

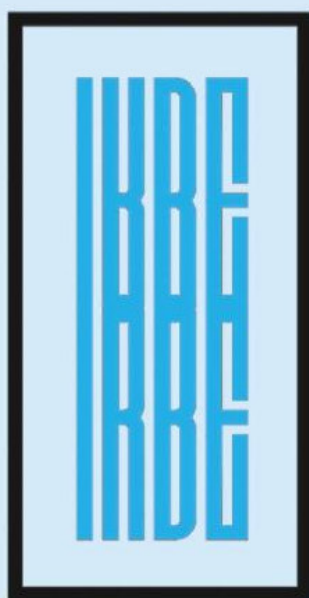
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**DYNAMICS OF BUSINESS AND ECONOMICS : GLOBAL PERSPECTIVE**



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## 27. A STUDY ON IMPACT OF COVID -19 ON MSMES IN INDIA

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### ABSTRACT

Small Industries are more vulnerable as it dealt a body blow because of Covid-19 and the resultant lockdown. It is difficult for them to survive without assistance. This is because, they are unable to cope up with the difficulties that are forced on them as their survival is difficult even in normal times but now they are dealing with something so unexpected.

The significance of MSMEs sector in boosting Indian economy cannot be ignored. Unless we strengthen the MSME sector, it is very little that the economy will have to look forward to. They are reaching out to the government asking the rescue. The lockdown due to COVID-19 has brought MSME sector to its knees by halting the business which dried up the revenue.

COVID-19 is of the giant disasters in the history which is devastatingly impacting on the global economy. It has taken the whole world into its grip, resulting tough times to global economy and people's life.

As India is a developing country, the lockdown majorly affected the manufacturing activities and the supply chain, because of the shutdown of airports and seaports and restrictions on imports and exports.

This paper aims at studying the Impact of COVID-19 on Indian economy, especially on Indian MSMEs which are the life blood of Indian Economy and revival strategies for the impacted MSMEs.

### KEYWORDS

COVID-19, Lockdown, MSMEs, Indian Economy.

### INTRODUCTION

Covid-19 pandemic is the greatest challenge, the world faced after II world war. The virus is spreading like forest fire. Even the developed countries are helpless. The number of positive cases and death toll is increasing day by day. All the countries around the world are maintaining social distancing, as this is the major way to contain the spread of this deadly virus. The pandemic has a disastrous impact on the economies. It has very impacted on the MSMEs. A study says only 24 percent small and medium businesses are currently operational and a new report indicated that 5 out of 10 businesses would run out of working capital. About 79 percent of MSMEs are very impacted across, BFSI, ITES, manufacturing, travel, Telecom, retail, outlets, education and related areas and professional service sector. Many

people are losing their jobs due to the suspended and reduced operations. During the lockdown an estimated 14 crores (140million) people lost employment while many others dealt with pay cuts. The informal sector and daily wage groups have been at the most risk. The fairness who grow perishables also faced uncertainty.

**MSME DEFINITION**

a) Existing classification on the basis of investment in plant and machinery or equipment.

Classification	Micro	Small	Medium
Manufacturing Enterprises	<25 Lakh	<5 Crore	< 1 0 Crore
Service Enterprises	<10 Lakh	<2 Crore	<5 Crore

b) Revised classification on the basis of investment in plant and machinery or equipment and annual turnover.

Classification	Micro	Small	Medium
Manufacturing Enterprises	Investment <1 Crore	Investment <10 Crore	Investment <20 Crore
Service Enterprises	Turnover <10 Lakh	Turnover <2 Crore	Turnover <10 Crore

**OBJECTIVES**

1. To study how COVID-19 will affects on MSMEs in India.
2. To know about revival strategies of MSMEs during pandemic.
3. To know the various measures taken by the government to achieve Atmanirbhar Bharath.
4. To know the safety measures towards MSMEs employees.

**LIMITATION**

This paper is prepared based on various articles, reports and data publishes in different newspapers and online publications.

**SCOPE**

The study aimed to emphasize the economic outlook for MSMEs, provocating their existence and their

opportunities.

**STANDSTILL IN MANUFACTURING SECTOR**

The lockdown arrested the manufacturing activities in India except few. This is because of the fallen market demand and disruption in supply chain. However some essential industries like food, pharmacy, hygienic applications resumed the manufacturing activities. To ease the financial crunch in MAMEs, many skilled and unskilled migrant workers were returned to their home town as they were not able to pay them.

**IMPRESSION ON MSMES**

The lockdown across the globe massively hits on imports and exports. Most of the raw materials like active pharmaceutical ingredients (about 70 percent) and electronics (nearly 55 percent) are imported from China. The lockdown not only stopped the manufacturing activities but also lead to a substantial trade defeat for India. India attracts the domestics and foreign national through its magnificent and rich heritage. The whole tourism which includes hotels, agents, restaurant s, alterations and operators faced losses worth thousands of crores due to the suspended tourist visas and shutdown of tourist attractions.

