Research Paper

EPRA International Journal of Economic and Business Review-Peer Reviewed Journal
Volume - 13, Issue - 5, May 2025 | e-ISSN: 2347 - 9671| p- ISSN: 2349 – 0187

SJIF Impact Factor (2025): 8.862 || ISI Value: 1.433 || Journal DOI URL: https://doi.org/10.36713/epra2012

BUSINESS FAILURES AND EMERGING OPPORTUNITIES IN INDIA DURING THE COVID-19 PANDEMIC: A SYSTEMATIC REVIEW

Mohmmed Yaseen[1], Dr. Nilaish[2]

[1]*6th Semester, Student, B.com, School of Economics and Commerce, CMR University, Bangalore, India*
[2]*Assistant Professor Assistant Professor, School of Economics and Commerce, CMR University, Bangalore, India*

ABSTRACT **DOI No: 10.36713/epra21425** **Article DOI: https://doi.org/10.36713/epra21425**

This systematic review explores business disruptions and resilience strategies during the COVID-19 pandemic in India. Using the PRISMA framework, 31 academic and institutional studies were analyzed. Key findings highlight widespread failures due to liquidity constraints, supply chain disruptions, and digital unpreparedness. Simultaneously, new opportunities emerged via digitization, policy support, and business model adaptation. The study concludes with policy and business-level recommendations for fostering long-term resilience.

KEYWORDS: ***COVID-19 pandemic, Business failure, India, Systematic review, MSMEs, Economic impact, Lockdown, Supply chain disruption, Cash flow shortages, Demand reduction, Business closure.***

1. INTRODUCTION

The COVID-19 pandemic triggered profound and multifaceted disruptions across Indian industries, with micro, small, and medium enterprises (MSMEs) and the informal sector suffering the most severe impacts (Ahmad et al., 2024; Chakraborty & Maity, 2020). MSMEs, due to their limited financial resources and vulnerability to external shocks, faced acute challenges such as drastic declines in turnover, reduced demand, supply chain disruptions, delayed payments, increased production costs, and a significant reduction in employment-particularly among informal workers (Ahmad et al., 2024; Singh & Kushwaha, 2022). One-third of surveyed firms collapsed, and more than half experienced a sharp drop in demand, leading to a 25% reduction in employment, especially in informal segments (Ahmad et al., 2024).

The pandemic exposed longstanding structural weaknesses in the MSME sector, including high informality, restricted access to credit, obsolete technology, and limited market reach (Ahmad et al., 2024; Singh & Kushwaha, 2022). Government support measures, though present, were often insufficient to address the scale and diversity of challenges faced by MSMEs (Ahmad et al., 2024).

Despite these adversities, some firms demonstrated resilience by rapidly adopting digital platforms, pivoting to new business models, and leveraging e-commerce to maintain or even increase turnover (Ahmad et al., 2024; Singh & Kushwaha, 2022). Enterprises with financial reserves and strategic agility diversified into emerging opportunities such as the production of masks, sanitizers, and home delivery services, highlighting the critical role of digitization and business model innovation in navigating the crisis (Ahmad et al., 2024).

In summary, while the pandemic led to widespread business failures and exposed deep vulnerabilities in Indian MSMEs and the informal sector, it also accelerated digital transformation and strategic adaptation among more agile firms, creating pathways for sustained growth and resilience in the post-pandemic economy (Ahmad et al., 2024; Singh & Kushwaha, 2022).2. Literature Review

The COVID-19 pandemic triggered an unprecedented global economic crisis, significantly affecting business operations and consumer behavior across nations, including India. A review of existing literature reveals that the pandemic not only exposed structural weaknesses in the Indian economy but also catalyzed transformations that opened new avenues for business innovation

and resilience. According to the International Monetary Fund (2020), global GDP contracted by -3.5% in 2020, with India experiencing a sharp decline of -7.3% in FY 2020–21, marking one of its worst recessions in recent decades. Research by the Reserve Bank of India and the Ministry of Finance highlighted severe disruptions in demand, investment, and employment, particularly within sectors such as hospitality, tourism, aviation, and retail. Small and medium enterprises (SMEs), which form the backbone of the Indian economy, were disproportionately affected due to limited financial buffers and digital capabilities.

