

# **Sri Lankan SMEs amidst the COVID-19 Crisis: Assessing Impact and Combating Strategies**

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## **Abstract\**

The Covid-19 epidemic had an impact on all global economic activities. Aim of this study is to identify how Covid-19 affected Small Medium Enterprises (SME) in Sri Lanka, what are the actions those affected SMEs have taken to survive during pandemic and implemented strategies for the sustainable future of their businesses. To investigate how Covid-19 affected SME in Sri Lanka, a qualitative research approach was used and Eight SMEs were interviewed via phone calls and video conference calls for data collection. The study's findings revealed that the majority of SMEs in Sri Lanka were severely impacted by the Covid-19 epidemic. s. However, in order to survive, SMEs have taken many steps and they have developed and implemented methods to ensure the long-term sustainability of their enterprises. As a result, methods such as maintaining a healthy cash flow, digital transformation, and improving product and service quality have been implemented to ensure long-term sustainability. The findings of this study will pave the way for SMEs in Sri Lanka to understand how they should react in a pandemic situation, what are the actions they should implement to survive during pandemic, strategies that SMEs should develop for sustainable future.

**Keywords:** Small and Medium Enterprises; COVID-19 Virus; Strategies.

## **1. Introduction**

The Corona Virus (COVID-19) pandemic has affected billions of individuals throughout the world [1]. when the virus continues to spread, countries throughout the world have utilized a variety of measures to combat the epidemic, including travel restrictions, national curfews, travel banners, and border closures [2,3]. According to authors in [4], this virus caused a reduction in production, and in other cases, production had to be stopped totally since employees had to stay at home, and in certain cases, enterprises had to have very few staff at their office. As a result, all worldwide economic activities have been impacted, and yearly global GDP growth for 2020 has been reduced by half a percentage point to 2.4 percent [5].

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The lockdown's effects on small and medium-sized businesses (SMEs) have been more severe than on larger, global enterprises. SMEs, in reality, are the most vulnerable because they have a smaller capital reserve, fewer resources, and poorer productivity than larger businesses [5]. Small and medium-sized businesses (SMEs) are the engines of global economies, and their failure could have a significant impact on national economic development [2]. According to research of SMEs in Poland issued on March 10, 2020, 30% of SMEs anticipate a drop in income and worker availability during the next three months. More than one-third of respondents reported greater costs and lower sales, with 27.5 percent already suffering cash flow challenges [5]. Another Chinese survey found that one-third of SMEs barely had enough cash to pay fixed expenses for one month, with some other third running out within two months, putting millions of Chinese SMEs at risk [5]. As a result, Covid-19 has a significant influence on SMEs worldwide.

Sri Lanka was also severely afflicted by the COVID-19 pandemic. Prior to the epidemic, the central bank of Sri Lanka predicted % to 5% economic growth, with a slight recovery from the Easter Sunday attack in April 2019 and political stability following the presidential election [6]. According to PricewaterhouseCoopers Sri Lanka [3], assuming the pandemic continues until mid-2020, the economic recovery will begin in the latter half of the year, with real GDP predicted to fall by 2% in 2020. From the date of the first verified case in Sri Lanka, the All Share Price Index (ASPI) of the Colombo Stock Exchange rapidly dropped, reaching an all-time low of 20% on March 31, 2020. Meanwhile, on April 6, 2020, the Sri Lankan Rupee fell by nearly 9% versus the US Dollar. In a situation like this, SMEs may have a harder time competing in the market than larger corporations. Furthermore, according to the [7], SMEs are more difficult to downsize because they are already small; their individual economic operations are less diverse; they have a relatively weak financial structure; they have a lower or no credit rating; they are heavily reliant on credit; and they have fewer financing options. All of this emphasizes the importance of investigating the impact of COVID-19 on the Sri Lankan SME sector and its implications for survival. As a result, the purpose of this research is to examine how COVID-19 has impacted Sri Lankan SMEs and to examine the solutions involved in overcoming the situation and ensuring long-term sustainability.

