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## Impact of crises of Russia and Ukraine on MSMEs of INDIA

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### **Abstract:**

*If we go through the Indian Economy, we can realize the importance of Micro Small and Medium enterprises. MSME is playing pivotal role in Indian Economy. Through MSME social and economic development is possible because unemployment is major hurdle in development of Indian economy and to tackle this problem MSME is one of the sources. Today MSME has expanded its nature of production with the large number of products and diverse range. Today MSME is creating its footprints in Indian Economy. In the year 2018-19 share of MSME in all India GDP is 30.27%. However MSME is facing number of problems in its survival. Some of the problems are from internal environment and some are from external environment. MSME has no control on external environment and in international trade. On the international level the crises of Russia and Ukraine is of a one of the example of effect of Ukraine-Russia war on MSMEs. Today MSME in India is a key player in foreign trade. The Government of India time to time takes essential steps to boost its growth and improve its performance including export. The performance of MSMEs in India is really remarkable. However in the advent of the ongoing war conditions of Russia and Ukraine the MSME is facing a difficulties as it relies on Russia and Ukraine for its raw materials, equipments, cooking gas material, edible oil and an export of India's MSMEs includes pharmacy ,organic ,chemicals, auto components and electronics. Today Russia is India's biggest arms supplier and also exporting crude oil and fertilizers .The whole International environment once affected with the pandemic of Corona19 and now when Russian troops invade Ukraine.*

**Keywords:** MSMEs, Foreign Trade, Importance of MSMEs.

### **Introduction:**

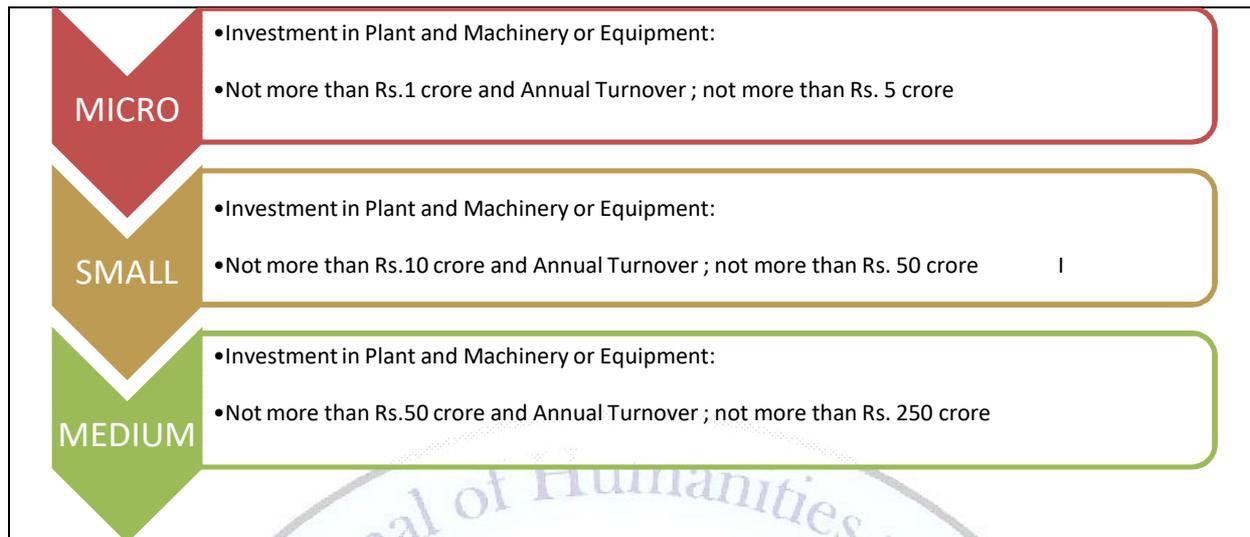
No country in the world is self sufficient in terms of goods, services, technical know- how and giving the way to establish international trade relations amongst one another. International trade

Act as an engine of economic growth by expanding the territorial boundaries and also facilitating countries by providing the goods and services not available in the country. In the beginning of last decade of the 20<sup>th</sup> century, Indian economy experienced an economic crisis. Foreign assets declined to such an extent that it was barely enough to finance two weeks of imports. The new industrial policy beginning from 1991 brought radical changes to unshackle industries from the cobweb of unnecessary bureaucratic controls and rigidity of government procedures. It's only after the liberalization model introduced in 1991 the micro, small and medium enterprises gained impetus. The micro, small, and medium enterprise in India is classified on the basis of composite criteria of plant /machinery /equipment and annual turnover.

In India MSMEs is the largest source of employment after agriculture and equally contributes to the gross domestic product, national income of the country. Its reflection can be found from the statistics of manufacturing sector, technical innovations and entrepreneurial skills. The growth of foreign trade is very crucial for a country to reduce its fiscal deficit and improve its foreign exchange reserve. MSMEs IN INDIA is a KEY player IN FOREIGN trade. The government of India time to time takes necessary steps to boost its growth and improve its export performance. THE PERFORMANCE OF MSMEs IS DEPENDENT ON ITS INTERNATIONAL ENVIORNMENT.MSME IN INDIA exports to developing and developed countries of the world and also imports resources, raw material, technology etc. In the advent of the ongoing war conditions of Russia and Ukraine the MSMEs will be facing a challenge as it RELIES ON RUSSIA and Ukraine FOR ITS RAW MATERIAL, EQUIPMENTS, and also .Exports of India to Russia constitutes goods manufactured by MSMEs. The major part of export to Russia includes medicines. In the financial year 2021 India's bilateral trade with Ukraine cooperatively less which stood at \$3.1 billion and export stood at \$510 million which includes food, agrochemicals, and Pharma. In total import near about 70% was edible oil sunflower oil. In the year2021 the share of MSMEs in total export of India was 49.5% however according to new definition which is revised in the year 2020, experienced persons opined that the expected share is much as 80%

#### **Objectives of the study:**

- To study the importance of MSMEs In
- Effect of Russia – Ukraine war condition Indian Economy and in international trade.
- Suggestion to boost growth of MSMEs in times of war condition.



