

## Chapter 14

# Impact of COVID-19: Role of Digitalization on Small- and Medium-Sized Enterprises in Kurunegala District in Sri Lanka

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### ABSTRACT

*The coronavirus outbreak is the latest world tragedy that has affected all sectors of the economy. The government's preemptive efforts to safeguard public health include lockdown, confinement, limited movement order, and social distancing. While recognizing the importance of the national order in preventing the immense spread of the virus, the authors contend that there are certain undiscovered impacts of the COVID-19 movement block and the role of digitalization on small and medium enterprises in Kurunegala District. In summary, the impacts of the COVID-19 movement block on SMEs are classified by five themes. Moreover, for the role of digitalization, the researcher used three built-in themes. The research recommends suggestions for future research work, business development agencies, and entrepreneurs.*

### INTRODUCTION

The Asian economy relies heavily on small and medium-sized businesses (SMEs). They make up more than 98% of all Asian businesses that provide two out of three private sector jobs in the region. As a result, having fully functional support measures for SMEs is critical for Asia's economic success (Taghizadeh-Hesary, 2016). SMEs constitutes for over 75% of the number of enterprises in Sri Lanka and contribute to 52% of the GDP of Sri Lankan economy (Roshan Rassool, 2021). SMEs are critical to the country's socio-economic development. It is estimated that SMEs contribute 52% to the GDP and are considered as the backbone of the economy. Small and medium-sized firms (SMEs) are estimated to account for over 90% of non-agricultural firms in Sri Lanka and 45 percent of overall employment. According to the Economic Census 2013/14 of the Department of Census and Statistics (DCS), the

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number of SME firms is 1.017 million, employing roughly 2.255 million people in the non-agricultural sector (Gunawardana, 2020).

A Digital Transformation and Technology Adoption Program in Sri Lanka teaches and inspires entrepreneurs from regional SMEs in all industries and sectors about the need of embracing digital technology to expand their businesses (ICTA, 2021). The Sri Lanka Go Digital program is crucial in connecting national government activities, building regional digital economic and national export plans, and supporting the digital transformation of SMEs, all of which contribute to increased national exports. Small and medium firms are characterized by their exceptional flexibility, predisposition for entrepreneurial initiatives, lower production volumes, simple organizational structure, and informal internal communication (Lazarevic-Moravcevic, 2019). SMEs have been affected by the current crisis more severely than the large enterprises because of their sensitivity to the supply and demand shocks. The first registered cases COVID-19 appeared in Wuhan, China in December 2019. Between January and February 2020, the spread of the disease occurred in 31 provinces of mainland China with Wuhan being the epicenter of the epidemic. The Chinese government declared a state of emergency, with the highest-level enforcing measures such as self-quarantine, cancellation of public events, prohibition of crowd gatherings, closure of all businesses and sports facilities except food stores, and closure of highways, railroads, and flights across the country. Restriction measures imposed by the Chinese government were quickly followed by limitations imposed by other countries on travel to and from China. The outbreak of the pandemic has already had a significant impact on the Chinese economy (especially industries such as transportation, tourism, hospitality, entertainment, and financial services) by the end of January. The impact of the COVID-19 outbreaks, lockdowns, and travel ban on the confidence of both domestic and international companies, expected revenue loss, and cash flow challenges were among the findings of a survey of 761 business owners, mostly SMEs, conducted by the University of International Business and Economics in February. (Feng, 2020).

The COVID-2019 virus is mainly spread through droplets of discharge from the nose breathed by people who breathe in the droplets when an infected person coughs in close contact with others (Mutambisi, 2020). As a result, governments established social and physical barriers as a means of limiting the virus's spread. Lockdown has been applied in several countries to ensure the efficiency of social distancing. To restrict the spread of COVID-19, several impoverished countries are following the lead of wealthy ones by mandating strict lockdowns. They compel people to stay at home and restrict their economic activity outside of the home. In locations where health facilities are unable to handle an influx of patients because of the outbreak, lockdown can help relieve the burden of hospitalizing individuals.

Coronavirus disease 2019 (COVID-19) has been putting people's lives at danger. The SARS coronavirus 2 is thought to be spread primarily through close contact (Zhang, 2020). The infection risk in indoor environments is much higher than that in outdoor environments because of possible insufficient ventilation, long periods spent indoors, high close contact rate, and many frequently touched public surfaces (Zhang., 2019). For infection prevention and control, many nonpharmaceutical interventions have been introduced, with the goal of encouraging social distance and reducing exposure time and infection risk during close contact (Colbourn., 2020). In the absence of pharmaceutical therapies, human behavioral change is critical for preventing transmission (West R, 2020).

Infectious diseases have been a significant challenge in recent decades. Following the epidemics of SARS in China in 2002, Ebola in West Africa in 2014, and MERS in 2015, a novel coronavirus (COVID-19) outbreak signaled the start of 2020 (WHO, 2020). The COVID-19 virus, SARS-CoV-2, appears to be spreading mostly from person to person, readily and sustainably, causing respiratory sickness and death

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