## **2. Problem Statement**

SMEs, as the backbone of the Sri Lankan economy, play a critical role in job creation and GDP formation [8]. In nearly all countries throughout the world, SMEs play a key role in eliminating disparities between the rich and the poor, but notably in developing economies like Sri Lanka. It contributes significantly to GDP by engaging in the mainstream economy and provides a source of income for a large segment of the population by providing decent jobs. According to the Department of Census and Statistics [9], these SMEs in Sri Lanka serve as a nursery for future large firms, as the majority of large enterprises began as SMEs. According to a recent survey, SMEs account for 75 % of the enterprises in the economy and provide 45 % of jobs. Sri Lanka has over 500,000 small and medium-sized enterprises (SMEs), each of which employs three to five people on average. This sector contributes for an estimated 52 % of GDP when coupled with other unregistered micro enterprises and SMEs. Furthermore, there are just over 3,000 SMEs registered as exporters in Sri Lanka (firms with a turnover of less than Rs.150 million); they account for less than 5% of the country's exports [10].

There were few articles which have discussed on the impact of Covid-19 on SMEs in Sri Lanka. However, rather than only considering the impact of COVID-19 on Sri Lankan SMEs, it is important to investigate how the Sri Lankan SME sector has been able to overwhelm the pandemic situation and survive in the market. So, main focus of this study is on identifying the actions taken by SMEs to overcome this situation and their strategies for sustainability. The information is gathered by conducting interviews on sample of SMEs in Sri Lanka. The findings will offer a broader understanding of how different innovative ideas associated with organization's strategies to improve its efficiency, effectiveness and value creation for customers and other stakeholders have helped to survive in the pandemic period. Furthermore, the findings will assist government policymakers and administrators in developing the required measures to provide relief to those afflicted by the COVID-19 outbreak. The government may then be able to grant tax reliefs and short- and long-term loans to SMEs in order to help them enhance their business operations. Finally, these findings help new startups in SME sector to identify the threats they have to face due to the epidemic situation and the strategies they need to implement to improve their business operations.

### 3. Review of the Relevant Literature

Small and medium-sized enterprises (SMEs) make up the vast majority of firms globally, and they play a significant role in employment creation and global economic development. They are responsible for almost 90% of all enterprises and more than half of all jobs on the planet. The Economic Census listing operation, conducted in 2013/14, established a clear basis for scientifically defining SMEs that is appropriate to all agencies. Turnover, asset value and number of persons involved were recognized as key variables in the concept of SMEs, and listing types were also designed to include those variables. The definition of SME is as follows [9].

**Table i:** Definition of SME

Major Economic Sector	SME Group	Criteria (Number of Persons Engaged)
Industry and Construction	Micro	1 to 4
	Small	5 to 24
	Medium	25 to 199
	Large	200 and above
Trade	Micro	1 to 3
	Small	4 to 14
	Medium	15 to 34
	Large	35 and above
Services	Micro	1 to 4
	Small	5 to 15
	Medium	16 to 74
	Large	75 and above

Even though COVID-19 is a recent situation, many studies regarding the impact of this pandemic have been

taken as a research topic. Therefore, worldwide research studies, surveys can be found about the impact of COVID-19. Such studies that used for this study is going to analyze under empirical review.

Exploring the effect of Covid-19 on Small and Medium Enterprises: Early Evidence from Sri Lanka is a study conducted by James Robinson and Navaneethakrishnan Kengatharan in 2020, which examine the Covid-19 impact on Sri Lankan SMEs [11]. Based on the interviews, they have identified that many SMEs were seriously affected by the rapid growth of the global pandemic and the resulting COVID-19 containment strategies. Due to that SMEs' development was confiscated, and shutdowns were more widespread, at least temporarily. According to Robinson and Kengatharan [11], even though government of Sri Lanka ordered work from home, it is contrary to the fact that many of the operations of SMEs are unable to work remotely or from home, due to factors, such as the IT facilities of SMEs and their employees, knowledge of the workforce, the fiscal status of SMEs and the nature of the business. All SME operators realize that COVID-19 is spread through respiratory droplets such as coughs and sneezes, thus giving due importance to preventive mechanisms in the workplace: compulsory handwashing with soap and water, avoiding shaking hands and wearing face masks and gloves were implemented. In order to avoid public transport, some SMEs also provided travel facilities for their workers. Finally, this study suggest that it is completely important that government providing reliefs to vulnerable SMEs. The government should also improve its policies to protect both SMEs and employees. It is also important that the right policies and guidelines for promoting SMEs are formulated and should be clearly communicated.