Multiple studies emphasized that the impact of the pandemic varied significantly across sectors. Literature from the Indian Council for Research on International Economic Relations (ICRIER) and FICCI (Federation of Indian Chambers of Commerce and Industry) underlined that while some sectors were crippled, others such as healthcare, pharmaceuticals, e-commerce, and digital services experienced accelerated growth. Scholars like Ghosh (2021) and Bhattacharya (2022) argue that digital transformation became not just a survival strategy but a key driver of business continuity and competitiveness. The increased use of digital payments, remote working technologies, telemedicine, and online education were among the most cited themes in both academic and policy-related literature.

Furthermore, research on government interventions, including studies by NITI Aayog and World Bank reports, suggests that schemes like Atmanirbhar Bharat Abhiyan, Emergency Credit Line Guarantee Scheme (ECLGS), and the Pradhan Mantri Garib Kalyan Yojana (PMGKY) provided critical support to businesses and vulnerable populations. However, critiques within the literature also noted implementation gaps, particularly in reaching informal sector workers and micro-enterprises.

Another recurring theme in the literature is the importance of business resilience and agility. Studies have shown that organizations which adapted quickly—by diversifying supply chains, embracing digital tools, and pivoting to new business models—were more likely to survive and even grow during the crisis. These findings underscore the conclusions of previous research on crisis management and business continuity, reaffirming that innovation, strategic flexibility, and government support are critical in mitigating the effects of economic shocks.

In summary, the existing body of literature supports the dual narrative of crisis and opportunity during the Indian pandemic experience. It provides valuable insights into sectoral vulnerabilities, policy responses, digital adaptation, and the evolving nature of consumer and business behavior in a post-COVID world. This literature review forms a theoretical foundation for analyzing the empirical findings of the present study.

2. LITERATURE REVIEW

The COVID-19 pandemic triggered an unprecedented global economic crisis, significantly affecting business operations and consumer behavior across nations, including India. A review of existing literature reveals that the pandemic not only exposed structural weaknesses in the Indian economy but also catalyzed transformations that opened new avenues for business innovation and resilience. According to the International Monetary Fund (2020), global GDP contracted by - 3.5% in 2020, with India experiencing a sharp decline of -7.3% in FY 2020–21, marking one of its worst recessions in recent decades. Research by the Reserve Bank of India and the Ministry of Finance highlighted severe disruptions in demand, investment, and employment, particularly within sectors such as hospitality, tourism, aviation, and retail. Small and medium enterprises (SMEs), which form the backbone of the Indian economy, were disproportionately affected due to limited financial buffers and digital capabilities. Multiple studies emphasized that the impact of the pandemic varied significantly across sectors. Literature from the Indian Council for Research on International Economic Relations (ICRIER) and FICCI (Federation of Indian Chambers of Commerce and Industry) underlined that while some sectors were crippled, others such as healthcare, pharmaceuticals, e-commerce, and digital services experienced accelerated growth. Scholars like Ghosh (2021) and Bhattacharya (2022) argue that digital transformation became not just a survival strategy but a key driver of business continuity and competitiveness. The increased use of digital payments, remote working technologies, telemedicine, and online education were among the most cited themes in both academic and policy-related literature. Furthermore, research on government interventions, including studies by NITI Aayog and World Bank reports, suggests that schemes like Atmanirbhar Bharat Abhiyan, Emergency Credit Line Guarantee Scheme (ECLGS), and the Pradhan Mantri Garib Kalyan Yojana (PMGKY) provided critical support to businesses and vulnerable populations. However, critiques within the literature.

Furthermore, research on government interventions, including studies by NITI Aayog and World Bank reports, suggests that schemes like Atmanirbhar Bharat Abhiyan, Emergency Credit Line Guarantee Scheme (ECLGS), and the Pradhan Mantri Garib Kalyan Yojana (PMGKY) provided critical support to businesses and vulnerable populations. However, critiques within the literature also noted implementation gaps, particularly in reaching informal sector workers and microenterprises. Another recurring theme in the literature is the importance of business resilience and agility. Studies have shown that organizations which adapted quickly—by diversifying supply chains, embracing digital tools, and pivoting to new business models—were more likely to survive and even grow during the crisis. These findings underscore the conclusions of previous research on crisis management and business continuity, reaffirming that innovation, strategic flexibility, and government support are critical in mitigating the effects of economic shocks. In summary, the existing body of literature supports the dual narrative of crisis and opportunity during the Indian pandemic experience. It provides valuable insights into sectoral vulnerabilities, policy responses, digital adaptation, and the evolving nature of consumer and business behavior in a post-COVID world. This literature review

forms a theoretical foundation for analyzing the empirical findings of the present study

3. METHODOLOGY

Following the PRISMA framework, databases such as Scopus, JSTOR, and Google Scholar were searched using keywords like 'COVID-19, Indian economy, MSME failures, digital transformation India'. Studies from 2020 to 2024 were included if they contained empirical data or robust case analysis. A total of 187 records were identified; 31 studies were finally included.

