

## IMPACT OF RESILIENCE STRATEGIES AND DEVELOPMENTAL POLICIES ON THE BUSINESS PERFORMANCE OF MSMES IN KRISHNAGIRI DISTRICT

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### ABSTRACT

**Objectives:** The study aims to identify and validate the components of resilience strategies employed by MSMEs in Krishnagiri district. Additionally, it seeks to measure the impact of these strategies and developmental policies on the business performance of MSMEs.

**Methods:** Primary data were collected from MSME owners and employees across 10 zones in Krishnagiri district. A total of 250 usable responses were gathered using a convenience sampling method, with 25 responses collected per zone. The data were analyzed using structural equation modeling to evaluate the significance and effectiveness of resilience strategies.

**Results:** The analysis revealed that resilience strategies are crucial for the recovery and sustained growth of MSMEs in the district. These strategies not only support business continuity but also contribute to the overall growth and development of MSMEs, ensuring long-term prudential benefits.

**Conclusion:** The study concludes that resilience strategies play an essential role in enabling MSMEs to navigate challenges posed by pandemics and natural disasters. By implementing robust resilience strategies, MSMEs can achieve successful business recovery and contribute significantly to economic development at both state and national levels.

**Keywords:** resilience strategies, developmental policies, business performance, Sustainable Development Goals (SDG).

**Received:** Aug/16/2024

**Accepted:** Oct/18/2024

**DOI:** <https://doi.org/10.47172/2965-730X.SDGsReview.v4.n04.pe04219>



### 1 INTRODUCTION

As far as the global economy is concerned more than 90% of business and 50% of employment opportunities are generated by micro, small and medium enterprises (MSMEs). These independent owners of MSMEs and the employees working in those units and significantly contribute for the growth and development of global economy particularly the Indian economy. There are two

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types of MSMEs prevailing in the globe namely formal sector and informal sector and both of them are contributing 40% of the GDP in the developing countries. The critical contribution of MSMEs is to generate the job opportunities within the society and also involved in the income generating activities useful for the alleviation of poverty and individual empowerment of personalities in the society Afriza, E.S.D. (2021)(1).

Most of the MSMEs are operated locally and over the period of time they even export their products globally due to liberalisation and globalisation of Indian economy. The growth and development of MSMEs depends upon the support of state and central governments in India followed by stakeholder support in the local area and availability of educated workforce of the employees to contribute significantly. The growth and development of MSMEs indirectly and directly help the empowerment of society and also significantly increase the empowerment level of individuals within the range of stakeholders Amri, A. (2020)(2).

In the recent years all the countries in the world noticed severe hindrance of pandemic scenarios and economic impediments directly affecting the growth and development of the MSMEs and even send them to the brink of disaster. The MSMEs around the globe confirms the existence of direct and indirect impediments in the form of challenges and issues and sometimes finds them in the ocean of failure. Most of the MSMEs during the pandemic scenarios are duty-bound to close as per the government orders and the employees are not cooperating during those crucial periods and involve themselves in the production process. In such a scenario, they have cancelled all the new projects and the new demands are taken as per the direction of state and central governments. The stakeholders like vendors, customers and the government have stayed away from MSMEs and did not contribute significantly for their growth. The growth and development and individual business performance of MSMEs depends upon continuous order from the customers and cooperation of the employees Hendartyo, M.,(2020)(3). There are separate government policies of state and central government in encouraging MSMEs to make the job opportunities and also to increase both state and national GDP. In the critical scenarios of pandemic approach and other natural disasters issues MSMEs are





duty-bound to follow the resilience strategies to sustain the business and also to empower their employees and stakeholders to contribute significantly for the state and national GDP. Therefore the present research is focusing on identifying the components of resilience strategies of MSMEs and the subsequent impact on their business performance along with the support of developmental policies of state and central government.

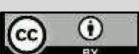
## 2 LITERATURE REVIEWS

Anatan, L. (2018) (4). These authors identified the factors responsible for resilience in MSMEs in the context of individual perception of MSMEs owners and organisational perception of employees. The issues and challenges of MSMEs during pandemic and other natural disasters are severely affecting the business performance and create difficult and unpleasant business environment.

Anatan, L. (2019) (5). These authors argued that the implementation of development strategies in the MSMEs depends upon stakeholders intention particularly intervention of government and adoption of innovative financial policies of MSMEs to revive their business after the great impediments. The psychological notion of the owners and perception of employees during pandemic is to develop the MSMEs without any predicament.

