

Engagement of Employee in MSME Sector and COVID-19

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Abstract: Workers in the organization faced several challenges during COVID-19, such as stress, anxiety, and concerns about job security. Human resource managers sought to implement employee engagement strategies to support staff in overcoming mental trauma while maintaining the organization's productivity. The aim of the study is to investigate and assess the engagement practices of the MSME sector in emergency situations like COVID-19. The COVID-19 pandemic has both financial and psychological effects on the overall economy. The MSME faces challenges regarding employee engagement in these situations. Most of the employees in MSME come from the unprofitable sector, which is significant as they form the essential support of the economy and help maintain its stability. This acts as the rationale for engaging in the following research. The research assists in understanding the various strategies an organization can adopt to handle its human resources during both contingency and pandemic scenarios.

Keywords: Employee engagement, Employee performance, COVID-19, MSME sector

1. Introduction

1.1 Employee Engagement

The COVID-19 pandemic compelled organizations to rapidly adjust, transitioning to remote work and implementing social distancing protocols. Workers encountered stress, challenges with work-life balance, and job uncertainty, resulting in disengagement. Businesses currently face challenges in sustaining employee engagement amid this unpredictable environment. To tackle this, organizations must regain financial stability and boost morale to retain employee commitment. Employee engagement can be enhanced through three methods: intellectually (achieving organizational objectives), affectively (emotional bond), and socially (connecting with others). Psychologically engaging employees is crucial for ensuring their satisfaction and commitment to their responsibilities (Davis et al., 2024).

(Hill et al., 2017) Employees who are both physically and mentally available to perform their organizational responsibilities are considered engaged. Self-efficacy, psychological safety, and purposeful work enhance the development of engagement, proactive actions, and employee enthusiasm during organizational transformations, significantly influencing change engagement (Albrecht et al., 2023; Tiwari et al., 2024).

This, in effect, boosts motivation and creativity in the workplace. Organizations that retain talented individuals, engage their workforce, and foster transparent and prompt communication can succeed during uncertain periods and create a successful future for themselves (Naim, 2021). Employee engagement is described by (Mishra & Biswal, 2024)

as employee engagement entails psychological dedication and deep commitment to the organization, improving overall performance. As stated by (Pavani et al., 2024), organizations that enhance employee engagement is linked to greater profitability, lower employee turnover, and higher job satisfaction, indicating that organizations prioritizing employee participation can improve productivity, profitability, customer satisfaction, and ultimately benefit shareholder value.

1.2 MSME-Micro, Small and Medium Enterprise

In India, MSMEs, which have turnovers between ₹5 crore and ₹250 crore and investments of ₹1 crore to ₹50 crore, function according to the MSMED Act of 2006. Originally categorized based on capital investment, the COVID-19 pandemic led to a redefinition in 2020. The revised definition eliminates differences between the manufacturing and service industries, increasing investment thresholds to bolster and rejuvenate the sector.

The table below cites the updated definition (Agarwal, 2024).

Classification	Micro	Small	Medium
Manufacturing and services	Investment < Rs.1 Cr Turnover < Rs.5 Cr	Investment < Rs.10 Cr Turnover < Rs.50 Cr	Investment < Rs.50 Cr Turnover < Rs.250 Cr

Because these businesses experienced losses to the extent that some were permanently closed and because they operate with fewer resources and funds, this action was required to be taken during COVID-19. In order to adapt to the situation of low demand and capacity to produce, MSME chooses to reduce human resources, which ultimately has a negative impact on employee engagement and performance (Coffie et al., 2023).

Small businesses must either implement training and development programs to maintain employee engagement and improve productivity, or they must simply implement layoffs (Selberg, 2020). During a study in Ethiopia, (Engidaw, 2022; Ahmad et al., 2024) discovered that COVID-19 was a pandemic that caused economic disruption.

The pandemic brought to everyone's attention the significance of small businesses and the necessity of taking into account both the formal and informal sectors of small businesses when conducting surveys. Efficient human resource practices are crucial for sustaining employee morale and performance, particularly in difficult periods. Businesses that focus on HR strategies can lessen the adverse impacts of employee downsizing (Baheti et al., 2024).

1.3 COVID-19

The SARS-CoV-2 virus is very similar to the flitter mouse, or bat, Corona viruses that resemble SARS. People who already have respiratory issues, the elderly, and those with weakened immune systems are typically the ones most impacted by COVID-19 (Ciotti et al., 2020).