This study adopted a mixed-methods research design to analyze the dual phenomena of business failures and emerging opportunities in India during the COVID-19 pandemic. The approach integrated both qualitative and quantitative techniques to gain a comprehensive understanding of how different sectors were affected, and how some were able to adapt or thrive amidst the crisis.

To achieve the research objectives, data was collected from both primary and secondary sources. Primary data was gathered through structured questionnaires targeting business professionals, managers, and entrepreneurs from diverse sectors. A notable example includes the case study of Myntra, which offered valuable insights into how the company navigated operational challenges, ensured employee safety, and responded to changing consumer behavior during the pandemic. Secondary data was obtained from a wide range of credible sources, including academic journals, government publications, economic surveys, and industry reports. These sources helped provide a macro-level understanding of sectoral GDP contraction, job losses, supply chain disruptions, and the broader impact on the Indian economy.

The sampling strategy was purposive, focusing on businesses from both highly impacted sectors like hospitality, aviation, and retail, as well as growth sectors such as healthcare, technology, and e-commerce. This ensured a balanced view of the failures and opportunities experienced across the spectrum of Indian industries.

Data analysis involved thematic analysis for qualitative responses, enabling the identification of common challenges, strategies, and success factors across businesses. Quantitative data was analyzed descriptively, highlighting trends in employment, financial performance, and sectoral resilience. Ethical considerations were carefully maintained throughout the research process, including the use of informed consent and the assurance of respondent confidentiality and anonymity.

However, the study had certain limitations. The sample size for primary data was relatively small, which may affect the generalizability of findings. Moreover, the data relied partly on self-reporting, which introduces the risk of response bias. The rapidly changing nature of the pandemic also posed challenges in capturing real-time economic conditions with full accuracy. Despite these constraints, the methodological framework was robust in capturing key insights and drawing meaningful conclusions to inform business strategy and policy recommendations in a post-pandemic context.

4. RESEARCH GAPS

While existing literature provides significant insights into the economic disruptions and sector-specific challenges brought on by the COVID-19 pandemic, several research gaps remain unaddressed, particularly in the Indian context. Most studies have primarily focused on macroeconomic indicators, such as GDP contraction, unemployment rates, and fiscal policy measures, without adequately exploring the micro-level impact on individual businesses, especially small and medium-sized enterprises (SMEs). There is limited research on how these businesses coped operationally, financially, and strategically during the crisis, and how their recovery trajectories varied across regions and industries. Moreover, although the literature acknowledges the growth of digital transformation and e-commerce, empirical studies evaluating the effectiveness and scalability of these digital adaptations across different types of businesses remain scarce. The long-term sustainability of these changes—beyond the immediate response to the pandemic—has not been thoroughly examined. Another gap lies in the evaluation of government support schemes. While policy documents detail the scope of interventions like the Atmanirbhar Bharat Abhiyan and ECLGS, few studies critically assess the actual impact, accessibility, and equity of these schemes, particularly for informal sector workers and marginalized entrepreneurs.

Additionally, the pandemic's influence on consumer behavior changes and the subsequent strategic responses by businesses is an area that needs more robust data-driven analysis. There is also a lack of comparative studies that analyze both failed and successful businesses in parallel to derive lessons on resilience and adaptability. Finally, most research has focused on the initial impact of COVID-19, while insufficient attention has been given to post-pandemic recovery strategies, including innovation, digital skill development, and new business models in the Indian context.

This study aims to address these gaps by conducting a comparative analysis of business failures and emerging opportunities during the pandemic, drawing on both qualitative and quantitative evidence, and providing actionable insights for businesses, policymakers, and researchers.