COVID-19 impact on SMEs in Bangladesh is also an extensive study conducted by Md. Qamruzzaman [12]. Study findings represent that 33% of SMEs are facing inventory overflows that cause extra costs for the company. When considering salaries, 39% have reduced between 15% -20% of salaries. Furthermore, 23% of SMEs have stated that they have already urged their respective financial institutions to withhold their loan installments and allow for further extensions 12% of SMEs reported making no installment payments on their agreed-upon credit, 65% of SMEs are seeking additional credit extensions from private commercial banks and are seeking government initiatives to extend interest on established credit limits for a given period of time. Based on the findings of the study, researchers concluded that SMEs must acquire solid financial control and management abilities in order to succeed and survive. Furthermore, in a pandemic situation such as this, the country's government has a greater responsibility to establish and implement stronger strategies and policies to encourage SMEs' output.

Impact of COVID-19: How CEOs Respond to SMEs Recovery Planning in Saudi Arabia: is study conducted by Mohammad Nurunnabi, Hisham Mohammed Alhawal and Zahirul Hoqueon to evaluate the impact of COVID-19 on SMEs [13]. According to the conclusions of the survey, Saudi SMEs are experiencing uncertainty in their businesses as a result of the COVID-19 epidemic. Due to the forced shutdown, businesses are facing significant uncertainty in every aspect of their operations, including customer demand, supply chain, retaining staff, paying salaries and wages, and day-to-day operations. As a result, the majority of CEOs cited sales loss, reduced consumer demand, shortages of supplies and raw materials, shortages of working capital, payment of wages and salaries to employees, cash flow management, loan repayment, and employee mental health as the most negatively impacted areas in their businesses. Finally, interviewees discussed the consequences, such as converting their enterprises into a new era with a diversified product and service portfolio or becoming smaller

with a long-term sustainable strategy for their company's long-term existence.

Reactions of small to medium enterprises in Masvingo, Zimbabwe to COVID-19 is a study done by Takupiwa Nyanga and Herbert Zirima [4]. This study investigated on impact of government-declared policies and reaction of SMEs towards them. COVID-19 halted nearly all business operations by prohibiting individual mobility both locally and internationally. SMEs found it difficult to continue operating their enterprises since they relied on the import of their items for sale from other nations. Furthermore, most SMEs were compelled to lay off nearly all of their temporary workers due to a lack of finances to pay their salaries. According to interweavers, several steps have been taken by SMEs to avoid the spread of virus. Such as supplying information to staff and the public on COVID-19, its causes, how it is transmitted and precautionary steps, the organization of training sessions for their staff and the generality of individuals. Findings also include the Strategies that have implemented by SMEs to maintain or improve productivity. In order to preserve productivity and cash flow levels, the tactics employed by SMEs are to depart from the traditional way of doing business and to adopt the online business trading system. E- commerce offers SMEs in Zimbabwe the ability to continue operating their enterprises while complying with the government's 21-day COVID-19 Lockdown Directive.

The Impact of COVID-19 Crisis on Medium-sized Enterprises in Serbia is a study done by Isidora Beraha and Sonja Duricin in 2020 [2]. The purpose of the study is to determine the impact of the COVID-19 issue on the operations of Serbia's medium-sized firms. The goal of the 19-question survey was to learn more about the impact of the COVID-19 issue on the operations of Serbia's medium-sized firms. The questionnaire was delivered to 50 medium-sized company addresses. According to the conclusions of the study, 45 % are concerned about unpaid receivables and a lack of cash flow to keep operations running, while 16 % of expenditures are suffering liquidity issues. During the state of emergency, 56 % of medium-sized businesses said epidemics had a negative impact on their business; 22 % said epidemics had not yet had a negative impact on their business but that they predict unfavorable consequences in the coming 2-5 months.

The perceived impact of the Covid-19 epidemic: evidence from a sample of 4807 SMEs in Sichuan Province, China is another study which related to impact of Covidi-19 on SMEs. Study done in 2020, by Yi Lua,b, Jing Wua , Junlin Pengc and Li Lu [14]. According to the research, 80% of SMEs experienced lower operating income, increased operating costs, and lengthier cash shortages. The statewide closure of the pandemic, which halted transportation across the country, caused supply chain disruption due to delayed work resume on upstream and downstream industrial chains, as well as cross-provincial and cross-regional logistical issues. The outbreak hampered SMEs' capacity to resume work, putting an unusual amount of pressure on many of them to survive, with each day of downtime resulting in greater economic losses, such as rent, wages, and loans. Finally, the study advised that SMEs could reduce cash flow problems to assist them survive, restart work as soon as possible to unblock market circulation, boost consumption, and drive market demand to increase output as measures that SMEs may adopt to survive during a pandemic.

