood as people's job security was threatened, and unemployment reached an elevated level, ultimately frustrating the safety needs of individuals (Ryan et al., 2020).

In the light of this literature, the psychological impact of the pandemic on small businesses in India becomes evident and clear. A large body of knowledge exists that has evaluated the effects of both man-made and natural disasters and have related the same with long-term post-traumatic stress disorder, anxiety, depression, etc. (Ursano et al., 1994; Green, 1991; Galea et al., 2005; Neria et al., 2008). Similarly, recent studies have also thrown a light upon one of the common consequences of this major pandemic being post-traumatic stress disorder (Dutheil, 2020; Sood, 2020). Furthermore, the stress, fear, anxiety, and burnout of people have heightened to high and extreme levels during the pandemic. The World Health Organization reported that India may incur a loss of USD 1.03 trillion between 2012-2030 due to the mental health conditions of the country (Bloom et al., 2014). However, throughout the pandemic, many small Indian businesses have also managed to cope and thrive during times of changing consumer needs, and lessening demand.

## **6. RESILIENCE OF SMALL BUSINESSES OF INDIA DURING THE PANDEMIC**

Amidst the chaos of a declining national economy, and severe stress on mental capacities, some small businesses of India have shown resilience in the face of adversity like that of a pandemic. Pereira & Dutta (2020) reported that some small businesses were thriving during the covid-19 crisis in India. Their report explicitly talks about Kirana stores in India that have shown tremendous growth during the pandemic by adjusting and adapting their business models as per the changing consumer needs. Increased use of digital wallets, home deliveries, and aggregating with other merchants informally have allowed these Kirana stores in India to seize the opportunity to thrive during a crisis.

To corroborate the findings of Pereira & Dutta (2020) we conducted a survey with a total of 147 participants and found that even before the lockdown 56.8% of the participants preferred shopping from Kirana stores as compared to the e-grocers whereas 36.5% of the participants preferred both equally. Additionally, 53.4% of the participants refused to shop from e-grocers post the lockdown irrespective of being afraid of contracting the virus with 78.9% of the participants mentioning that they will continue to shop from Kirana stores instead of moving to e-grocers once the lockdown is lifted. One of the most interesting and significant findings of our survey indicated that a total of 75.7% of the participants expressed their preference of shopping from Kirana stores instead of e-grocers if the Kirana stores become digitized.

Another survey found that despite the negative impact of the pandemic, 60% of small business owners in India believed that their businesses will continue. Furthermore, 57% of the respondents reported that they expected to recover the business from the aftermath of the pandemic within three to twelve months of the survey. This survey highlighted the resilience, and self-reliance of small businesses of India (Savanta, 2020).

The pandemic has brought us to the realization that resilience, flexibility, and agility need to be the predominant dynamics to tackle crisis situations in the small business sector in India. A digital transformation with redesigned workspaces and flexible business models that are efficient at responding to customers' expectations and changing needs, along with the reskilling of workers with reimagined agile business models seem to be the path ahead (Jain, 2020; Komaravelly, 2020; Kumar & Nambiar, 2020).

## **7. SUGGESTIONS**

The current paper emphasizes the intersection of the economic impact and the psychological impact of the covid-19 pandemic. In this context, the following suggestions can be made:

1. There is a need for a clear mental health policy that assesses, evaluates, and provides support to the psychological well-being of small businesses in India.
2. More empirical studies are suggested that explore the interrelationship of psychological well-being and small businesses, especially in the Indian context.
3. An intersectoral approach to psychological well-being and mental health needs to be introduced and followed in India to provide holistic care and well-being that takes into consideration the social, economic, and ecological factors that affect one's well-being.

## **8. CONCLUSION**

The covid-19 pandemic left an indelible impression on the economic and psychological aspects of the small businesses in India. With multiple small businesses reporting negative consequences, many small businesses also coped with and survived this disaster by changing their business models and becoming resilient and agile. Strong government support that delves deep into people's well-being shall help small businesses recover. Finally, in the Indian context, the researchers would like to invite attention towards the small businesses run by the marginalized populations that may have been impacted through a variety of viewpoints due to their societal position and standing during the pandemic. Future researches in this direction are highly suggested.

## **9. REFERENCES**

- [1] Akpan, I. J. (2020). Scientometric evaluation and visual analytics of the scientific literature production on entrepreneurship, small business ventures, and innovation. *Journal of Small Business & Entrepreneurship*, 1-29.
- [2] Annual Report. 2019-2020. Ministry of Micro, Small and Medium Enterprises. Government of India.