Awaloedin, D.T., Nurhilaludin, S., Hanif, M. (2020)(6). These authors empirically proved the existence of multifarious approach and multidimensional concept of resilient strategies in the MSMEs based on the environmental changes, economic changes and the empowerment scenarios. They emphasised the need for immediate changes in the MSMEs and psychological motivation for MSME owners to achieve business success besides heavy problems of economy and government support.

Chatani, K., de Juano, HS, Ulrich, S., Rustandie, J., & Gunawan, T. (2020)(7), these authors predominantly identified resilience as the ability of individual owners of MSMEs to avoid unnecessary obstacles regarding raw materials, finance, export of finished products and local supply from vendors. They firmly believe that absorption of any problem and identifying its variety and depth and seeking for intervention from government would help the MSMEs





to recover any disastrous scenarios. The unpredictable global competition and unpredictable pandemic scenarios are the greatest impediments for the growth and development of MSMEs.

Ellitan, L., & Anatan, L. (2020)(8). These authors estimated the role of updated technology, demand and supply from the MSMEs, supplying vendors and the customers are playing the very important vital role in changing the growth and development direction of MSMEs. The intervention of government in the form of offering interest-free loans and less interest loans found to motivate the MSMEs to start the new production without any obstacles.

Hardilawati, W.L. (2020)(9), These authors demanded the requirement of the ability of individual personalities in MSMEs to carry out the transformation from one development scenarios to other development scenarios of finished goods export. The innovative technology, innovative financial approach and a business process re-engineering within MSMEs can increase their opportunities of profitability and development.

Hidayat, M., Latief, F., Nianty, DA, Bahasoan, S., Widiawati, A. (2020)(10), In another study they argued that the interest of government in increasing the entrepreneurship, motivational programs for entrepreneurship and job opportunities programs are important factors directly coming from the intervention of government for the sudden growth and development of MSMEs besides their problems and difficulties. The role of technology is very important for the revival of MSMEs along with the profitability.

Nasution, D.A.D., Erlina, Muda, I. (2020)(11). These authors identified the role of massive digitalisation technological approach and digital transaction of both Finance and orders of MSMEs are all playing the very important vital role in the strategies of resilience. The collaboration with vendors, customers and other stakeholders extend the Cooperation for the development and profit of MSMEs within the bounded conditions of government intervention.

Purwanto, N.P. (2020)(12). There are several factors of resilience strategies in MSMEs namely demand interventions created by MSMEs and continuous interaction with customers for their business sustainability can easily revive their business from impediments. The major impediments of MSMEs are financial flow, orders for production and uninterrupted supply of



vendors and power. The role of government intervention is very important for business sustainability.

Rusliati, E., & Mulyaningrum. (2020)(13). these authors identified the role of risk management care in the MSMEs sector and their innovative financial approach for the sudden growth and development. The Mainstream diversity, collective actions and budgeting are also playing the role in overcoming the difficulties of MSMEs after the pandemic scenario. The role of government intervention is predominant for MSMEs.

### 3 GAPS IN THE LITERATURE

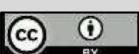
The investigation on national and international literature pertaining to the growth and development of MSMEs and the contribution of resilience strategies clearly revealed the existence of three conspicuous gaps which were not addressed empirically by the researchers namely

1. What are all the different constructive resilience strategies useful for the MSMEs for their growth and development?
2. Is there any correlation between resilience strategies, developmental policies and business performance of MSMEs?
3. What type of relationship exists among resilience strategies and profile of MSMEs in the study area?

### 4 OBJECTIVES OF THE STUDY

The literature reviews followed by gaps in the literature gave torrent of objectives required for this present research namely

1. To identify and validate the components of resilience strategies of MSMEs in the study area;
2. To analyse the developmental policies of state and central government and the perception of MSMEs owners;
3. To measure the impact of resilience strategies and developmental policies on the business performance of MSMEs in Krishnagiri district.



## 5 HYPOTHESES

The subsequent logical approach from research gaps to the objectives motivated the researcher to coin the following meaningful hypotheses

1. There is a significant difference among the components of resilience strategies of MSMEs;
2. There is a significant impact of resilience strategies on business performance of MSMEs;
3. There is a significant impact of developmental policies of government on business performance of MSMEs.