The situation of agricultural industry is miserable, as the markets are closed; the formers are unable to sell their agricultural produce. They sold their products locally at cheap prices in order to survive in these tough times. According to a study, only 18 percent of MSMEs are operating at less than 50 percent capacity. However this is huge business opportunities for e-commerce players like Amazon, Flip kart, Myntra, Ajio etc as there is a restriction on mass gathering; people will prefer online purchases over traditional mode of buying. But there is a hindrance in

there also, lack of deliveryman and the fear of delivering in the red zones. Because of the e-commerce too ceased it's activities by not accepting the orders for few days. But after the unlock-1, they carry on with their commercial activities by delivering the essentials and FMCG products. Moreover the lockdown led to the escalation of FMCG products Because of increased demand and supply shortage.

This academic year was crucial for the students as well as for the academicians, because only a few private institutions paid remunerations to the facilities. As a result of the due fees wasn't received from the students. Some of the institutions resumed its classes through online mode while other can't afford the same.

The lockdown resulted in postponing of wedding ceremonies and some took place with limited guests. Which led to decrease in sale of various products exclusively used during weddings and occasions.

### **CHALLENGES IN RESTARTING BUSINESS**

There is a high degree of uncertainty in conducting the operation due to the various restrictions imposed by the government in the workplace in order to avoid the spread of virus, the lockdowns in various areas with positive cases may restrict the movement of workers to the plants and this also affects the movement of materials which will hamper the production activities.

The another challenge is to meet the direct expenses as there is extreme uncertainties in the income due to the fallen demand and inability to deliver goods to the market and restrictions on exports. There will be the challenge to meet the high maintenance cost also. The country witnessed the pathetic condition of the migrant workers during lockdown. It is very difficult

for the MSMEs to carry on operations without proper workforce. It's a mega challenge to hire and pay to the new workers without compromising with the quality.

### **FORWARD PLANNING AND KEEPING SAFE**

1. Organization of business is one of the key strategies in order to avoid the social gatherings. This helps to maintain social distance in various meetings and it will also help in modernizing the various activities.
2. Proper availing and utilization of various schemes offered by government in order to meet the working capital needs.
3. Cross training of the staff should be done in order to make sure that all the employees are able to do any role in case of shortage of employees.
4. Proper management of receivables, without any long delays in order to meet the direct and indirect expenses.
5. It is very difficult for the MSMEs to survive in this era of cut throat competition; hence the MSMEs should take this situation as an opportunity by giving more emphasis on innovation.
6. MSMEs can avoid various expenses by limiting the stocks and hiring of temporary workers on walk in basis. This will also help the local workers to earn their bread.

### **RELIEF MEASURES TAKEN BY GOVERNMENT OF INDIA**

On 12th May 2020, the prime Minister of India Mr. Narendra Modi announced a special package in the name of Aatma Nirbhar Bharat Abhiyaan of Rs.20 lakh crore which is equal to 10 percent of India's GDP with the goal of making India and Indians self reliant by easing the supply chain within the country. Following this announce, the Finance Minister of India, Nirmala Sitaraman provided the detailed break-up of the

economic package via press conference. Out of 15 relief measures announced under the mega package, six aimed at bringing back the lockdown hit India's MSMEs to life.

### **1. Rs.3 lakh crore collateral free loan**

Collateral free loan are offered for a tenor of 4 years with 12 months moratorium on principle amount. Rs 3 lakh crores are set aside for this scheme and it should be availed till 31st October 2020. MSMEs with a turnover of 100 crore and 25 crore outstanding credit are eligible for to avail this benefit. The government acts as the guarantor here.

### **2. Rs.20000 crore subordinate debt**

The government will facilitate the provision of Rs.2000 crore as subordinate debt to the MSMEs which are declared as NPAs. The government also promised to provide Rs.4000 crore to CGTMSE which will offer partial credit guarantee support to bank for lending to MSMEs.

### **3. Rs.50000 crore equity infusion**

This scheme usage MSMEs to list on stock exchanges. The government will infuse Rs.50000 in equity in MSMEs that will be operated through a mother fund and a few daughter funds.

### **4. Revised MSME definition**

Now the MSMSs will be defined on the basis of investment in plant and machinery or equipment and turnover. This will help the MSMEs to enjoy various fixed benefits.

### **5. Global tenders disallowed**

By instilling the faith in Indian MSMEs Indian government disallowed the foreign tenders in government procurement which will also address the unfair competition issue from foreign companies.

6. Clearing MSMEs dues:

As per this, the government and the central public sector enterprises will release all the pending MSME payments in 45 days. In addition to this, fintech enterprises will be used to boost transaction based leading using the data by the e-market place which will promote to replace trade fairs and exhibitions by developing linkages for MSMEs.

### **CONCLUSION**

There is no doubt that covid-19 had a large impact on almost all the countries of the world. India is also its victim, which suffered the loss of lives, employments and what not. But if we see towards the positive side, India is battling this virus like a warrior. India released its potential to be self reliant by home sourcing various goods without depending upon other countries. This also helps in achieving favorable balance of payment. However, Even in its devastating situation, India stood up for its MSMEs without leaving it alone. The various schemes will assist them in bringing back the life to the MSMEs.

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