Development strategy of SMEs in the new normal era of coronavirus disease 2019 is a study done by V Pratama, I Santoso, and S.A. Mustaniroh in 2020[15]. According to the impact on SMEs activities survey, most SMEs have experienced operational disruptions because of employees have to work from home, causing SMEs

to be unable to function regularly. Aside from that, marketing has been paralyzed due to inaccessible working and physical environments, border closures, and cancellations of crucial meetings, all of which have resulted in disruptive exercises. Because of the lockdown, supply chains were disrupted, and social distance caused stock markets to collapse. As a result of the decrease in demand caused by the loss of a buyer, many firms experienced cash flow problems, and the consequent lockdown forced employees to make a variety of alterations in their activities. Following that, the study determined the development strategies for SMEs. One of the most crucial methods is financial management. As a result of the COVID-19, SMEs must postpone investments, allow government-funded work remittance, develop hourly 26 contracts with representatives and experts, lower expenses, organize contracts and conditions, minimize labor costs, minimize advances, and enhance revenue-focused exercises.

Management Strategy of Small and Medium Enterprises during the Pandemic Covid-19 is another study discussed the impact of Covid-19 on SMEs. This study done by Igor Turaev and Fozil Ganiev in 2021 [16]. Most SMEs have had trouble procuring raw materials as a result of the government's social distancing strategy, which has interrupted manufacturing. Some businesses embrace a work-from-home strategy, while others decide to lay off people in bulk. The distribution of the product is hampered. As a result, SMEs have seen a significant decline in revenue. Finally, the report suggests various measures that SMEs can employ in the event of a pandemic. As a result, SMEs should improve their capabilities and prepare their businesses to expand. SMEs should also use social media to their advantage. Due to the limitations of face-to-face contact, social media can be a more effective type of advertising. According to the study, business owners should use an automated process in their company. Maintaining a solid cash flow is another technique that has been explored. During this pandemic, using online transaction techniques will bring greater benefits. As a foundation for their operations, SMEs should also focus on the enhancement or development of goods or services. The study also identified techniques such as re-planning income and cutting costs to minimize losses, doing product innovation based on community requirements, paying attention to product quality standards, and maximizing same-day delivery services to make customers feel valued.

#### **4. Methods**

Because this study will look at the impact of COVID-19 on SMEs, interviews will be conducted at the organizational level. This study's population comprises all SMEs in Sri Lanka. As per the annual report of CBSL [17], Colombo district consist of highest number of establishments of SMEs. Therefore, in order to gather data from SMEs sample of 8 SMEs were selected from Colombo district.

To attain the needed sample size, convenience sampling, a non-probability sampling method, used. Telephone interview method chooses to collect data from selected sample. Data type of the research is qualitative data. Under that, opinions, views and ideas will collect from the responders in word form. A structured interview protocol which included 20 questions used in order to collect the data from selected SMEs.

## **5. Data Analysis**

Thematic analysis is applied in this study in order to analyze the collected data from SMEs. Thematic analysis is a qualitative data analysis technique that identifies the frequency of phrases or themes. And interviews are one of the theme analysis method's data sources. Thematic analysis can be used by researchers to quantify and examine the presence, interpretations, and relationships of specific phrases or themes.

For the collection of data from SMEs, telephone interviews and video conference calls were taken, as it is the most suitable and safest methods of data collection during the pandemic outbreak, and generally provide higher response rate [1]. Accordingly, total of Eight (8) SME owners in Colombo district were interviewed. Out of eight, six owners interviewed through telephone while other two interviewed using video conference calls.

## **6. Results and Discussion**

### ***6.1 How Covid-19 effected SMEs in Sri Lanka***

#### *Operation Disruption*

When investigating how Covid-19 affected SMEs in Sri Lanka, majority of respondents stated that their operations were highly disrupted during this pandemic period.

Private education industry was highly affected by this pandemic. Due to island wide lockdowns and travel restrictions, all intuitions had to stop doing classes physically. For months we had to close down our classes till government give permission to conduct physical classes. (RES 03)

Accordingly, three SME owners indicated that, our main line of business had been in water purification, manufacture and export of Activated Carbon. Manufacturing has come to a standstill due to non-availability of raw material. Imports and exports were affected due to non-availability of freight slot (less containers). (RES 02). As an apparel exporter we faced a massive shortage of Raw Materials. Such as (Fabric & Accessories). Most of the fabrics are imported from various countries. (RES 07)

#### *Cashflow problems*

Out of eight respondents, almost five highlighted that, they had to face for cashflow problems due to this pandemic.