- [3] Bartik, A. W., Bertrand, M., Cullen, Z., Glaeser, E. L., Luca, M., & Stanton, C. (2020). The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences*, 117(30), 17656-17666.
- [4] Bloom, D. E., Cafiero-Fonseca, E. T., Candeias, V., Adashi, E., Bloom, L., Gurfein, L., ... & Saxena, A. (2014). Economics of non-communicable diseases in India: the costs and returns on investment of interventions to promote healthy living and prevent, treat, and manage NCDs. In *World economic forum, Harvard school of Public Health* (pp. 22-23).
- [5] Bora, G., (2020, May 23). Businesses are crumbling due to Covid-19. How can entrepreneurs manage stress? *The Economic Times*.
- [6] Chatterjee, S. S., Malathesh Barikar, C., & Mukherjee, A. (2020). Impact of COVID-19 pandemic on pre-existing mental health problems. *Asian journal of psychiatry*, 51, 102071.
- [7] Clark, A., Georgellis, Y., & Sanfey, P. (2001). Scarring: The psychological impact of past unemployment. *Economica*, 68(270), 221-241.
- [8] Cocker, F., Martin, A., Scott, J., Venn, A., & Sanderson, K. (2013). Psychological distress, related work attendance, and productivity loss in small-to-medium enterprise owner/managers. *International journal of environmental research and public health*, 10(10), 5062-5082.
- [9] DeVries, M. W., & Wilkerson, B. (2003). Stress, work and mental health: a global perspective. *Acta neuropsychiatrica*, 15(1), 44-53.
- [10] Dutheil, F., Mondillon, L., & Navel, V. (2020). PTSD as the second tsunami of the SARS-Cov-2 pandemic. *Psychological Medicine*, 1-2.
- [11] Estimates of Gross Domestic Product for the first quarter (April-June) of 2020-2021. (2020, August 31). Ministry of Statistics & Programme Implementation. Government of India.
- [12] Feather, N. T. (1997). Economic deprivation and the psychological impact of unemployment. *Australian psychologist*, 32(1), 37-45.
- [13] Galea, S., Nandi, A., & Vlahov, D. (2005). The epidemiology of post-traumatic stress disorder after disasters. *Epidemiologic reviews*, 27(1), 78-91.
- [14] Goldsmith, A. H., Veum, J. R., & Darity Jr, W. (1996). The psychological impact of unemployment and joblessness. *The journal of socio-economics*, 25(3), 333-358.
- [15] Government and institution measures in response to COVID-19. (2020, December 20). KPMG.
- [16] Green, B. L. (1991). Evaluating the effects of disasters. *Psychological Assessment: A Journal of Consulting and Clinical Psychology*, 3(4), 538-546.
- [17] Grover, S., Sahoo, S., Mehra, A., Avasthi, A., Tripathi, A., Subramanyan, A., ... & Reddy, Y. J. (2020). Psychological impact of COVID-19 lockdown: An online survey from India. *Indian Journal of Psychiatry*, 62(4), 354.
- [18] Humphries, J. E., Neilson, C., & Ulyssea, G. (2020). The evolving impacts of COVID-19 on small businesses since the CARES Act.
- [19] Jain, M., (2020, October 20). The Next Normal: Building resilience in the post-COVID-19 workspace. *Observer Research Foundation*.
- [20] Komaravally, S., (2020, November 17). Agility is key to building resilience for Indian SMEs. *India Retailing.Com*.
- [21] Kumar, M., Nambiar, S., (2020, December 15). How small and medium businesses can get more resilient. *The Hindu Business Line*.
- [22] Lechat, T., & Torrès, O. (2017). Stressors and satisfactors in entrepreneurial activity: an event-based, mixed methods study predicting small business owners' health. *International Journal of Entrepreneurship and Small Business*, 32(4), 537-569.
- [23] Martin, A., Sanderson, K., Scott, J., & Brough, P. (2009). Promoting mental health in small-medium enterprises: An evaluation of the "Business in Mind" program. *BMC Public Health*, 9(1), 1-9.
- [24] Maslow, A. H. (1943). A theory of human motivation. *Psychological review*, 50(4), 370.
- [25] Micro, Small And Medium Enterprises Development Act, 2006. Available from <https://legislative.gov.in/sites/default/files/A2006-27.pdf>.
- [26] Misra, U., (2020, May 07). Explained: Why are Medium, Small, Micro Enterprises worst hit by Covid-19 lockdown? *The Indian Express*.
- [27] Neria, Y., Nandi, A., & Galea, S. (2008). Post-traumatic stress disorder following disasters: a systematic review. *Psychological medicine*, 38(4), 467.
- [28] Pereira, S., Dutta, A., (2020, May 12). How some small businesses are thriving during the COVID-19 crisis in India. *Accion*.
- [29] Policy Environment. 2020. The Reserve Bank of India.
- [30] Ryan, B. J., Coppola, D., Canyon, D. V., Brickhouse, M., & Swienton, R. (2020). COVID-19 community stabilization and sustainability framework: an integration of the Maslow hierarchy of needs and social determinants of health. *Disaster medicine and public health preparedness*, 14(5), 623-629.
- [31] Sanghera, T., (2020, December 23). Surviving COVID: The challenges facing India's small businesses. Al Jazeera.
- [32] Savanta. June, 2020. Global Survey Reports: Indian businesses among the most resilient.
- [33] Schmall, E., (2020, November 30). India's economy shrinks sharply as Covid-19 slams small businesses. *The Economic Times*.
- [34] Shamir, B. (1986). Self-esteem and the psychological impact of unemployment. *Social Psychology Quarterly*, 61-72.
- [35] Sood, S. (2020). Psychological effects of the Coronavirus disease-2019 pandemic. *Research & Humanities in Medical Education*, 7(11), 23-26.
- [36] Taormina, R. J., & Gao, J. H. (2013). Maslow and the motivation hierarchy: Measuring satisfaction of the needs. *The American journal of psychology*, 126(2), 155-177.
- [37] Ursano, R. J., Fullerton, C. S., & McCaughey, B. G. (1994). *Trauma and disaster*. In R. J. Ursano, B. G. McCaughey, & C. S. Fullerton (Eds.), *Individual and community responses to trauma and disaster: The structure of human chaos* (p. 3-27).
- [38] Vijayaraghavan, P., & SINGHAL, D. (2020). A descriptive study of Indian general public's psychological responses during COVID-19 pandemic lockdown period in India.

- [39] Visentin, D. C., Cleary, M., & Minutillo, S. (2020). Small Business Ownership and Mental Health. *Issues in mental health nursing*, 41(5), 460-463.
- [40] Vora, R., (2020, June 23). For businesses, mental health issues among top 4 threats of Covid 19 fallout. *The Hindu Business Line*.
- [41] Wadhvani, H., (2020, September). Employee Wellbeing Trends in the New Normal. *The 7<sup>th</sup> Fold*.