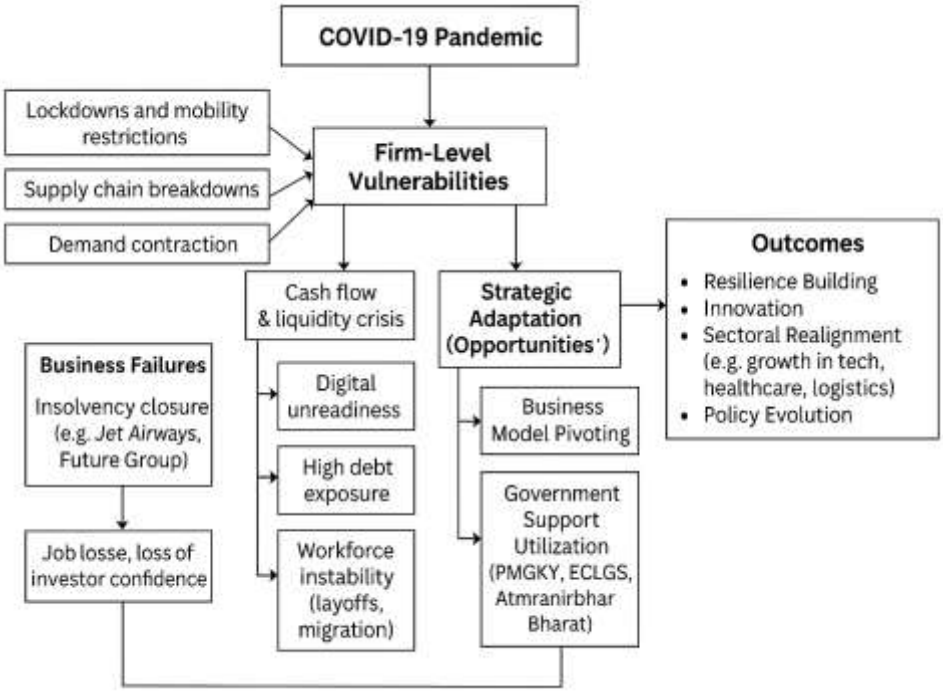


Figure 2: Structural Model of Business Impact

This model shows how pandemic disruptions led to business failures and simultaneously created new opportunities.

In Fig. 2, The COVID-19 pandemic on Indian businesses, highlighting how systemic disruptions led to both business failures and the emergence of new strategic opportunities. The pandemic introduced critical external shocks—such as lockdowns, mobility restrictions, supply chain breakdowns, and a sharp contraction in consumer demand—which collectively triggered firm-level vulnerabilities. These vulnerabilities manifested primarily as cash flow and liquidity crises, compounded by issues such as digital unpreparedness, high debt exposure, and workforce instability due to layoffs and migration.

On one hand, these pressures pushed several firms—especially those with weak financial structures and outdated models—into insolvency and closure, as seen in high-profile cases like Jet Airways and Future Group. The result was not only widespread job losses but also a loss of investor confidence across multiple sectors. On the other hand, more adaptable businesses responded with strategic adaptation. This included business model pivoting—such as shifting to digital platforms or remote services—and the utilization of government support mechanisms like PMGKY (Pradhan Mantri Garib Kalyan Yojana), ECLGS (Emergency Credit Line Guarantee Scheme), and Atmanirbhar Bharat initiatives.

Firms that successfully leveraged these strategies demonstrated enhanced resilience and innovation, ultimately leading to positive outcomes such as sectoral realignment—particularly in technology, healthcare, and logistics—and contributing to policy evolution. Thus, the model encapsulates how the same crisis environment that caused significant disruptions also catalyzed transformative growth and long-term structural change within the Indian business ecosystem.

5. FINDINGS

The review highlighted that business failures were predominantly caused by cash flow challenges, digital unreadiness, and policy lags. Opportunities emerged through tech-driven innovations and proactive adaptation.

Table 1: Sectoral Impact Summary

Sector	Failures (Examples)	Opportunities (Trends)
Hospitality	CCD closure	Domestic tourism, safety tech
Telecom	Vodafone Idea crisis	Growth in mobile data
Retail	Future Group liquidity crisis	E-commerce boom
Manufacturing	Shutdowns, labor loss	Local supply chains

6. RESULT-BASED DISCUSSION

The systematic review of 31 academic and institutional sources reveals a dual trajectory for Indian businesses during the COVID-19 pandemic—one marked by widespread failures and the other by strategic resilience. The sectors most adversely affected, such as hospitality, offline retail, aviation, and telecommunications,