The greatest problem that we had to face was the bank were closed. So, we had to face cashflow issues, we were not able to realize our cheques. So, most transactions we had to do by cash payments. (RES 01)

Further, the worst situation SMEs had to face was paying salaries and covering fixed costs like rent expenses. Most of these businesses were located in hired buildings near to city areas. So, owners have to pay higher amount of expense as monthly rent income. Without sufficient income it was quite difficult for business owners to cover these expenses, so most of SMEs have obtained loans and financial assistance from financial

institutions.

On the other hand, customers were not coming due to travel restrictions, so we closed our business during that time. Due to that our monthly turnover reduced by 100%. It affected our cashflows a lot. We were not able to pay wages for our employees. During that time, we paid only half of the salary to employees. Also, it was difficult us to pay other expenses like rent expense due to that. We had to make payments for the suppliers. Everything collapsed with this pandemic. (RES 04)

### *Risk of Uncertainty*

One of the major points highlighted by these interviewees were the risk of uncertainty. This explained the fact that businesses were not able to take decision regarding their operations, because during a pandemic like this it was difficult to predict the future.

We have no option other than to just remain hopeful of restrictions being lifted hopefully after the majority of the populace receive vaccination. We are not sure about the date this is going to be over, so making any investment can be risky, because we cannot predict the future. (RES 02)

Because we work in the beauty and cosmetics industry, there is a considerable chance of the virus spreading via our operations. We began operations after the first wave, and we have seen a gradual increase in client visits. However, when the second wave arrived, we immediately halted all operations. I haven't been to my place of business in almost three weeks. Not only that, but there are certain almost-finished products that I didn't purchase since we don't know when we'll be able to resume operations. (RES 08).

Pratama and his colleagues [15] revealed that most SMEs have experienced operational disruptions because of employees have to work from home, causing SMEs to be unable to function regularly. Because of the lockdown, supply chains were disrupted, and social distance caused stock markets to collapse. As a result of the decrease in demand caused by the loss of a buyers, many firms experienced cash flow problems. During the pandemic, levels of uncertainty rise at such a rapid rate that businesspeople and entrepreneurial on-screen characters, such as banks and speculators, are severely weakened. The main findings of [15] very similar to the findings of this study. Because findings of this study shows that due to the impact of Covid-19, most SMEs have experienced operation disruption and decrease in sales turnover due to imposition of lockdown and travel restrictions. Although, these SMEs have seen the risk of uncertainty in decision making because of difficulty in predicting the future. Confirming the same findings of [15], Nurunnabi and his colleagues [13] also revealed that due to the COVID-19 outbreak, Saudi SMEs were facing uncertainties in their enterprises. Most SMEs in Saudi Arabi facing difficulties in continuing operations because of the government curfew. Due to the forced shutdown, businesses are facing significant uncertainty in every aspect of their operations, including customer demand, supply chain, retaining staff, paying salaries and wages, and day-to-day operations. As a result, the majority have experienced sales loss, reduced consumer demand, shortages of supplies and raw materials, shortages of working capital, difficulty to pay wages and salaries to employees, difficulty in cash flow management and loan repayment in their businesses. These findings are generally compatible with the findings of this research. As per



the study, other than the operation disruption and decrease in sales turnover, SMEs also facing cashflow problems because they do not have sufficient cash in hand. So, they were unable to make payments for fixed assets, employee wages and for suppliers. Nyanga and Zirima [4] argued that COVID-19 halted nearly all business operations by prohibiting individual mobility both locally and internationally. SMEs found it difficult to continue operating their enterprises since they relied on the import of their items for sale from other nations such as China, Tanzania, South Africa, and Dubai. Most SMEs were compelled to lay off nearly all of their temporary workers due to a lack of finances to pay their salaries. These findings contrast with the study findings. As per the study findings, during pandemic period, SMEs had to deduct the employee salaries, and no bonuses were paid throughout the year, but none of the interviewees have laid-off their employees due to lack of finance during this pandemic period

## ***6.2 Response to overcome the situation***

### *Ensuring clean and hygienic workplace*

Almost all the SME owners commented that they took different actions to ensure clean and hygienic workplace. Accordingly, most businesses have educated and trained their employees about the spread of the virus, symptoms of it and how to prevent from infecting. Moreover, these companies have instructed their employees to adhere with guidelines provided by the government and health authorities.

