

Impact of Pandemic on Indian MSME Sector

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Abstract

The globe is currently going through a difficult time. The entire world has been gripped by a virus known as COVID-19, which has disrupted people's lives and the global economy. One of the major catastrophes in 2020 is COVID-19. No nation is still free from the COVID-19 trap. It is having a disastrous effect on the world economy, and nobody can anticipate how it will turn out. This research paper's goal is to examine how the COVID-19 may affect various Indian economic sectors, particularly Indian MSME sectors, which are the backbone of the Indian economy. We have also attempted to shed light on the measures for Indian MSME resurrection following the conclusion of the epidemic phase and the anticipated developments.

Keywords: Indian Economy, MSME, Pandemic, COVID-19, Strategies

I. Introduction

One of the major disasters in 2020 is the corona virus (COVID-19). On December 31, 2019, Wuhan, Hubei Province, China, reported the first case of pneumonia with no known cause. 44 persons were diagnosed with pneumonia of unknown origin between December 31, 2019, and January 3, 2020. The national authority in China immediately informed WHO of this incidence. On January 30, 2020, the phenomena were deemed a public health emergency of global concern following an analysis of the data by WHO. The new Corona virus disease was given the name COVID-19 by WHO on February 11, 2020. A recently identified corona virus is the source of the infectious sickness known as Corona Virus Disease (COVID-19). The COVID-19 virus spreads mostly by nasal droplets produced by coughing or sneezing.

The global health issue caused by the COVID-19 coronavirus. The biggest challenge we've faced since World War Two is this one. Every continent but Antarctica has seen the virus's spread. In Africa, America, and Europe, cases are increasing daily. All of the nations are vying with one another to stop the spread of the virus by contact tracing, travel restrictions, quarantining individuals, and avoiding huge gatherings like sporting events, concerts, schools, and universities. The issue has become out of hand in certain wealthy nations, including Spain, Italy, and the United States. Like a wave, the pandemic is spreading. Almost every nation in the world focuses on social alienation. One strategy to stop the transmission of viruses is social isolation. Almost 162 nations have gradually entered lockdown. Shops, theatres, and restaurants are closing all across the world. People are losing

their jobs daily, and nobody knows when the return to the usual will occur. According to the International Labor Organization, 195 million jobs could be destroyed. Because it is now too late for them to implement the social distancing choice, the majority of the powerful industrialized nations are impotent today. The finest healthcare institution in the world has fallen in Italy. There are not enough beds to accommodate virus-affected patients. The situation is just too awful.

II. Review of Literature

Dr. Kishore Kumar Das and Shalini Patnaik (2020) studied the impact of COVID-19 in various sectors considering the data which are secondary in nature, different appropriate statistical tools and techniques are applied for analysis and conclusions. Manjula Bai (2020) concluded that next five years are going to be the golden period for media and entertainment. 3/D4D chat rooms and conference rooms will be emerging. The study also explains that businesses will experience an increase in productivity due to reduced staff. Bijoy Rakshit and Daisy Basistha (2020) highlighted three points, What impact would COVID-19 have on the Indian economy, and how does it influence various economic sectors? Second, how does the pandemic impact India and China's bilateral commercial relations? Third, we criticize the public health system's handling of the viral outbreak in India. The Indian economy's growth forecast by various economic agents is also presented in this article. Finally, we highlight a few policy suggestions for the Indian economy as we draw to a close.

III. Objectives of the Study

To study the impact of COVID-19 Pandemic on the Indian MSMEs sector.

IV. Impact of COVID-19 Pandemic on Indian MSME Sector

The world economy is being negatively impacted by this pandemic. We will attempt to provide a general summary of COVID-19's likely effects on Indian MSME in this article. How severely the pandemic will impact MSME cannot yet be predicted. The economic crisis in COVID-19 has replaced the health catastrophe. The global business cycle was devastated by this pandemic. National borders have been closed in almost 100 countries. A worldwide supply chain disintegrated over the previous month. The COVID-19 pandemic may cause a nearly 1% decline in the global economy in 2020.

