

# COVID-19 AND INDIAN MSME SECTOR- CHALLENGES AND OPPORTUNITIES

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## **ABSTRACT**

*MSME's sectors are considered as lifeline of the economy but Coronavirus has broken the foundation of the MSME's because of interest, supply and work chain disturbance, The remarkable lockdown constrained the MSME's to close their business because of these emergency and constrained worker's to travel from their working environment. In current situation the cross-country lockdown and COVID-19 hits the Indian economy with an enormous effect on a huge degree. The review featured that cross-country lockdown have antagonistically impacted the MSME's as correlation with enormous ventures.*

*The exploration paper means to make an appraisal of job of MSME's Indian economy by dissecting effect of COVID-19 and examined what cross country lockdown has meant for the MSME's area during COVID-19, the paper also highlighted the role of relief measures which are announced by the government and also the initiative taken by the ministry of MSME's for the improvement of MSME's to overcome this pandemic. The purpose of the research study is to determine the challenges and problems faced by MSME's and how these sectors benefited from opportunities during COVID-19 to play a major role in a self-reliant India and suggest and recommend the new way for the improvement of MSME's, the study analyze the literature related to the topic.*

**Keywords:** MSME, Digitalization, Employment Opportunity, Government relief measures.

## **Introduction**

In current scenario COVID-19 Pandemic hits the Indian economy with an immense impact to a large extent. Pandemic has adversely affected the entire world in terms of health, economic, social and political. This prolonged lockdown destroyed the demand, supply and labour chain, large industries

were least affected as comparison to MSMS's, firms are not in position of restart, consumer have cut their consumption and migrant workers are not ready to go their earlier workplace, many workers have been rendered unemployed. MSME's faced many challenges during COVID-19 but they convert this challenges into opportunities and relief measure and initiative have been imposed by the government are the strategic manoeuvre for the MSME's to cope with this pandemic.

**Table 1.1:** Classification of Indian MSME

| Classification | Manufacturing                     | Services                          |
|----------------|-----------------------------------|-----------------------------------|
| Micro          | Up to 25 Lakhs                    | Up to 10 Lakhs                    |
| Small          | From above 25 Lakhs up to 5.Crore | From above 10 Lakhs up to 2.Crore |
| Medium         | From above 5.Crore up to 10.Crore | From above 2.Crore up to 5.Crore  |

The MSME's play pivotal role in contributing employment opportunities but higher number of enterprises are forced to shut down their business, The unprecedented lockdown has abrupted business due to closure of national and international boundaries and stopped all the production activities due to constant demand, except essential goods such as processed production is Nil. It has freeze almost 60% of economic activities of MSME's

### Literature Review

Chandraiah. M and Vani. R (2014) were carried out MSME's role and performance analysis in terms of growth of GDP and Indian economy, also evaluated the problem and government strategy towards MSME's. Kumar Vinay (2017) carried out MSME's scope in development of nation and employment opportunities. How MSME's can contribute in generation of employment at rural as well as urban area and discussed the obstacles facing by MSME's in India and provided the suggestion to overcome such obstacles for the MSME's. Chetia Madhurya (2020) investigated the effect of COVID-19 pandemic on MSME area of India in term of loss of GDP, high pace of joblessness and interruption of production network, assessed the arrangement viewpoint drives and system to figure out an exit from COVID-19 and furthermore highlighted the significant impediment looked by the MSME's previously and during the COVID-19 pandemic. Nagarjan Muthukrishnan (2020) completed job of MSME's in holding Indian economy from COVID-19 effect and assessed the MSME's presentation in pertinence with development of Indian economy and distinguish the issues and difficulties looked by MSME's from pre COVID-19 to post COVID-19 circumstances and new methodologies which is embraced by the Government of India as well as ventures to recuperate the Indian economy to beat the cross country lockdown.

### Research Objectives

There are given following objectives.

1. To determine the- role of MSME's in Indian economy.
2. To examine the impact of COVID-19 pandemic on MSME's.
3. To identify the challenges and opportunities for MSME's.
4. To evaluate the implication of relief measure under self-reliant India

### Research Methodology

This study is descriptive in nature and highlighted the role of MSME's in development of Indian economy. Collections of data, classification and tabulation have been prepared in the entire study regarding MSME's and impact of COVID19 from article, newspaper, websites, and annual reports etc.

