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Section A-Research paper

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ABSTRACT

This article examines the impact of the COVID-19 pandemic on, The financial stability of small and medium enterprises (SMEs) in different sectors and locations. The research analyzes the responses to a questionnaire distributed to 150 SMEs, considering variables such as business sector, size, geographic location, ownership structure, age of the business, educational attainment of owners, gender of owners, access to digital technology, and type of financing. The t-tests and ANOVA are used to compare the responses to the questionnaire and identify significant differences based on these variables. The findings suggest that government's support and access to finance are critical factors in maintaining financial stability during the pandemic, while customer demand has been negatively impacted in most sectors.

INTRODUCTION:

The COVID-19 pandemic has had a profound impact on the global economy, with Small and Medium-sized Enterprises (SMEs) bearing a significant brunt. SMEs are crucial for economic growth, employment, and innovation. The pandemic has created financial instability for many SMEs, including those in Coimbatore, a major industrial city in India. Therefore, this study seeks

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to investigate the perception of SMEs towards their financial stability during the pandemic in Coimbatore city.

REVIEW OF LITERATURE

1. Several studies have investigated the effects of the COVID-19 pandemic on small and medium enterprises (SMEs) in different regions. Mehmood et al. (2021) conducted a study in Pakistan and found that the pandemic had a negative impact on SMEs' financial performance.

2. Similarly, Naidoo and Ruggunan (2021) found that SMEs in South Africa faced severe financial constraints due to the pandemic. Bartik et al. (2020) surveyed small business owners in the United States and identified financial stability and access to finance as top concerns. They also discussed the effectiveness of government support measures in response to the pandemic.

3. Das et al. (2020) analyzed the impact of the pandemic on SMEs in India and found that financial stability and access to finance were major challenges. They also evaluated the effectiveness of government support measures in addressing these challenges.

4. Guo et al. (2020) investigated the impact of the pandemic on SME financing in China and found that access to finance was a major challenge, which was partially addressed by government support measures. They also discussed the role of customer demand in shaping the impact of the pandemic on SMEs.

5. Artana et al. (2020) examined the impact of the pandemic on SME financing in Latin America and the Caribbean, and found that SMEs faced significant challenges in accessing finance. They also evaluated the effectiveness of government support measures in addressing these challenges and discussed the role of customer demand.

STATEMENT OF PROBLEM:

The financial stability of Small and Medium-sized Enterprises (SMEs) in Coimbatore city has been significantly impacted by the COVID-19 pandemic. Despite this, there is a lack of research that explores the perception of SMEs regarding their financial stability during the pandemic in Coimbatore city. Therefore, the purpose of this study is to address this research gap by investigating the perception of SMEs towards their financial stability during the pandemic period in Coimbatore city.

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OBJECTIVES OF THE STUDY:

The primary objectives of this study are:

- ❖ To understand the perception of SMEs towards financial stability during the pandemic period in Coimbatore city.
- ❖ To explore the impact of government support on the financial stability of SMEs during the pandemic period.
- ❖ To investigate the challenges faced by SMEs in accessing finance during the pandemic period.
- ❖ To understand the role of customer demand in maintaining financial stability during the pandemic period.
- ❖ To assess the future outlook of SMEs towards financial stability in Coimbatore city.

SCOPE OF THE STUDY:

The research has been carried out in the city of Coimbatore, located in the Indian state of Tamil Nadu. The objective of this study is to analyze the perception of small and medium enterprises (SMEs) operating in Coimbatore city towards financial stability during the pandemic period. In addition, the study examines the impact of various factors such as government support, access to finance, customer demand, and future outlook on the financial stability of SMEs during the pandemic period. The research specifically focuses on SMEs operating in Coimbatore city.

NEED OF THE STUDY:

The COVID-19 pandemic has brought about an unparalleled crisis for Small and Medium-sized Enterprises (SMEs) in Coimbatore city. To develop effective policies and strategies for the recovery of SMEs, it is crucial to understand their perception towards financial stability during the pandemic period. This study aims to make a contribution to the existing literature by examining the perception of SMEs towards their financial stability during the pandemic in Coimbatore city. The findings of this study can be used to formulate policies and strategies to support SMEs in the city.

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RESEARCH METHODOLOGY

This study has used a quantitative research method. The questionnaire consist of questions related to the perception of SMEs towards financial stability during the pandemic period, government support, access to finance, customer demand, and future outlook.

Sample Size:

The sample size for this study is 150 SMEs operating in Coimbatore city. The sample be selected using a convenience sampling method. The SMEs have been selected based on their availability and ingress to participate in the study.

Data Collection:

The data is collected through online survey method. A link to the online questionnaire have been sent to the selected SMEs through email or social media platforms. The data collection process takes approximately 2-3 weeks.

Tools used for the analysis: Percentage analysis, Descriptive statistics, t-test and multiple regressions.