2. Literature Review

The global financial crisis of 2019 resulted in a variety of financial losses for all individuals. However, the crises this time are not only financial; they also pose a threat to humankind and result in fatalities. In order for employees to actively contribute to the organization's goal, it was necessary to concentrate on their engagement this time (Johnstone et al., 2019). The epidemic situation creates a number of obstacles for businesses' daily operations and creates a variety of stressors and tensions among small and micro businesses. Simultaneous inflation, a

low foreign exchange market rate, and a lack of demand due to COVID-19 caused businesses to struggle and have to stop hiring **(Engidaw, 2022)**.

Throughout the COVID-19 pandemic, stress and anxiety among employees rose, hindering MSME employees' ability to engage with their organizations. Employee engagement, previously overlooked by many MSME owners, resulted in problems with trust and morale. For numerous employees, entering an MSME amid the crisis turned into their "sole choice for survival" **(Widyastuti et al., 2021)**. Concerns about losing jobs, reduced wages, fewer employment opportunities, and the transition to remote work from social distancing led to employee dissatisfaction and disengagement.

Throughout the pandemic, workers faced challenges in maintaining a balance between work and personal life, and the transition to new work environments led to unease. To boost productivity, small businesses implemented stress-reduction methods such as workouts and mindfulness practices. Employee engagement depends on both external and internal motivation. Extrinsic elements encompass promotions, evaluations, and monetary or non-monetary rewards, whereas intrinsic motivation arises from self-fulfillment and a feeling of success **(Delaney & Royal, 2017; Tang, 2024)**.

To maintain employee engagement, companies ought to concentrate on tactics such as efficient communication, digital social networking tools, and virtual development initiatives **(Chanana & Sangeeta, 2021)**. The COVID-19 pandemic caused significant economic turmoil, particularly impacting micro and small businesses, resulting in numerous closures or staff layoffs. As a reaction, businesses adopted remote work, social distancing measures, and sanitization practices to guarantee safety **(Bharti et al., 2021)**. Crises like this change the work patterns within organizations, such as the move to remote work and the embrace of new technologies. For successful adaptation, both workers and companies need to accept these changes collaboratively **(Bilderback & Kilpatrick, 2024)**.

A significant lack of funding compelled MSMEs to postpone payments to staff and creditors, resulting in diminished productivity, underused resources, and lower engagement. Research on employee engagement amidst COVID-19 in Vietnam emphasizes the importance of supervisor support, organizational collaboration, and emotional backing from family, particularly spouses, as essential means to enhance engagement in times of crisis **(Nguyen and Tran, 2021)**.

Numerous businesses, including Flip Kart, PayTM, and Infosys, offer services like life insurance, COVID-19 medical assistance for families, spouse employment, child education support, and more. Throughout the worldwide crises, workers experienced trauma and stress, heightened by the anxiety of losing their jobs because of fierce competition. This pressure had a detrimental impact on their performance **(Blustein et al., 2020)**. Research conducted in a shoe factory revealed that workers who were psychologically ready for essential adjustments performed better throughout the pandemic **(Wilder et al., 2020)**.

To foster positive changes, senior leaders need to modify workplace culture and connect motivation to that culture. Employee engagement throughout COVID-19 is affected by various factors, and HR managers can employ non-monetary incentives to enhance motivation **(Mani & Mishra, 2020)**. Though financial incentives used to be the primary focus, non-monetary rewards such as promotions and recognition gained popularity during the pandemic. Employers additionally utilized online platforms like webinars and sessions to

connect with employees and ensure ongoing communication. Consistent, constructive communication with team members fostered employee loyalty and connection. Emotionally and physically invested in the company can help it survive and increase productivity.

Kaushik and Guleria (2020) discovered that consistent communication and employee participation are vital for engagement, particularly in crises such as COVID-19. **Van der Lippe (2019)** pointed out that remote work affects performance, but the work settings of colleagues also influence engagement. Small enterprises ought to prioritize quality training and equitable pay to enhance engagement. **Maheshwari et al. (2020)** observed that employees who are engaged foster a creative environment, whereas **(Satish et al., 2023)** The research indicates incorporating significant recognition methods, like appreciating staff, commemorating events, giving incentives, gathering input, and providing recreational activities, to boost employee involvement, motivation, and overall job satisfaction, thereby enhancing productivity and organizational effectiveness.

3. Objective of the study

- i. To know the importance of employee engagement in MSMEs in situations like COVID-19.
- ii. Various engagement practices followed during the pandemic by MSMEs.

4. Research Methodology

The research paper is descriptive in nature. The data is collected from secondary sources, especially from research papers done by other researchers, online blogs, newspapers, and articles, and governmental and institutional annual reports. The qualitative research method is adopted to suggest some practices and methods for employee engagement.