### Data Collection

This study is based on secondary data which is collected from secondary sources i.e. MSME's annual report, websites, journals, articles and Internet sources.

The data helped to discuss and illustrate the role of MSME's impact of COVID19, problem, challenges and opportunities and relief measures in financial perspective of Indian MSME's.

### 3. Limitation of the study

1. The study is based upon secondary data which inherits its own limitation.
2. The study is confined to MSME sector not included agriculture, mining, foresting, transport, and communication.
3. The study has spotlight on MSME's in pre COVID-19 and during COVID-19 but post COVID- 19 has not been discussed.

### Data Analysis and Interpretation

Table 5.1: Number of Units, Employment and Share of GVA of MSME's in All India GDP

| YEAR    | NO. OF UNITS | EMPLOYMENT IN MSME | SHARE OF MSME IN GDP | ALL INDIA GDP |
|---------|--------------|--------------------|----------------------|---------------|
| 2014-15 | 5.1. Crore   | 1171.32 lakh       | 31.80%               | 12467959      |
| 2015-16 | 5.34. Crore  | 1001.54 lakh       | 32.28%               | 13771874      |
| 2016-17 | 5.40. Crore  | 1054.23 lakh       | 32.24%               | 15391669      |
| 2017-18 | 5.45. Crore  | 1089.76 lakh       | 32.79%               | 17098304      |
| 2018-19 | 6.63. crore  | 1110.00 lakh       | 33.50%               | 18971237      |

Source- MSME Annual report 2020-21

### COVID- 19 Challenges and Opportunities for MSME's

COVID-19 has suddenly stopped economic activities and also has brought magnitude of recession for

India, resulted decline in employment, reduction in business and consumption. It has severely affected the consumers who are left with disposable income. MSME's has a potential to strength t-he social economic growth of a country by providing Employment Opportunity and reducing regional imbalances but due to nationwide lockdown situation has become more critical to arrange employees for production on reasonable cost because MSME's is already suffered from lack of man-power millions of workers migrated to their homes, it was difficult to pursue such manpower to attract and retain them to their earlier workplace and also it is a big challenge to arrange additional employees and additional expenses for cleaning and sanitizing to fight coronavirus.

## 2. Government Initiatives and Relief Measures for Revival of MSME's:

1. Prime Minister's Employment Generation Program (PMEGP)
2. Credit Linked Capital Subsidy Scheme (CLCSS)
3. Credit Guarantee Trust Fund for MSME's (CGTMSE)
4. Skill development and Training

## **Findings**

MSME's should take up required action to bring up GDP to the global market and wind up unnecessary activities, MSME's should produce raw material from local resources eliminating dependency on foreign countries, it will result in production at optimum cost MSME's should participate in skilled training program to encourage its manpower for optimum production at minimum cost and should hire local, it will result increase in employment opportunities.

MSME's should benefitted from the schemes, policies and initiatives introduced by the government and should adopt digitalization because today's there is need of this electronic platform in view of the situation COVID-19. India should strive to achieve self-sufficiency in production to overcome the toughest situation; it can be done through facilitating and establishment of MSME's.

## **Conclusion**

The Government of India has launched various schemes, initiatives and policies to recover MSME's from financial riddles in this pandemic situation.

MSME's will try to improve their cash flow for effective performance, MSME's will make collaboration with that companies which is not running well to get manpower, Assets and skill through business agreement, definitely, it will increase the growth rate of MSME's as well as dormant companies and also increase the number of firms may be set up in rural areas. MSME's sector has increased significantly employment generation but COVID-19 has adversely affected the man power, a lot of people have been rendered unemployed but MSME's are improving their performance in contributing in employment generation but the contribution of MSME's in GDP has been decreasing.

**Recommendations**

The Government of India should provide tax relief to MSME's in order to earn higher return and duty help will be an ideal monetary strategy that will ensure gathered benefit to remunerate immense misfortunes. The government should provide relaxation to promote mergers and amalgamation for MSME's to improve their performance.

Youth should be encouraged by providing loan for startup and mudras loan through suitable banking policies and also provide training for skill development to get effective work workforce.

The Government of India should impose relaxation on foreign multinational companies, it will provide an opportunity to MSME's to compete and conduct business activities.

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