

## **THE PANDEMIC'S IMPACT ON MSMEs: PROSPECTS AND CHALLENGES**

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### **Abstract:**

MSMEs play a prominent role in the growth and development of a nation. The impact of Covid-19 on trade, production, and MSMEs is debilitating. Covid-19 is considered a stumbling block for the country's growth and development. It not only put a hold on India's growth and development but also brings the global economy to a standstill. The economy is headed for an economic downturn and the circumstances require systematic, focused, and aggressive measures to combat this critical situation. People are confined within four walls, mass meetings have been banned and social distancing has been enforced. Many businesses are shut down as they do not cope up with the demanding situation. A major impact of covid has been seen on the MSMEs sector. This covid-19 has long-lasting implications on the economy. This paper highlights the challenges which were faced by MSMEs due to covid-19 and the avenues available for them to grow and furnish.

**Key Words:** Covid-19, MSME, Challenges, Prospects, Innovation, Performance

### **Objective:**

The objective of this study is to

1. Identify the problems faced by MSMEs.
2. Strategies developed by MSMEs to combat the situation.
3. Relief measures and Schemes launched by the government for elevating MSMEs

**Introduction:**

Covid-19, Coronavirus Disease 2019 which is caused by novel coronavirus known as SARS-CoV-2 i.e. severe acute respiratory syndrome coronavirus 2. Initially found in Wuhan City, Hubei Province, China. On Dec 31, 2019, it was reported to WHO, and later on January 30, 2020, it was declared an epidemic (Brammer, S., Branicki, L., & Linnenluecke, M. K., 2020). Due to its devastating impacts on health and with the increasing death rates around the globe it was declared a pandemic on March 11, 2020. Covid-19 has its negative impacts on health (Madeira, A., Palrão, T., & Mendes, A. S., 2021) and brings the world's economy to a standstill the way to recession (Sahoo, P., & Ashwani.,2020). The global economy will decline sharply by -3% in 2020 as a result of the pandemic, much worse than during the financial crisis of 2008–09 (IMF, 2020; Sahoo, P., & Ashwani.,2020). Nations were struggling to cope up with the challenges posed but health systems are not adequately capable of tackling the problems caused by the virus (Brammer, S., Branicki, L., & Linnenluecke, M. K., 2020). Earlier studies show the best way to control the spread of coronavirus is to restrict movement and therefore lockdown implemented to curtail the spread of the virus (Chinazzi, et al, 2020; Sohrabi, et al, 2020, Smith & Freedman, 2020; Fabeil, N. F., Pazim, K. H., & Langgat, J., 2020).

MSME includes Micro, Small, and Medium Enterprises. From July 1, 2020, the central government notifies the new criteria for the classification of Micro, Small, and Medium enterprises which is elucidated below.

<b>Enterprises</b>	<b>Investment in Plant and Machinery or Equipment</b>	<b>Turnover</b>
Micro Enterprises	Does not Exceed 1 crore rupees	Does not exceed 5 crore rupees
Small Enterprises	Does not exceed 10 crore rupees	Does not exceed 50 crore rupees
Medium Enterprises	Does not exceed 50 crore rupees	Does not exceed 200 and 50 crore rupees

Compiled by authors through various notifications and schemes announced by the government

Source: [https://msme.gov.in/sites/default/files/MSME\\_gazette\\_of\\_india\\_0.pdf](https://msme.gov.in/sites/default/files/MSME_gazette_of_india_0.pdf)

With increased risks and uncertainties, investment is more likely to be shelved, reducing employment possibilities and further lowering disposable money, putting deflationary pressure (Garg and Sahoo, 2020; Sahoo, P., & Ashwani., 2020). Domestic production networks are facing a scarcity of raw materials and components, forcing them to increase their prices (Sahoo, P., & Ashwani., 2020). MSMEs in India account for 95 percent of the overall industries, and their participation in national GDP is enormous. MSME sector already hit hard by demonetization and later on, by the ineffective implementation of GST leads to a protracted economic downturn and now biggest of all Covid-19 which has exacerbated the situation of the economy (Saikia, B., & Dey, S, 2020).