## 6 METHODOLOGY

Primary data is the major source of this research to carry out successfully. Primary data is collected from the MSMEs owners as well as the employees of MSMEs to exactly underpin the resilience strategies prevailing among the MSMEs in the study area. The primary data also depends upon the opinion of MSMEs owners and employees as they maintained a close intimate relationship for the development of MSMEs regarding governmental policies and business performance. The major aim of resilience strategies is to revive the MSMEs to increase their business performance from the natural impediments of pandemic scenarios and other natural disasters. The researcher constructed the questionnaire based on the literature reviews as well as the gaps of the literature. The questionnaire consists of three parts namely organisational details of MSMEs followed by resilient strategies, developmental policies of government. The third part consists of statements pertaining to business performance of MSMEs. The first part of the questionnaire is mainly optional type in nature whereas second and third part comprises statements in five point Likert's scale. The resilient strategies consist of 24 statements whereas developmental policies consist of five statements. The business performance comprises again five statements regarding productivity and profitability of MSMEs. In this research resilience strategies and government policies for the



development are considered as independent variables whereas business performance is taken up as dependent factor.

After framing the questionnaire for MSMEs owners and employees, the researcher conducted the pilot study to check the reliability and validity of the questionnaire. The reliability is done by collecting hundred responses from the study area of Krishnagiri district and the researcher applied the cronbach alpha method to check the reliability of the statements generated from literature reviews. The application of cronbach alpha method on the statements in scaling technique revealed the value 0.812 which is above the required benchmark of 0.752 to express the reliability of the statements generated by the researcher from the literature reviews.

After conducting the plausible pilot study, the researcher intended to carry out the main study by collecting the samples from the MSMEs in the Krishnagiri district distributed across 10 zones. The researcher circulated 25 customers each in the 10 zones and collected 250 usable responses through convenience sampling method. The application of random sampling is not applied for data collection because some of the randomly selected MSMEs did not participate in the research. They expressed their unwillingness to participate in the research pertaining to the resilience strategies of MSMEs.

After collecting the 250 usable responses, the researcher meticulously and innovatively coded them in terms of numerical values and entered them in the SPSS package version 23. After entering the data successfully the researcher also observed the multivariate statistical tools namely principal component analysis, confirmatory factor analysis, linear multiple regression analysis and structural equation model which are more suitable and appropriate to verify the objectives and resilience strategies and also to test the hypothesis empirically.

## 7 ANALYSIS AND DISCUSSION

In this section the researcher applied principal component analysis at the point of inception for deriving the factors of resilience strategies of MSMEs according to the perception of the respondents. The respondents in the study



domain give their opinion for five point scale variables regarding resilience strategies more suitable and appropriate for the revival of their MSMEs therefore the researcher intended to reduce them into predominant factors by grouping the underlying variables with same meaning of approach. The application of principal component analysis and the variables in statement of Likert's five-point scale derived the following results

**Table 1**

*Normal distribution check through KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.803
Approx. Chi-Square	3524.999
Bartlett's Test of Sphericitydf	276
Sig.	.000

From the above table it is found the KMO value, Bartlett's test of sphericity and chi-square values are statistically significant at 5% level to indicate that all the 24 variables regarding resilience strategies are normally distributed and more suitable and appropriate for factor segmentations. This test also designates the existence of sufficient number amount of variance for variables grouping and emergence of factors from the underlying variables as shown in the table below.

**Table 2**

*Factor segmentation from the variables of Resilience strategies*

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.425	22.603	22.603	2.715	11.311	11.311
2	2.464	10.266	32.868	2.358	9.825	21.136
3	1.738	7.241	40.109	2.164	9.017	30.154
4	1.491	6.211	46.321	2.049	8.539	38.693
5	1.221	5.087	51.407	1.839	7.663	46.355
6	1.155	4.811	56.219	1.715	7.146	53.501
7	1.056	4.399	60.618	1.397	5.822	59.323
8	.958	3.990	64.608	1.268	5.285	64.608

From the above factor extraction table it is inferred that 24 variables are reduced to 8 predominant factors with the variance of 64.608%. The variance sufficiency and variables grouping with the underlying factors clearly proved the existence of 8 factors namely demand interventions, business sustainability,

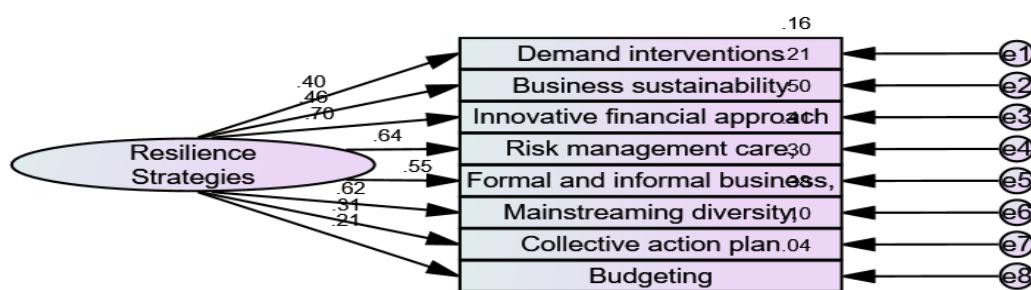
innovative financial approach and risk management care, formal and informal business, mainstreaming diversity, collective action plan and budgeting respectively. These factors comprise three variables each with the appropriate indications of meaning of the factors. Hence the researcher computed the total average scores for all the factors of resilience strategies to check its validity by using confirmatory factor analysis. The application of confirmatory factor analysis on the total average scores of the factors brought the following results with a diagram and six predominant fit indices.