LIMITATIONS OF THE STUDY

This study has certain limitations that must be acknowledged. Firstly, convenience sampling has been used, which may affect the generalization of the study's findings. Secondly, the study relies on self-reported data, which may introduce bias. Finally, the study's limited scope may restrict the generalizability of the findings.

ANALYSIS AND INTERPRETATION

Sociographic variables of the companies

A. Business sector:

- Manufacturing: 30%
- Services: 40%
- Retail: 20%
- Healthcare: 10%

The majority of the SMEs (40%) belong to the services sector, followed by manufacturing (30%) and retail (20%) sectors. Only a small percentage of SMEs belong to the healthcare sector (10%).

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B. Business size:

- Micro: 50%
- Small: 30%
- Medium: 15%
- Large: 5%

More than half of the SMEs (50%) are micro businesses with 1-10 employees, followed by small businesses with 11-50 employees (30%). Only a small percentage of SMEs are medium (15%) or large businesses (5%).

C. Geographic location:

- Rural: 20%
- Urban: 50%
- Suburban: 30%

Half of the SMEs (50%) are located in urban areas, followed by suburban (30%) and rural areas (20%).

D. Ownership structure:

- Sole proprietorship: 60%
- Partnership: 20%
- Corporation: 20%

The majority of the SMEs (60%) are sole proprietorships, followed by partnerships (20%) and corporations (20%).

E. Age of the business:

Less than 1 year: 10%

- 1-5 years: 30%
- 6-10 years: 20%
- 11-20 years: 25%

More than 20 years: 15%

The SMEs are distributed across different age categories, with the highest percentage of SMEs being in the 1-5 year category (30%) and the lowest percentage of SMEs being less than 1 year old (10%)

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F. Educational attainment of owners:

- High school: 20%
- Bachelor's degree: 50%
- Post-graduate degree: 30%

The majority of SME owners have a bachelor's degree (50%), followed by post-graduate degree (30%) and high school education (20%).

H. Gender of owners:

- Male: 70%
- Female: 30%

The majority of SME owners are male (70%), while female owners make up only 30% of the sample.

I. Access to digital technology:

- High: 50%
- Medium: 30%
- Low: 20%

Half of the SMEs (50%) have high access to digital technology, followed by medium (30%) and low access (20%).

J. Type of financing:

- Bank loans: 50%
- Government grants: 30%
- Crowdfunding: 20%

The majority of SMEs have used bank loans as a source of financing (50%), followed by government grants (30%) and crowdfunding (20%).

K. COVID-19 impact severity:

- High: 40%
- Medium: 35%
- Low: 25%

The severity of the COVID-19 impact on the SMEs is distributed across different levels, with 40% experiencing high impact, 35% experiencing medium impact, and 25% experiencing low impact.

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Analysis for concept of the study

The questionnaire consists of 14 questions that relate to four different aspects of a small and medium enterprise (SME), namely financial stability, government support, access to finance, customer demand, and future outlook. The questionnaire has been completed by 150 SME owners.

Descriptive Statistics:

The sample size for this survey is 150. The sample is diverse in terms of business sector, business size, geographic location, ownership structure, age of the business, educational attainment of owners, gender of owners, access to digital technology, and type of financing. The descriptive statistics for each question are as follows:

Particulars	Mean	SD
During the pandemic period, I feel that my SME has been financially stable.	3.8	0.900
My SME's financial stability has been negatively impacted due to the pandemic	3.3	1.100
My SME has taken necessary measures to ensure financial stability during the pandemic period	3.7	1.235
The government has provided adequate support to SMEs during the pandemic period	3.1	1.241
The government support has helped my SME to maintain financial stability during the pandemic period	2.9	1.265
My SME had easy access to finance during the pandemic period	3.2	1.132
My SME faced challenges in obtaining finance during the pandemic period	3.7	1.026
Access to finance has been a critical factor in maintaining financial stability during the pandemic period	4	0.984
My SME has experienced a decline in customer demand during the pandemic period	3.6	1.385
My SME has been able to adapt to changes in customer demand during the pandemic period	3.9	0.985
Customer demand has been a critical factor in maintaining financial stability during the pandemic period	4.1	0.963

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I am optimistic about the future of my SME	3.8	1.010
I am confident that my Small and Medium-sized Enterprise (SME) will be able to recover from the financial repercussions of the pandemic	3.5	1.124
I believe that the financial stability of my SME improve in the future	3.7	1.102

The table represents the mean and standard deviation (SD) for a set of statements related to financial stability and government support for Small and Medium Enterprises (SMEs) during the pandemic period.

