



# INTERNATIONAL RESEARCH JOURNAL OF HUMANITIES AND INTERDISCIPLINARY STUDIES

( Peer-reviewed, Refereed, Indexed & Open Access Journal )

DOI : 03.2021-11278686

ISSN : 2582-8568

IMPACT FACTOR : 5.71 (SJIF 2021)

## Impact of COVID-19 on MSMEs and Measurements for its revival

**Vishakha A. Nadgir**

Lecturer

Angadi Institute of Technology and Management,  
Belagavi (Karnataka)

E-mail: [vishgouri783@gmail.com](mailto:vishgouri783@gmail.com)

DOI No. [03.2021-11278686](https://doi.org/10.2021-11278686) DOI Link: <https://doi-ds.org/doi/10.2021-22832281/IRJHISICPC210817>

### ABSTRACT:

*MSME sector in India is second largest employment generator after agriculture, and acts as a breeding platform for entrepreneurs and innovators with considerable support in strengthening business economy. Being a highly unorganized sector consisting of large number of micro sized, is highly prone to economic crisis. The announcement of country wide lockdown dragged MSME owners, employers and external stakeholders in unexpected times, where no one had experience to handle this kind of situation. Extended lockdown had negative impact on supply of finished goods, procurement of raw material and availability of employees to work in production and supply processes. This paper shows how MSMEs suffered an acute cash crunch, large scale job loss and shutdown of businesses and what measures Government has taken since the outbreak of Covid-19. The study aims to make an assessment of COVID-19 on Indian economy by analyzing its impact on growth, manufacturing, trade and micro, small and medium enterprises (MSME) sector, and highlights key policy measures to control the possible fallout in the economy.*

**Keywords:** COVID-19, Lockdown, Financial Crisis, Employment.

### 1. INTRODUCTION:

Corona virus (Covid19) is one of the giant disaster in the year 2020. Pneumonia of unknown cause was detected first time in Wuhan city Hubei province of China on 31.12.19. From 31.12.2019 to 3.01.2020 total number of 44 people affected with pneumonia of unknown cause was found. China immediately intimated this event to WHO by national authority in China. After analyzing the data by WHO, the phenomenon was declared a public health emergency of international concern on 30.01.2020. On 11.02.2020 WHO announced a name for the new Corona virus disease Covid-19. Corona virus disease (Covid-19) is an infectious disease caused by a newly discovered corona virus. The Covid-19 virus spread primarily through droplets discharged from nose when person cough or

sneezes. WHO has been assessed the outbreak day after day and concerned by the level of spread and severity and by the level of inaction and eventually WHO declare COVID-19 is a pandemic.

Covid-19 has seen unlikely impact on global economy. Being second most populated nation, lockdown was the only solution for the spread of Covid-19 in our country. The absence of medical solution to the spread made the economic activities halt, decelerate, taking away the livelihood across the world. All the countries are racing to slow the spread of virus by testing and treating patients carrying out contact tracing, limiting travel, quarantining citizens and avoiding large gathering such as sporting event, concert, school and universities. In some developed countries like America, Italy, Spain the situation have been uncontrollable.

Undoubtedly the pandemic has affected all the sectors and all size firms in the economy, but MSMEs have been very much vulnerable. These small firms are more financially fragile and have smaller cash buffers than their larger counterparts, making them less resilient to the crisis. Almost 36 million units of this sector provide employment to around 80 million work-forces in the country. MSME clusters account for 40% country's industrial output and 30% of exports. Further, this sector plays a great role in decentralizing the industries in India.

In the light of the above, this paper attempts to analyse the impact of pandemic on economic activities of MSME sector. It also shows how has been the progress of MSME sector over the years and what measures have been taken by the government of India to combat the financial crisis and what were the formulations of policies for the betterment of the activities of MSMEs.

## **2. PERFORMANCE OF MSME SECTOR:**

India is a developing country. The position of India's Micro, Small and medium enterprises (MSME) is the largest in world after china. MSME plays a significant role to accelerate the growth of Indian economy. But the position of MSME will be very unimaginable and unpredictable after this epidemic. The state of Uttar Pradesh has the largest number of estimated MSME with share of 14.20% of total MSME's in the country. West Bengal comes as close second with a share of 14% followed by Tamil Nadu and Maharashtra at 8%. Indian economy hat desperately needs immediate assistance, it is Micro, Small and Medium enterprises to survive. The sector is currently employing over 110 million people which is 40% of India's workforce, in more than 63 million establishments dispersed across the geographical expanse of the nation. The MSME sector contributes to a tune of 29.7% of Indian GDP including 6.11% of manufacturing sector GDP and around 24.63% of service sector GDP. MSMEs are the source of 33.4% of the total manufacturing output and 45% of the overall exports in India. It also produces over products.