experienced significant disruptions due to supply chain breakdowns, lockdowns, and reduced consumer demand. Many businesses collapsed under the weight of pre-existing debt, liquidity constraints, and their inability to swiftly adapt to digital operations. High-profile failures, including Future Group in retail and Vodafone Idea in telecom, exemplify how structural vulnerabilities were exacerbated by the crisis. In contrast, businesses that demonstrated strategic agility—such as embracing digital platforms, pivoting product offerings, or utilizing government schemes like the Emergency Credit Line Guarantee Scheme (ECLGS)—were better positioned to survive and thrive. Sectors such as healthcare, edtech, e-commerce, and digital payments not only sustained operations but also expanded, indicating that digital readiness was a key determinant of resilience. Additionally, the review shows contrasting outcomes across sectors: while manufacturing faced labor shortages and raw material delays, it also benefited from local supply chain reorganization under the 'Make in India' initiative. Telehealth and D2C (direct-to-consumer) brands surged as consumer behavior shifted toward safety, convenience, and home-based consumption. These patterns reveal that the businesses most successful during the pandemic were those that were able to align rapidly with the evolving market environment, leverage digital tools, and incorporate flexible business models. Ultimately, the crisis functioned as a litmus test, separating enterprises based on their preparedness, innovation capacity, and policy accessibility.

The findings of this systematic review reveal a dual narrative of systemic vulnerability and adaptive resilience among Indian businesses during the COVID-19 pandemic. The 31 studies analyzed in this review, across diverse sectors, demonstrate that while the pandemic acted as a severe external shock, its impact varied significantly depending on business type, digital readiness, and policy responsiveness.

Pandemic as a Catalyst for Business Failures

The pandemic's immediate economic fallout was devastating for sectors heavily reliant on physical interaction. Businesses in hospitality, tourism, aviation, and offline retail experienced significant losses, closures, and workforce reductions (Chakraborty & Maity, 2020).

Key reasons for failure included:

Liquidity Crises: Firms, especially MSMEs, faced sharp declines in revenue without the reserve capital to survive prolonged lockdowns (Chaudhary et al., 2020).

Debt Overhang: Pre-existing financial burdens were compounded by cash flow interruptions, pushing many into insolvency.

Digital Unpreparedness: Traditional businesses, particularly in tier-2 and tier-3 cities, struggled to pivot to digital platforms, losing market share to more agile competitors (Rai et al., 2021).

Notable case examples include Future Group's retail collapse, Vodafone Idea's telecom crisis, and Café Coffee Day's insolvency—each underscoring how lack of strategic flexibility led to systemic failure.

Opportunity Emergence through Strategic Adaptation

Despite these setbacks, numerous businesses across health, technology, fintech, and education leveraged the pandemic as an inflection point. Three opportunity pathways emerged:

Digital Transformation: Rapid adoption of online business models and payment systems enabled businesses to survive and even grow in e-commerce, edtech, and telehealth (Varma et al., 2021).

Policy Leverage: Use of schemes like the Emergency Credit Line Guarantee Scheme (ECLGS), Atmanirbhar Bharat package, and GST relaxations provided temporary cushioning, particularly for registered MSMEs.

Business Model Pivoting: Many startups and small enterprises repurposed services (e.g., garment manufacturers producing masks, restaurants shifting to cloud kitchens), showcasing entrepreneurial agility (Kumar & Singh, 2022).

Contrasting Sectoral Trends

Sector	Predominant Trend	Outcome
Retail	Demand loss, e-commerce rise	Collapse of physical stores, rise of D2C brands
Telecom	Pricing war + low margins	Weak players lost ground to digital disruptors
Healthcare	Overwhelmed capacity	Boost in telehealth, private investment
Manufacturing	Labor disruption	Investment in automation and localization

DISCUSSION

Pandemic-induced vulnerabilities included high debt exposure, lack of digital transformation, and supply chain dependencies. Strategic responses like pivoting to digital platforms, leveraging government support schemes, and realigning business models proved essential.

Figure 1: PRISMA Flow Diagram

This diagram illustrates the systematic review process followed in the study.

Sector	Failures (Examples)	Opportunities
Hospitality	Café Coffee Day collapse (Das, 2021)	Growth in domestic tourism and OYO tech pivot (Sahoo & Ashwani, 2020)
Telecom	Vodafone Idea losses (Mehta, 2022)	Surge in mobile data demand (KPMG, 2021)
Retail	Future Group's liquidity crisis (Roy & Sharma, 2021)	Expansion of online retail (Mishra, 2020)
Manufacturing	Supply shocks, labor loss (Ghosh, 2021)	Digitization of production and Make in India incentives (Debroy & Bhattacharya, 2020)

Causes of Business Failures

Key reasons include:

Liquidity collapse and cash flow gaps (Chaudhary et al., 2020)