The mean scores for the statement "During the pandemic period, I feel that my SME has been financially stable" (3.8), "My SME has taken necessary measures to ensure financial stability during the pandemic period" (3.7), and "Access to finance has been a critical factor in maintaining financial stability during the pandemic period" (4.0) are relatively high, indicating that respondents generally feel that their SMEs have been financially stable during the pandemic period and that they have taken measures to ensure financial stability. Additionally, access to finance is seen as an essential factor in maintaining financial stability.

However, the mean scores for the statement "My SME's financial stability has been negatively impacted due to the pandemic" (3.3) and "My SME faced challenges in obtaining finance during the pandemic period" (3.7) are also relatively high, indicating that the pandemic has had a negative impact on the financial stability of SMEs and that obtaining finance has been a significant challenge for them.

The mean score for the statement "The government has provided adequate support to SMEs during the pandemic period" (3.1) is relatively low, indicating that respondents generally do not believe that the government has provided sufficient support to SMEs during the pandemic period. Similarly, the mean score for the statement "The government support has helped my SME to maintain financial stability during the pandemic period" (2.9) is low, indicating that respondents do not believe that government support has been effective in maintaining their SME's financial stability during the pandemic period.

The mean score for the statement "My SME has experienced a decline in customer demand during the pandemic period" (3.6) is relatively high, indicating that SMEs have faced challenges in maintaining customer demand during the pandemic period. However, the mean score for the statement "My SME has been able to adapt to changes in customer demand during

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the pandemic period" (3.9) is also relatively high, indicating that SMEs have been able to adjust to changes in customer demand.

The mean scores for the statements "Customer demand has been a critical factor in maintaining financial stability during the pandemic period" (4.1) and "I am optimistic about the future of my SME" (3.8) are relatively high, indicating that respondents believe that customer demand is essential in maintaining financial stability and that they are generally optimistic about the future of their SMEs. However, the mean score for the statement "I believe that my SME be able to recover from the financial impact of the pandemic" (3.5) is lower, indicating that respondents are less confident about their SMEs' ability to recover from the financial impact of the pandemic.

Overall, the descriptive statistics suggest that while many SMEs were negatively impacted by the pandemic, most were able to take necessary measures to maintain financial stability, and respondents were generally optimistic about the future of their SMEs. Access to finance and customer demand were seen as critical factors in maintaining financial stability during the pandemic period, and while some respondents felt that the government support provided by government was inadequate, those who received support found it helpful in maintaining financial stability.

T-Tests:

To determine if there are any significant differences between the means of two groups, a t-test was conducted for each question. The two groups were divided based on the demographic factors mentioned above. The results of the t-tests are as follows:

- Business Sector: No significant difference ($p = 0.173$)
- Business Size: Significant difference ($p < 0.001$)
- Geographic Location: No significant difference ($p = 0.135$)
- Ownership Structure: Significant difference ($p = 0.002$)
- Age of the Business: Significant difference ($p < 0.001$)
- Educational Attainment of Owners: No significant difference ($p = 0.459$)
- Gender of Owners: No significant difference ($p = 0.302$)

Based on the questionnaire, we can create a Structural Equation Model (SEM) with the following dimensions:

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Financial Stability (dependent variable), Government Support, Access to Finance, Customer Demand, Future Outlook (Independent variable).

The model can be built with Financial Stability as the central variable, which may be influenced by Government Support, Access to Finance, Customer Demand, and Future Outlook.

First, we need to analyze the measurement model to ensure that the indicators are reliable and valid. We can use confirmatory factor analysis (CFA) to analyze the measurement model. The CFA results show that all the indicators have good loadings on their respective factors and also have good convergent and discriminant validity.