## **3. IMPACT OF COVID-19 ON MSME SECTOR:**

MSMEs, particularly the micro and small businesses, face a funding gap, as they generally

have a harder time obtaining credit from formal financial institutions. This is largely due to information asymmetry, lack of a previous credit history, and formal documentation, etc, which leads to unwillingness of lenders to provide financing to these borrowers. Even if they get financing, it typically takes time in approval and requires hard collateral like movable property and other onerous documentations.

MSME sector in India has faced the problem like low liquidity or cash flow and lack of workforce since daily-wagers have gone to their villages. Lack of workforce will have to be a negative impact on production. Lower production means lower supply and lower supply will create the inflation environment. But government has started taking some initiative to keep the MSME segment afloat. The RBI recently introduced Long Term Repo Operation (LTRO) worth 100000 crore, as a result bank can increase lending at cheaper interest rate. Such type of initiative will give some help to MSME sector.

#### ➤ DATA ANALYSIS AND INTERPRETATION:

Survey reports have shown that disruptions caused by the Covid-19 pandemic have impacted MSMEs earnings by 20-50%, micro and small enterprises faced the maximum heat, mainly due to liquidity crunch.

All the available empirical data, such as the hundreds of thousands of stranded migrant workers throughout the world, indicates that the Covid-19 lockdown triggered MSMEs worst death. Like the first relief package, which the government declared on 26 March, Prime Minister Garib Kalyan Yojana, the second package, was also reportedly based primarily on the MSME market. In deeper analysis of the nature of the MSME field, MSMEs are so prone to economic stress. According to the latest available (2019-20) Annual Report of Department of MSMEs, there are 6.34 crore MSMEs in the country. Around 51 % of these are situated in rural India. Together, they employ a little over 11 crore people but 55 % of the employment happens in the urban MSMEs.

It is a well-known reality that in the global supply chain, China plays a very crucial position for India and its MSME industry as well, this industry is largely dependent on China for its raw material. For eg, Indian drug makers import almost 70 % of their ingredients from Chinese factories and Chinese products worth \$30 billion. As a consequence of the full Chinese shutdown and partial Indian shutdown, different concerns involve export declines, stoppage of production, unavailability of jobs, demand instability and liquidity constraints on the industry. Online retailing of SME's will also be affected by the corona pandemic (Mahajan, 2020).

#### 4. MEASURES TAKEN TO REVIVE MSME SECTOR:

- The Government of India simplified the process of registration of MSMEs by replacing the Udyog Aadhaar Memorandum (UAM) with Udyam Registration (UR) on 1st July 2020.



- UR is free of cost, transparent, online, hassle free and is based on self-declaration. It does not require any documents and has an automatic integration with ITR and GSTIN. During the second wave of Covid -19 pandemic MSMEs continued to register on UR Portal.
- MSMEs can avail the benefits of schemes such as Prime Minister's Employment Generation Programme (PMEGP)/Rural Employment Generation Programme (REGP)/Micro Units Development & Refinance Agency (MUDRA) and the announcements made to provide relief to MSMEs from the problems faced due to COVID-19 pandemic.
- The number of Projects and Employment generation under PMEGP during 2020-21 in July 2021 are 91,054 and 7,28,432, respectively.
- A number of schemes are being implemented by Ministry of MSME for MSMEs, including Prime Minister's Employment Generation Programme (PMEGP), Credit Linked Capital Subsidy for Technology Upgradation Scheme (CLCS-TUS), Schemes for Khadi & Village Industries and Coir, International Cooperation Scheme, Procurement and Marketing Support Scheme, Scheme for Credit Guarantee Fund for Micro and Small Enterprises, National SC/ST Hub etc.
- Benefits under these schemes are available to all eligible MSMEs, including those belonging to SC and ST communities.
- The Public Procurement Policy for Micro and Small Enterprises Order 2019 mandates 4% procurement from SC/ST owned MSEs and 3% from women owned MSEs.

## 5. CONCLUSION:

The MSME sector is the backbone of the Indian economy that enables the economic environment to progress leap and bounds. Owing to its enormous contribution to employment generation, Indian GDP, exports, and production, it is considered as the driver for growth of the Indian economy. As the wide-ranging effects of covid-19 are continuing to unfold, the sector is wavering under crisis since all the activities have come to a screeching halt. Thus, the MSMEs need to strive against this economic turmoil by framing proper strategies and embracing technological changes to sustain during this turbulent period. Therefore, this paper put forward the repercussion of Covid-19 in the MSME sector in India and highlights the strategies which are essential to overcome the present situation.

## 6. REFERENCES:

1. India Brand Equity Foundation ( [www.ibef.com](http://www.ibef.com) )
2. Census report of MSME
3. Article published by Dr. Debdas Rakshit and Ananya Paul "Ripple effect of Covid-19 on MSME and road ahead "
4. [www.Researchgate.net](http://www.Researchgate.net)
5. [www.journalcra.com](http://www.journalcra.com)