### **The Brunt of Covid-19 on MSMEs:**

The impact of this catastrophe on enterprises seems to be of significant concern to entrepreneurs since it affects current and future business performance (Fabeil, N. F., Pazim, K. H., & Langgat, J., 2020). COVID-19 has far-reaching consequences for the function of business in society going beyond the voluntary contributions to public crises addressed by previous studies (Ballesteros & Gatignon, 2019; Luo et al., 2017). Because we are in the midst of a pandemic outbreak, predicting its long-term consequences is extremely challenging. Although civilization has been impacted by multiple pandemics in the past, estimating the long-term economic, behavioral, or sociological implications is challenging because these aspects have not been examined extensively in the past. As people in modern culture, our lives appear to be more focused on ease than on thinking about what might occur in the future. Some firms are faltering, while others are booming (Donthu, N., & Gustafsson, A., 2020). Despite the industry's overall poor performance, the top value-added sectors, including base metals, electronics, machinery, coke, and refined petroleum products, motor vehicles, and so on, rely heavily on imports.

The Corona Pandemic has dealt a serious hit to India's already sluggish trade, particularly exports. India is mostly dependent on the EU, the United States, China, and Southeast Asian countries, which together account for around two-thirds of India's exports and imports.

The projected drop in India's trade seems reasonable. The Corona Pandemic, which resulted in complete and partial lockdown around the country, causing serious impediments to trade, services, and people mobility, is harming India's trade, which has

already experienced negative growth in 2019 (Sahoo, P., & Ashwani., 2020). As the number of workers relocated to their hometowns, the MSME sector suffered from a lack of staff. Many people moved from rural to urban areas in pursuit of improved career prospects. As a result, it became difficult for managers of MSMEs in rural areas to persuade such individuals to return to their previous workplaces. The lockdown led to a complete halt of 60 percent of economic operations undertaken by India's MSME sector.

The nationwide lockdown has a negative impact on the MSMEs sector as many enterprises were shut down and many went down into huge losses (Roy, A., Patnaik, B. C. M., & Satpathy, I., 2020) It is hypothesized that micro-firms in underdeveloped locations have higher hurdles than large corporations or those in urban environments, particularly during a crisis (Fabeil, N. F., et. al., 2020).

#### **Strategies for MSMEs to Transcend:**

Given the predicted impact of Covid on the Indian economy, the government should disregard fiscal rules and go all-in on counter-cyclical fiscal measures to prevent things from getting worse. It is time for large-scale actions to assist enterprises that rely not just on the home economy but also on international trade.

Firms in the worst-affected sectors are suffering as a result of factory closures, a decline in worldwide demand, order cancellations, shipment delays, and so on. As a result, these businesses require assistance in the form of interest-free working capital to meet their wage costs and fixed costs to survive, during these troubled periods. The economic framework has provided credit assurances but it is now time to create demand so that credit may be taken advantage of. The MSME sector is labour-intensive and the lifeblood of India's production and services. It is adversely affected by interruptions in both production and consumption, primarily due to domestic & global lockdowns (Sahoo, P., & Ashwani., 2020). Countries not only become less globalized but more domestic. This could be a big problem, as long-term preservation from the impacts of a pandemic breakout requires global effort and resource sharing Such collaboration is also essential for addressing other global crises that may arise in the future (Donthu, N., & Gustafsson, A., 2020)

#### **Relief Measures by Government:**

Relief measures deployed by RBI endeavored to inject extra financial resources into the

Indian economy to improve the manufacturing activities of firms in India's MSME sectors (Roy, A., Patnaik, B. C. M., & Satpathy, I., 2020). This time government believes in the concept, like the government believes in Collaborative Contributions, Inclusive Growth, and is seeking out MSMEs and the non-corporate sector. The government has begun to take initiatives to keep the MSME sector alive. RBI introduced Long Term Repo Operations (LTRO). Deadlines for income tax returns and GST returns have also been extended. Financial reliefs were also provided for MSMEs (Saikia, B., & Dey, S, 2020).

The Finance Minister issued a special economic package on 12 May 2020 to combat the pandemic COVID -19 in India, called 'Atma Nirbhar Bharath Abhiyan' or the 'Self-reliant India' mission. The Government of India is taking the required efforts to bring forward current micro, small and medium-sized businesses and new entrepreneurs. In order to support micro, small and medium-sized firms, the Finance Minister introduced the first part of Atma Nirbhar Bharath Abhiyan. It offers financial support for current companies to survive. It amended the definition of MSMEs that distinguished between production and service sector and required changes will be made to the law (SAJITHA, S, 2020).

### Recent Developments (MSMEs)

Name of Scheme	Details of Scheme
1. Udyam Registration:	Ministry has changed the process of filing. Instead of filing the 'Udyog Aadhaar Memorandum' now registration can be done by 'Udyam'.
2. Framework for Revival and Rehabilitation of MSMEs	Banks have established a process for finalising corrective action plans for the revitalization and restoration of MSMEs.
3. MSME DataBank	All MSMEs are required to submit information about their businesses to the Central Government in the data bank online. They can update information whenever required without visiting.