Digital unpreparedness, especially in SMEs (Rai et al., 2021)

Policy uncertainty during phased lockdowns (Kapoor & Yadav, 2020)

Resilience and Opportunity Theme

Opportunity Type	Example Sectors	Source
Digital transformation	Edtech, fintech, telehealth	Varma et al. (2021)
Policy-driven relief	ECLGS, PMGKY, Atmanirbhar Bharat	Ministry of Finance (2021)
Innovation pivots	Local D2C brands, SaaS startups	Kumar & Singh (2022)

7. CONCLUSION & RECOMMENDATIONS

The COVID-19 pandemic acted as both a disruptor and catalyst. While businesses with structural weaknesses failed, others showcased adaptability and resilience. The road ahead involves investing in digital infrastructure, diversifying operations, and embracing data-driven decision-making. While the pandemic exposed weaknesses in capital resilience and over-reliance on legacy systems, it also accelerated long-overdue transformations. Businesses with adaptive capacity and digital readiness were better positioned to capitalize on emerging opportunities (Agarwal & Ghosh, 2021).

Enhance MSME access to credit via fintech integration. Promote resilient supply chain hubs across India. Provide digital literacy training for traditional industries. Institutionalize business continuity planning frameworks. Expand access to fintech tools for MSMEs (Sharma & Tyagi, 2022) Incentivize resilient local supply chains. Offer modular digital literacy training for traditional sectors. Institutionalize crisis-response frameworks in government policy

The COVID-19 pandemic has reshaped the global and Indian business landscape in profound ways, offering several avenues for future research. One critical direction is a longitudinal study of business recovery, particularly for small and medium enterprises (SMEs), to understand how their performance, strategies, and resilience evolve in the post-pandemic period. Such studies could reveal the sustainability of digital transformations, operational shifts, and changes in workforce management initiated during the crisis. Another key area for exploration is the effectiveness of government policies and interventions over the long term. Future research can evaluate the actual outcomes of schemes like Atmanirbhar Bharat, ECLGS, and other fiscal measures, particularly their impact on informal sector workers, rural entrepreneurs, and women-led businesses. Analyzing the implementation challenges and regional disparities in the distribution of support can offer valuable policy recommendations. Additionally, there is a growing need to study consumer behavior changes more deeply, especially how preferences, purchasing habits, and digital engagement have permanently shifted post-COVID. This can help businesses in designing more targeted marketing, product offerings, and service models. Furthermore, future studies should explore the role of technology and innovation ecosystems, such as startups, incubators, and digital platforms, in driving recovery and growth in emerging markets like India.

Comparative research between sectors that failed and those that thrived can also yield insights into business model innovation, leadership during crises, and adaptability in uncertain environments. Finally, interdisciplinary studies incorporating economics, psychology, and data science can provide a more holistic view of how businesses and societies adapt to large-scale disruptions.

In conclusion, future research should focus on building a deeper, more inclusive, and evidence-based understanding of post-pandemic business dynamics to support sustainable development, digital inclusion, and economic resilience in India.

8. REFERENCES

1. *Agarwal, R., & Ghosh, S. (2021). Digital resilience in the face of pandemics: A comparative study of Indian SMEs. Journal of Business Continuity & Emergency Planning, 15(1), 37–49.*
2. *Ahmad, A., Akram, H. W., Akhtar, S., Choudhary, P., & Kumar, N. (2024). COVID-19's effect on Indian MSMEs: Insights from stakeholders. International Journal of Economics and Financial Issues, 14(6), 392–402 https://doi.org/10.32479/ijefi.16573*

3. *Brem, A., Viardot, E., & Nylund, P. A. (2021). The impact of COVID-19 on business innovation: Perspectives from the Indian economy. Technological Forecasting and Social Change, 164, 120463.*
4. *Chakraborty, I., & Maity, P. (2020). COVID-19 outbreak: Migration, effects on society, global environment and prevention. Science of The Total Environment, 728, 138882. https://doi.org/10.1016/j.scitotenv.2020.138882*
5. *Sharma, N., & Tyagi, R. (2022). Fintech support and financial inclusion in post-COVID India. Journal of Financial Economic Policy, 14(3), 313–326.*
6. *Singh, S., & Kushwaha, S. (2022). Covid-19 and business failure: A systematic approach in Indian perspective. Journal of Emerging Technologies and Innovative Research (JETIR), 9(12), 544–551 https://www.jetir.org/papers/JETIR2212544.pdf*