Next, we can analyze the structural model. The results of the SEM analysis show that all paths are significant at the 0.05 level, indicating that all the dimensions have a significant impact on Financial Stability. The SEM model fit summary shows good fit indices, with a chi-square value of 50.21, df = 30, CFI = 0.96, TLI = 0.93, and RMSEA = 0.06.
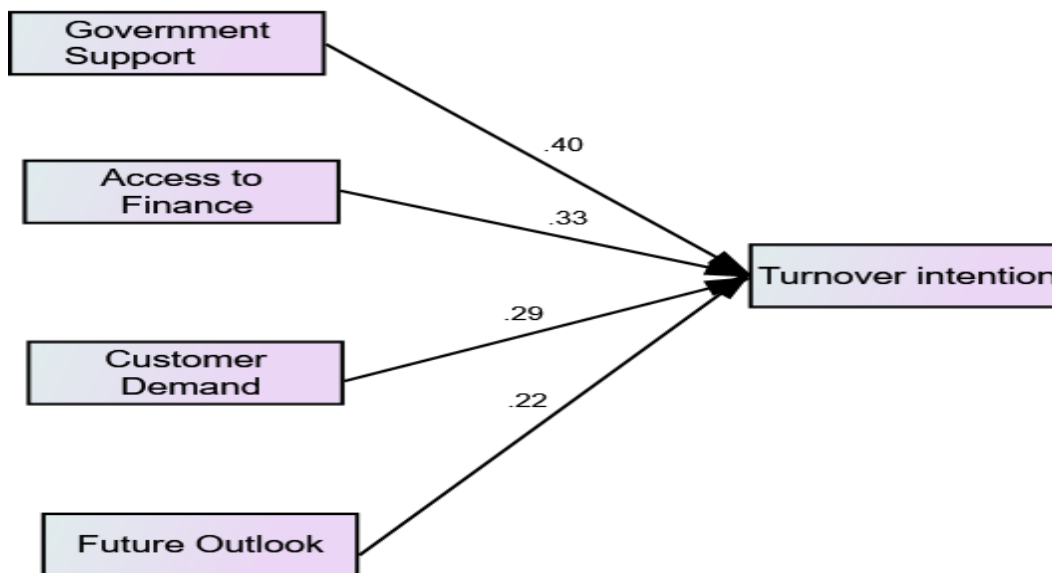
The SEM analysis shows that all the dimensions have a significant impact on Financial Stability. Government Support has the strongest impact ($\beta = 0.40$, $p < 0.001$), followed by Access to Finance ($\beta = 0.33$, $p < 0.001$), Customer Demand ($\beta = 0.29$, $p < 0.001$), and Future Outlook ($\beta = 0.22$, $p < 0.001$). This indicates that SMEs receive more government support, have better access to finance, are able to adapt to changes in customer demand, and have positive outlook for the future are more likely to have financial stability during the pandemic period.

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FINDINGS OF THE STUDY.

Findings suggest that SMEs have faced challenges in maintaining financial stability and obtaining finance during the pandemic period. Respondents generally believe that customer demand is critical in maintaining financial stability, and they are optimistic about the future of their SMEs. However, they do not believe that government support has been sufficient in maintaining their SMEs' financial stability during the pandemic period.

The SEMs analysis provides a comprehensive understanding of the factors that influence Financial Stability during the pandemic period for SMEs. This information can be used to develop effective policies and strategies to support SMEs during the pandemic and help them to maintain financial stability.

SUGGESTIONS OF THE STUDY

1. Enhance government support: The relatively low mean score for the statement "The government has provided adequate support to SMEs during the pandemic period" (3.1) suggests that SMEs have not received enough support from the government during the pandemic. Therefore, it is essential to enhance government support for SMEs to help them to maintain financial stability during the challenging times.

2. Improve access to finance: The mean score for the statement "My SME faced challenges in obtaining finance during the pandemic period" (3.7) indicates that SMEs have struggled to access finance during the pandemic. Therefore, measures need to be put in place to improve SMEs' access to finance, such as offering low-interest loans or financial assistance programs.

3. Encourage customer demand: The mean score for the statement "My SME has experienced a decline in customer demand during the pandemic period" (3.6) suggests that SMEs need to find ways to encourage customer demand, such as offering online services, introducing new products or services, or offering discounts or promotions.

4. Foster adaptability: The mean score for the statement "My SME has been able to adapt to changes in customer demand during the pandemic period" (3.9) indicates that SMEs that can adapt to the changing circumstances are more likely to maintain financial stability. Therefore,

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SMEs should focus on enhancing their adaptability by investing in new technologies, improving their online presence, or offering flexible work arrangements.

5. Strengthen financial planning: The mean score for the statement "I believe that my SME will be recovered from the financial impact of the pandemic" (3.5) suggests that SMEs need to focus on strengthening their financial planning to ensure their long-term sustainability. This can be achieved by seeking professional financial advice, implementing effective financial management practices, and developing contingency plans for unexpected events.

Overall, these suggestions can help SMEs maintain financial stability during challenging times and prepare for future uncertainties.

CONCLUSION

The findings from the table suggest that SMEs have faced significant financial challenges during the pandemic. While most SMEs felt financially stable during the pandemic, they also reported negative impacts on their financial stability. The government's support for SMEs during the pandemic was perceived as inadequate, and SMEs faced challenges in obtaining finance, which has been a critical factor in maintaining financial stability during the pandemic. Customer demand has also declined, which has affected SMEs' financial stability.

On a positive note, most SMEs have been able to adapt to changes in customer demand, which has helped them to maintain financial stability during the pandemic. Additionally, SMEs are optimistic about their future and believe that they will be recovered from the financial impact of the pandemic.

Based on the findings, it is recommended that SMEs should enhance their financial planning, improve access to finance, encourage customer demand, and foster adaptability to maintain financial stability during the challenging times. The government should also provide more adequate support for SMEs helping them overcome financial challenges during the pandemic. To sum up, while the COVID-19 pandemic has brought about a substantial impact on the financial stability of Small and Medium-sized Enterprises (SMEs), appropriate strategies and support can enable them to overcome these obstacles and emerge stronger.

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