**Table 3**

*Fit indices and bench mark values for the resilience strategies*

S.NO	Fit indices	Values	Bench mark values
1	Chi-square	9.439	-
2	P-value	0.203	>.05
3	Goodness of fit index(GFI)	0.989	>.9
4	Comparative fit index(CFI)	0.987	>.9
5	Normed fit index(NFI)	0.985	>.9
6	Root Mean Square Error of Approximation(RMSEA)	0.08	<=0.08

**Figure 1**  
*Resilience Strategies*



From the above table and diagram it is found that all the 6 fit indices chi-square value, P-value, comparative fit index, goodness of fit index, normed fit index and root mean square error of approximation found to satisfy the required benchmark values for the best fit of the model. The indication of best fit of the model automatically validates all the eight factors of resilience strategies. After confirmation of 8 factors of resilience strategies, the researcher considered them as one of the independent variables and also computed the total average scores for developmental policies of the stakeholders. The resilience strategies and developmental policies of stakeholders in the perception of SME owners and employees are considered as independent variables to find the subsequent impact on the dependent factor business performance. The business performance variables are five in number and also obtained through five point scale and taken up as dependent factor. In this scenario the researcher applied linear multiple regression analysis and derived the following results.

**Table 4**  
*R-square values for Resilience strategies*

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
1	.169 <sup>a</sup>	.401	.391	.44395

From the above table it is found that R-square value, adjusted R-square value and the standard error of the estimate are statistically significant. The R-square value is 0.401 which is above the requirement of 0.3 to indicate 40.1%



variance influence of resilience strategies and developmental policies on the business performance of SMEs. It is further consolidated and analysed in the following analysis of variance table

**Table 5**

*F-value for Resilience strategies*

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.067	9	4.674	23.716
	Residual	96.573	490	.197	
	Total	138.640	499		

From the above table it is found that the F-value 23.716 and P-values .000 are statistically significant at 5% level and revealed the strong bonds of relationship between resilience strategies and developmental policies of MSMEs to create significant influence over their best business performance. Therefore in this juncture the researcher requires individual influence of 8 factors of resilience strategies and developmental policies on the business performance through the following coefficient table.

**Table 6**
*individual influence of Resilience strategies and developmental policies*

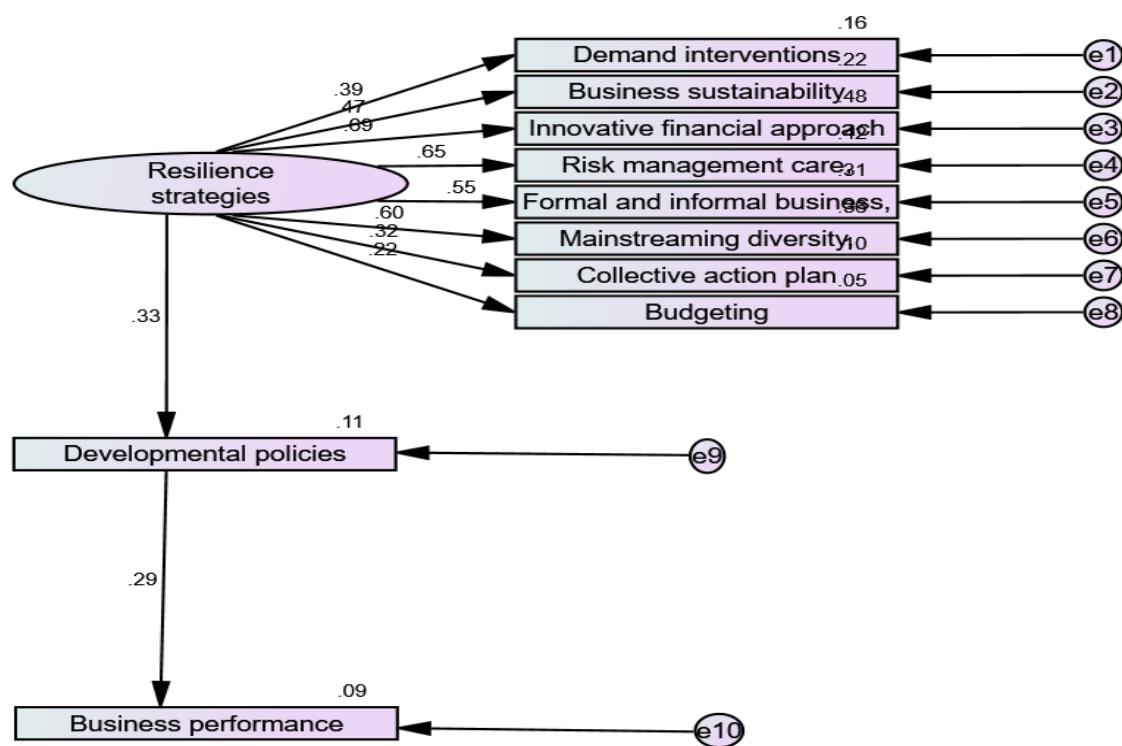
Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1	(Constant)	1.739	.204	8.511	.000
	Demand interventions	.020	.026	.131	.020
	Business sustainability	.018	.028	.127	.002
	Innovative financial approach	-.043	.034	-.361	.004
	Risk management care,	.283	.033	.399	.000
	Formal and informal business,	.105	.033	.142	.001
	Mainstreaming diversity,	-.037	.027	-.363	.006
	Collective action plan	.105	.037	.114	.005
	Budgeting	.061	.034	.371	.015
	Developmental policies	.101	.030	.136	.001