5. Need of the Study

The study of employee engagement is necessary in regard to MSME is necessary as it is a great contributor to the development of society at large. COVID-19 pressurizes the workforce mentally as they feel themselves exhausted and unable to engage themselves in work **(Wilder et al., 2020; Blustein et al., 2020)**.

6. Findings of the Study

The employees in MSME were not considered themselves engaged. They were forced to be part of the enterprise because of the lockdown they could not afford job switch as survival was priority. The employee's motivation was to survive **(Widyastuti et al., 2021)**. These firms were facing financial issues and even in normal conditions, these have low budgets. These firms can opt for non-monetary incentives (like healthy communication, and work from home) in order to attract and retain employees and make them engaged in day-to-day working **(Mani and Mishra, 2020)**.

Employee mental preparedness for change enhances performance, particularly when they comprehend the necessity for change to thrive in the market. This works well when transformational leadership does not succeed in inspiring motivation **(Wilder et al., 2020)**. These firms always suffered from financial crises and because of that they are unable to implement impressive HR policies as unable to attract professionals from this perspective **(Bhattacharjee, 2015)**.

In order to maintain employee engagement communication was also a very good tool in COVID-19 and other emergencies (**Kaushik and Guleria, 2020**). The Indian MSMEs budget is not so fully fledged to provide monetary incentives at a large scale to help employees to remain engaged so it is advisable to adopt non-monetary incentives like proper communication, training where required, asking for suggestions and feedback where possible to encourage the employees to remain involved at workplace (**Mani and Mishra, 2020; Kaushik and Guleria, 2020; Sundarrajan & Krishnan, 2023**).

7. Conclusion of the study

Fig 1 indicates that MSMEs experienced a shortage of funding and resources which made it crucial to focus on employee engagement. Businesses facing financial challenges during COVID-19 create the problem of unengaged employees which creates job stress and burnout. Mental distress hinders innovation and productivity. Lack of productivity reduced market share and again faced financial issues during COVID-19 and created a loop that can be solved by understanding the significance of employee engagement in small businesses due to COVID-19.

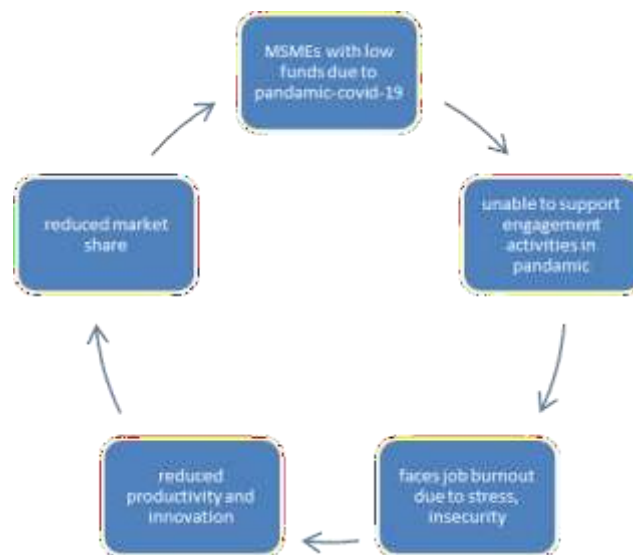


Fig 1. Loop of Low Funds in MSMEs and Its Incompetency to Capture Market during COVID-19. **Source:** Design by Researcher

Fig 2 shows that Employee engagement is crucial in any situation, yet during crises like COVID-19, when external factors are uncontrollable, the survival and stability of a business rely on employees being united and fostering strong emotional connections with each other. Developing the quality of being involved requires time and effort. In order to adopt concrete measures, continuous communication from top management, and soliciting feedback from employees is needed. By offering health care and support to their families, and quickly securing productive resources and beneficial conditions, like training and online platforms to the workforce helped them to remain engaged and motivated. It will enhance productivity. Engagement throughout the COVID-19 pandemic is shown by, Zomato, a major food delivery service in India, implementing various engagement tactics to maintain customer connections, assist restaurant partners, and guarantee business continuity. Zomato supplied masks, sanitizers, and safety training to their delivery staff. Digital Transition Assistance, Zomato aided conventional restaurants in establishing an online presence by incorporating

them into an online platform and providing advice on handling online orders. All this was possible only because of good communication and motivating them to engage in learning and handling new technology.

Other organisations are: iD Fresh Food, Jaipur Rugs, and Chitale Bandhu Mithaiwale also followed engagement during COVID-19.



Fig 2. Effective Way to Improve Productivity in Low Budget MSMEs in Pandemic Situation.

Source: Design by Researcher

8. Limitation of the study

The study is based on secondary data so the risk of Insufficient Management of Data Quality. The Trustworthiness and Validity of Data is missing.

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