Today MSMEs have expanded its nature of production with the large number of products and diverse range. The Ministry of MSME came into existence on 9<sup>th</sup> May 2007 notifying MSME Act 2006 to promote growth and development of MSME. Because of its continuous efforts now it has become possible to produce diverse range of products and services which are meeting demands of domestic as well as global markets. The Aatmnirbhar Bharat package 2020 has given significant boost to MSMEs which lead towards encouraging entrepreneurship, employment and lively opportunities.

#### **Research Methodology:**

Present study is based on secondary data. The secondary data is collected from books, journals and websites.

#### **Significance of study:**

This study has focused on MSMEs in India. It will be helpful to know the importance of MSMEs in Indian economy and also the effect of crises of Russia and Ukraine on Indian economy.

#### **Limitations of the study:**

The present study is limited to MSMEs in India .and impact of crises between Russia and Ukraine and after the Russian troops invaded Ukraine on 24<sup>th</sup> Feb.2022.

#### **Importance of MSMEs in Indian Economy:**

MSMEs is playing very crucial role in the development of Indian economy. Today MSMEs are becoming backbone of our Economy. Following points highlights the importance of Msmes.

1. MSMEs are helpful to generate employment in rural as well as in urban areas.-unemployment is major hurdle in development of economy. However after the growth of MSMEs during the period 2015-16 it has been creating 11.10 crore jobs out of which major part is from manufacture sector in rural and urban areas across the country. it consists male and female employees near about 24% are female and 76% are male.

2. MSMEs are giving boost to Industrialization and balanced regional development.- Through MSMEs balanced regional development is possible. The state of Uttar Pradesh has the largest number of MSMEs more than 89.99 (lakh) and in Maharashtra more than 47.78 (lakh), in Gujarat, Rajasthan and Karnataka have more number of MSMEs.
3. Social Equality is possible through MSMEs- Though there is dominance of male ownership of proprietary MSMEs is 79.63% however the rising number of female ownership of proprietary MSMEs is near about 20.37% is quite amazing.
4. Complementary to the agriculture sector- Once upon a time agriculture was main business of ours however the growing population became the burden on agriculture business. But because of MSME it became complementary to the agriculture.
5. Maximum and proper use of natural resources' is possible.
6. To avoid migration of people from rural areas to urban areas.
7. To avoid unrest in the society MSMEs are helpful.
8. To gain more and more foreign exchange.

The following table highlights the share of Gross Value added (GVA) of MSMEs in all India GDP.(figures in crores adjusted for FISIM at current Price )

Year	Total MSME GVA	Growth %	Total GVA	Share of MSME in GVA	All India GDP	Share of MEME in all India GDP %
2014-15	3658196	--	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741763	12,00	17139962	33.50	18971237	30.27

Source: central Statics office (CSO) Ministry of Statistics and Prog.

### Implementation:

The above table highlights the contribution of MSMEs in country's Gross value added and Gross Domestic product (GDP) at current prices from 2014-15 to 2018-19. It shows that the share of MSME in all India GDP has increasing trend.

These MSMEs are working with lower capital cost comparing to large industries. The number of MSMEs is increasing day by day. The activities of manufacturing have 31% share while 36% has trade and the share of other services has 33%. In all shares of rural MSMEs is Higher which is 51% comparing to urban MSMEs which is 49%

### Observation by the Researcher before crisis:-

1. Role played by MSMEs in Indian Economy is significant.
2. MSMEs have played major role in decreasing unemployment in rural India.

3. MSMEs have shown Increasing trend in GDP of India.
4. Through MSMEs balanced regional development is possible.
5. Women entrepreneurs are accepting the challenges of MSMEs.

#### **Impact of RUSSIA-UKRAINE war on MSMEs:-**

1. High rise in price of crude oil and cooking coal which will lead towards more Inflation.
2. Export of Pharma and organic chemicals will be hampering.
3. In Export shipping of goods will be badly impacted.
4. The wholesalers and retailers in India will face difficulties in future.
5. Still industries will badly impact because of this war and it will hamper this sector.
6. Increase in Inflation will reduce the purchasing power.
7. Delay in delivery of goods will hamper the import and export of India.

#### **Suggestions by the Researcher:-**

The ongoing conflict between Russia and Ukraine is likely to hit the progress of MSMEs in India which have 49.5% share in India's Export to the world, considering these following suggestions are given-

1. India should pressure Russia to stop these crises.
2. In import and export delay in payments should be avoided by playing the catalytic role in this situation.
3. As Russia is 25<sup>th</sup> largest trading partner of India Government should take imitative for peace.
4. Government of India should take the initiative to avoid the loss of consignment in International Trade.
5. Government should give helping hand to Pharmacy industries to avoid hit of current crises.
6. It is most important that to clear export orders which are in transit as quick as possible.

#### **Conclusion:**

The role of Government of India in boosting the MSMEs, nurturing the MSMEs is very important.

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