a. Dependent Variable: Business performance

From the above table it is found that the predominant factors demand interventions, innovative financial approach, risk management care, mainstreaming diversity, collective action planning and budgeting are found to influence the business performance of MSMEs in the study area of Krishnagiri district. The developmental policies of the government and other stakeholders of the MSMEs are also contributing significantly for the best business performance of MSMEs even after facing the pandemic situations and other natural disasters.

After validating the components of resilience strategies of MSMEs and developmental policies on the business performance of MSMEs, the researcher intended to construct an empirical model to test the hypotheses and also to identify the nature of relationship among resilience strategies, developmental policies and the business performance through structural equation model. The structural equation model is the combination of confirmatory factor analysis followed by linear multiple regression analysis. The structural equation model is applied on the total average scores of all the 8 factors of resilience strategies and developmental policies as well as the business performance and the following diagram and the tables are derived.

**Figure 2**  
*Resilience Strategies*



**Table 7**  
*Fit indices and bench mark values for the impact of resilience strategies on business performance*

S.NO	Fit indices	Values	Bench mark values
1	Chi-square	11.872	-
2	P-value	0.387	>.05
3	Goodness of fit index(GFI)	0.900	>.9
4	Comparative fit index(CFI)	0.989	>.9
5	Normed fit index(NFI)	0.986	>.9
6	Root Mean Square Error of Approximation(RMSEA)	0.07	<=0.08

From the above table and diagram it is found that all the 6 fit indices satisfy the required benchmark values and significantly improved the influence of resilience strategies cumulatively with developmental policies to create best business performance of MSMEs after the pandemic impediments and calamities of natural disasters. The model leads to the verification of the hypotheses. The



6 fit indices and the best effect of the model clearly revealed that the entire three alternate hypotheses are accepted and supported at 95% confidence level.

## 8 FINDINGS AND CONCLUSION

The empirical research clearly proved that resilience strategies are essential for all MSMEs in the Krishnagiri district to retrieve the business successfully and also to ensure growth and development with the prudential benefits. It is found from the research that resilience strategies are not unique in nature whereas it depends upon the conditions of stakeholders and their variety and depth of interest in the growth and development of MSMEs in the study area. Demand interventions followed by business sustainability strategies supported by the government and the stakeholders activate the successful resilience strategies to revive their MSMEs business and also to contribute significantly for national GDP.

The innovative financial approach namely offering loans from public sector financial institutions at the lower rate and encourage the MSMEs to avail the loans to start the production and export their finished goods without any impediments. The existence of risk management care and solutions followed by formal and informal business within the MSMEs premises actually encourage them to participate in all the developmental activities respectively. Mainstreaming diversity along with business process re-engineering of MSMEs through the collective participation and actions along with the government support revive the MSMEs business performance successfully. The Enlightenment on budgeting and planning for the prudential benefits and reputation of MSMEs are also considered as one of the powerful resilience strategies for the survival and revival of MSMEs from the brink of disaster.

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