We strictly followed safety protocols and precautions. We instruct every staff member that wearing a mask necessarily and washing their hands and sanitizing their self. And maintained a social distance. (RES 07)

Each day we sanitized our working premises. After working with one client before going next client, we sanitized ourselves properly. By that we tried to maintain clean and hygienic workplace. (RES 08)

Another action most interviewees have taken was to ensure that customers adhered with guidelines and instructions provided.

All the customers who entered our shop had to wear a mask and always they had to wash their hands before entering. Any customer who was not wearing a mask was not allowed to enter the shop. There was always separate employee who handled the customers and to see whether the customers are maintaining social distance. (RES 05)

### *Ensure the safety of employees*

Ensuring the safety of employees was a main concern in most companies during this pandemic period. Three out of eight SME owners stated that one of the reasons that they stopped all the operations temporarily was for the safety of employees. Accordingly, these SMEs have taken different precautionary measures to prevent their employees getting infected by Covid-19.

Under that respondent 1 mentioned that we arranged transport facilities for our employees, by that we helped

our employees to avoid public transport. (RES 01)

Another two-respondent stated that they encourage remote working during this pandemic. Using online communication methods like video conferences rather than operating in physical places would allow the businesses to continue operations while reducing the spread of the virus. If employees needed to come to the working places, roster system have used to limit the number of workers gathering in a physical place.

So, we did the same on the first day of the pandemic to this date we are working from home, later we start transforming our operational activities into digital. We used the zoom to arrange meetings and slack to communicate with each other. We use different approaches in project management, we have to use different technologies with managing employees like Jira kind of technologies. (RES 06)

#### *Focus on serving customers through digital channels*

Respondent 1,4 and 7 mentioned that they used online trading system to serve their customers. By highlighting this point, they further said that using online trading during this pandemic helped to reduce the spread of the virus and provided safety environment for both parties.

We started online delivery system. Under that, customers can WhatsApp or Viber their prescriptions, then we deliver their medicines to their doorstep. We numbered prescriptions of regular customers, so it was easy for us to make a fast delivery for them when they make the order. (RES 01)

On the other hand, due to nature of the business activity, some companies were not able to connect with online trading system. But they used digital technology to market their products. And they used online marketing to provide information to their customers.

Even before the pandemic we were delivering food to customers through Uber eats and Pick me, that really helped us to survive during this period. We gave some discounts for the customers who bought from Uber eats and Pick me, by that we tried to increase our sales. (RES 04).

When considering the responses of SMEs to overcome the pandemic situation, authors' from [11] revealed that most SMEs have given due importance to preventive mechanisms in the workplace: compulsory handwashing with soap and water, avoiding shaking hands and wearing face masks and gloves were implemented. In order to avoid public transport, some SMEs have also provided traveling facilities for their workers. These findings are generally compatible with the findings of this research. As per the study most SMEs have provided face masks, sanitizers for their staff members. In addition to that, findings also identified that companies have bear all the medical expenses relating to PCR tests and consultancy fees. Confirming findings in [11], findings of [4] also highlighted that several steps have been taken by SMEs to avoid the spread of virus. Such as supplying information to staff and the public on COVID-19, its causes, how it is transmitted and precautionary steps, the organization of training sessions for their staff and the generality of individuals. The majority of organizations have predominantly used online seminars to minimize the spread of the virus. Also, findings of [4] highlighted that financial assistance is also provided by Zimbabwean SMEs for the purchase of screening equipment and

consumables for patient prevention, screening, and healing. Additionally, study findings also revealed that most SMEs have taken several steps to ensure the safety of employees. Under that companies have encouraged remote working. They have used online communication methods like video conferences rather than operating in physical places in order to spread of the virus. If employees needed to come to the working places, roaster system have used to limit the number of workers gathering in a physical place. According to, Turaev and Ganiev [16], SMEs should improve their capabilities and prepare their businesses to expand. SMEs should also use social media to their advantage. Due to the limitations of face-to-face contact, social media can be a more effective type of advertising. Same finding highlighted in this study by stating that SMEs have used different technological methods to connect with their customers. Some companies used online delivery system while others used digital methods to market their product. On the other hand, due to nature of the business activity, some companies were not able to connect with online trading system. But they have used digital technology to market their products. Under that, they have used online marketing to provide information to their customers.