<p>4. <b>MyMSME</b></p>	<p>To make it easier for businesses to take advantage of numerous programs, the Office of Development Commissioner (MSME) has introduced MyMSME, a web-based application module.</p>
<p>5. <b>Direct Benefit Transfer in the M/oMSME</b></p>	<p>To make the smooth flow of funds and to make sure beneficiaries would receive the benefits, welfares, and subsidy schemes were brought under Direct Benefit Transfer (DBT).</p>
<p>6. <b>Digital Payments</b></p>	<p>The government of India is working to promote a cashless society and to make seamless digital payments available to all Indian residents in a simplified way.</p>
<p>7. <b>Grievance Monitoring</b></p>	<p>The Ministry handles all grievances filed through the Centralized Public Grievance Redress and Monitoring System (CPGRAMS). To track and monitor additional concerns and suggestions received by the Ministry, the Ministry has launched an MSME online grievance monitoring system (eSAMADHAN).</p>
<p>8. <b>MSME SAMADHAAN: To Address Delayed Payment to MSEs</b></p>	<p>In the event of a payment delay of more than 45 days, MSE suppliers may contact the Micro and Small Enterprises Facilitation Council (MSEFC) established under the Act in each State/UT.</p>
<p>9. <b>MSME-SAMBANDH</b></p>	<p>The site assists Central Government Ministries, Departments, and Central Public Sector Enterprises (CPSEs) in monitoring procurement and sharing a list of required products/services from MSEs.</p>
<p>10. <b>MSME SAMPARK</b></p>	<p>This site is a digital platform where jobseekers (i.e. MSME Technology Centre graduates) and employers can register for mutual benefit engagement.</p>
<p>11. <b>Champions Portal</b></p>	<p>The platform not only assists MSMEs in their current predicament but also assists how to capitalise on new business prospects.</p>

<p><b>11. SPECIAL MEASURE UNDER ATMANIRBHAR BHARAT ABHIYAAN</b></p>	<p>The MSME sector has not only received a significant allocation under this package but has also been given priority in the implementation of steps to resuscitate the economy. Several announcements have been made under the Package to provide immediate aid to the MSME sector.</p>
<p><b>12. Skill Training Ecosystem of Ministry of MSME</b></p>	<p>To strengthen the capacity of existing and aspiring entrepreneurs, the Ministry has organised many skill development programs/courses. These training courses are designed to meet industry expectations and provide a path to fill the skilled worker shortage in the MSME sector under the changing environment of the MSME Ecosystem and its current difficulties in India.</p>
<p><b>13. SWACHHTA PAKHWADA by Ministry of MSME</b></p>	<p>The main emphasis is laid on the cleanliness of office premises.</p>
<p><b>14. Hon'ble Prime Minister made 12 key announcements</b></p>	<p>These 12 key announcements are aimed to address various challenges faced by MSMEs.</p>
<p><b>15. Significant work done for fighting against COVID -19 by the Ministry and its Organizations:</b></p>	<p>Promoting the production of Medical items by Technology centers taken by MSME Development Institutes (MSMEDIs) of the Ministry of MSME.</p>
<p><b>16. Emergency Credit Line Guarantee Scheme (ECLGS):</b></p>	<p>The government has quantified Rs. 3,00,000 crore collateral-free loan scheme which may provide benefit to 45 lakh MSMEs.</p>
<p><b>17. Government e Marketplace:</b></p>	<p>Ministry through Udyam Registration provided GeM Portal for MSMEs to get themselves listed.</p>

Compiled by authors through various notifications and schemes announced by the government

**Source:** <https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%202020-21.pdf>

### **Conclusion:**

From the discussion, it can be concluded that this pandemic has brought the economy to a standstill. Various sectors are hit by the catastrophe adversely. MSMEs which are considered to be the backbone of the economy are also lag behind. But to revive this sector government of India has launched various schemes and provided many incentives to sick industries. It is only beneficial if these schemes are effectively executed. This battle of Covid-19 can only be fought with the collective efforts of the nation. Many MSMEs have effectively implemented strategies to come out of this situation. Challenges like Operational barriers, Decline in sales

Difficulties in meeting working capital requirements, Personnel management, Availability of capital, etc. are faced by the MSME sector. Lack of raw material availability, halt the production. By deploying innovative and effective measures this situation can be brought under control. There are various opportunities accessible to escape from these prevalent circumstances.

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