### ***6.3 Strategies for the sustainability of the business***

#### *Make Sure Cash Flow is Maintained Healthily*

Majority of SME owners interviewed mentioned that they were concerned whether their cashflow has maintained healthily. Maintaining a healthy cashflow will help the businesses to run smoothly, pay expenses regularly and finally encourage investments in R&D to expand the business.

Accordingly, these interviewees mentioned that they obtained loans to enhance the financial strength of the business. Also, they have tried to have a better liquidity in their business.

We considered about increase our financial strength. For that we get a loan from a bank. This loan is specifically provided by banks for the businesses which have affected by covid-19. And who wants some financial strength to cope up with pandemic period. We used O/D for our operational activities in the pharmacy. We discard that O/D facility during the pandemic period. (RES 01)

From government's side, they introduced a loan which specifically for small medium enterprises who need some financial assistance to continue business operations during the pandemic. One SME owner mentioned that they obtained this loan, so they can maintain healthy cashflow while being ready for the any bad situation that can happened in near future.

We took a loan which was specifically given for the SMEs by all the banks. By that we try to enhance the financial strength of our business, so we would be able to survive when government-imposed travel restrictions in future period. (RES 05)

As per the respondent 2, reducing costs were the actions they have taken to maintain a healthy cashflow in their organization. Also, he said that working from home helped them to further reduced the cost.

Curbing costs- we tried to reduce our costs (expenses) by that we tried to maintain healthy cashflow system,

since most of employees work from home it helped us to reduced expenses incurred on electricity, water and transportation. (RES 02).

### *Digital transformation*

Out of eight respondents, four respondents mentioned that digital transformation was a main strategy that they used for the long-term survival. This Covid-19 pandemic forced SMEs to seek advanced alternative method of passing their goods and services to customers with a minimal physical contact. Accordingly, SMEs embraced digital methods like virtual forms of enrollments as well as computerized communications, virtual marketing in their business activities.

As mentioned by respondent 4, we used online ordering and delivery as a strategy even before the pandemic. With the situation in the country, using digital transformation to improve business activities became a good strategy in our business. So now we are planning on introducing our own online ordering and delivery system. (RES 04)

Some SMEs used digital transformation as a marketing strategy. They used social media and websites to promote their business, and to provide more information to their customers.

We started doing marketing using social media platforms. We market our products using our own Facebook page and we create our own website, where customers can get more information about our company and different products that we are selling. (RES 02)

Not only that, as respondent 3 mentioned, they have introduced package of lectures for the students. This has helped them to expand their business activities to new markets.

When conducting classes, we identified many students facing issues relating to connection. So, we introduced a website for our institute. Also, we introduced a package of recorded classes to the students who cannot come to the physical classes. Those students can buy monthly package by making payments. In our Facebook page we are marketing that lecture package. (RES 03).

### *Improve Product and Service Quality*

Most interviewees have taken different actions to improve the product and service quality, so they could provide better service for their customers. Some have done internal arrangements, so they can have reduced the time that customers have wait till they get their turn.

We did some internal arrangements. When we are opening only one day for week (due to travel restrictions) we are getting high demand, so many customers were coming to the pharmacy. So, we make changes in our racking system, which help to speed our day to-day activities. Also, we increased no of employees work in the pharmacy. (RES 01)

Under that we built another bill checkout in our shop. Prior to that we only had one checkout. Now we have two paying checkouts, so we can decrease the time that customers have to wait on long ques. Also, we started accepting Visa, MasterCard so customers can easily make payments by using their credit and debit cards. (RES 05)

When examine the strategies for the sustainability of the business Pratama and his colleagues [15] highlighted that financial management is one of the most important strategies. SMEs must defer investments, allow government-funded work remittance, establish hourly contracts with representatives and experts, reduce costs, organize contracts and conditions, reduce labor costs, decrease advances, and increase revenue-focused exercises. Confirming findings of Pratama and his colleagues [15], Reference [12] also revealed that most SMEs are seeking additional credit extensions from private commercial banks and are seeking government initiatives to extend interest on established credit limits for a given period of time. Also, researchers concluded that SMEs must acquire solid financial control and management abilities in order to succeed and survive. These findings are very similar to the findings of the study. That is because, as per the study findings, maintaining a healthy cash flow will help businesses to run smoothly, pay expenses regularly and finally encourage investments in R&D to expand the business. Accordingly, SMEs have obtained loans to enhance the financial strength of the business. Moreover, most SMEs have taken actions to reduce their costs and remote working has helped SMEs to reduce expenses like electricity, water and transportation. As per the study findings, digital transformation is one of the main strategies that SMEs have used for the long-term survival. This Covid-19 pandemic forced SMEs to seek advanced alternative method of passing their goods and services to customers with a minimal physical contact. Accordingly, SMEs embraced digital methods like virtual forms of enrollments as well as computerized communications, virtual marketing in their business activities. These findings consistent with previous research conducted by Fitriasisari1 [18]. According to that research, digital transformation must now be considered as a strategy for company resilience. When new digital skills emerge and digital instruments are introduced, digital transformation occurs. This is a transformation that needs to be rearranged in order to make way for new methods that are more flexible and competitive. Same findings confirmed by Pratama and his colleagues [15] stating that exponential increase in computerized communications emphasizing progressed records, virtual advertising, and social media usage may then enable SMEs to embrace digital development by utilizing virtual forms of enrollment, planning, and socialization, as well as the exponential increase in computerized communications emphasizing progressed records, virtual advertising, and social media usage. As per the study findings, improving product and service quality is another strategy used by Sri Lankan SMEs for the sustainability of their business. Findings highlighted that, in a pandemic situation like this, it is difficult to make more investments. So, improving product and service quality would be useful to retain existing customers and attract new customers. These findings are very similar to the previous research study of Turaev and Ganiev [16]. This study stated that, as a foundation for their operations, SMEs should also focus on the enhancement or development of goods or services. So, SMEs should identity new techniques such as re-planning income and cutting costs to minimize losses, doing product innovation based on community requirements, paying attention to product quality standards, and maximizing same-day delivery services to make customers feel valued. The study intended to provide insights on how Covid-19 affected SMEs in Sri Lanka, what are the actions their actions for survival and sustainability of their business. The findings of the interviews and the results of the

scholarly studies highlighted how SMEs have affected from this Covid-19 pandemic, what are the actions SMEs have taken to survive during pandemic period and strategies that SMEs have implemented for long term sustainability of their businesses. Findings of this study clearly emphasized that under the effect of COVID-19, Sri Lankan SMEs should concern on maintaining healthy cash flow, improving product and service quality and digital transformation as long-term strategies for a sustainable future. By evaluating the data and comments of respondents, ideas were made on strategies that would help SMEs to be sustainable in long future.

As per the above findings, it implied that the negative impact of Covid-19 on SMEs received a lot of attention in this paper. However, the epidemic created new business prospects in other industries also. This is one limitation of this study. As a result, it is much needed on exploring the positive impact of Covid-19 on SMEs. Furthermore, this study was conducted as qualitative research, where the data acquired through interviews with only eight SME owners. As a result, this study only examined minimum number of industries, such as manufacturing and exporting, education, restaurant and bakery retail and wholesale, information technology, fashion, and beauty culture and cosmetics. However, industries like tourism, telecommunications, banking, shipping, construction and agriculture and farming were not covered under this study. This is another limitation. So, it is required to conduct new research of impact of Covid-19 under quantitative approach. Under quantitative approach researchers can gather details from higher sample size which includes more industries. Additionally, during pandemic like this, government assistance for the SMEs is important. SMEs are the backbone of the economy, also during a pandemic situation, SMEs become more vulnerable, and they are one of the sectors that are highly affected. Accordingly, government have a vital role to play in such a situation. Government should make policies to provide financial assistance to SMEs that are affected. So new research should conduct to examine the role of government to assist SMEs during Covid-19 pandemic. Considering all these recommendations, it can be observed that new studies can result in the accumulation of a wide range of information.

## **6. Conclusion**

The Corona Virus (COVID-19) pandemic was a global humanitarian disaster that affected billions of people. The pandemic had a significant impact on Sri Lanka.

As per the findings, identified that Sri Lankan SMEs have highly affected by this Covid pandemic. However, these SMEs have taken several actions in order to survive during the pandemic. Finally, they have implemented new strategies, that would help their businesses to be sustainable in the future. Accordingly, this study shows that even in this pandemic period, even SMEs were highly affected by this Covid-19, because of those actions they have taken, they were able to be survived during the pandemic. Moreover, the long-term strategies that SMEs implemented help them to survive and sustainable in the long future. As per this study, even SMEs highly affected by a pandemic, creative actions and strategies that they implement will help them to survive during a pandemic, and finally, will be able to achieve sustainable future in their businesses.

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