India is a nation in development. After China, India has the biggest number of Micro, Small, and Medium-Sized Enterprises (MSME) in the world. MSME is important in accelerating the expansion of the Indian economy. However, after this outbreak, the position of MSME would be exceedingly unexpected and inconceivable. With a share of 14.20 percent of all MSME's in the nation, Uttar Pradesh has the highest estimated number of MSME. West Bengal is not far behind in second place with a share of 14%, followed by Tamil Nadu and Maharashtra at 8%. Micro, Small, and Medium-sized Enterprises (MSME) are essential to the survival of the Indian economy, which need urgent assistance. Over 63 million MSME units are located in India.

All types of business organizations have entirely ceased their regular business operations. For the Indian MSME, this temporary halt will be extremely important. However, a lengthy lockdown and

epidemic spread would worsen the economic situation. In this scenario, India's growth in the fiscal year 2021 may be less than 3%. (KPMG report). As the situation worsens, the impact of the coronavirus outbreak on small enterprises is particularly severe (National Federation of Independent Business). In the upcoming several months, unemployment will increase by 8,000 to 10,000 as a result of people losing their jobs in order to uphold social distancing rules. However, the effect might be favorable for some businesses.

Due to a lack of supply and excessive demand, the sporadic purchase of critical commodities in large quantities causes price increases. This challenging environment presents some opportunities for the packaged food industry to grow. Every family has been placed under house arrest. They cannot migrate from one location to another. Businesses that deal with packaged food today might seize the chance by offering home delivery and establish positive relationships with the community. There will be a slowdown in the export sector for SMEs. As more people choose social isolation through salons, the service sector is also slowing down.

Since daily-wage workers have returned to their villages, the MSME sector in India may confront issues including inadequate liquidity or cash flow and a lack of labour. Production must be negatively impacted by a labour shortage. Lower production results in a smaller supply, and a smaller supply will lead to inflation. However, the government has begun to take action to support the MSME sector. Banks can expand lending at lower interest rates as a result of the RBI's recent introduction of the 100000 Crore long term repo operation (LTRO). The MSME sector will benefit somewhat from this kind of approach. There is a chance that the share price of SME companies that are listed on the BSESME exchange would decrease. After this outbreak, investors will be reluctant to purchase shares of SMEs.

As most small business transactions and payments to employees and labourers are handled in cash in India, the effects of a lockdown will be extremely uncomfortable for Indian MSME. Small firms find it difficult to integrate digital practices into their operations. Small firms will attempt to implement digital techniques into their operations as a result of the crisis. There is a potential that a liquidity crisis will develop, and without sufficient money, a small business may have to shut down in the near future. Workers will thus soon face layoffs and unemployment. Workers are leaving the office and heading home. The situation for workers at this time is quite precarious. If the outbreak lasts for four to eight weeks, 19 to 43% of MSME may vanish. The past three years have been the most challenging for MSMEs (All India Manufacturing Organization). They encountered setback after setback. Red alert indicators are already in place. Unpaid EMIs and unpaid salaries, both of which have a negative impact on the balance sheet of small businesses, will place a significant financial burden on MSME. Transport of products between nations has been halted as a result of shutdown.

One benefit of the crisis is that businesses involved in import and export trade will attempt to become self-sufficient and make items domestically rather than import them, which will help the balance of payments in some ways. For SME in the chemical business, there is a significant opportunity. By

producing hand sanitizers, which are currently in more demand, they can broaden their product offering. By producing face masks, the apparel industry can also seize the chance. Due to shutdown, poultry companies are experiencing numerous issues. From the current market price of 90 per kg, the demand for chickens has decreased at a rate of 20 kg/kg.

Even if there are no sales, the firm owner must maintain a fixed expense for chicken feed in order to keep the flock alive. In some rural areas, like as Odisha, West Bengal, and Chhattisgarh, haats constitute the primary source of income for rural residents. Haats is getting shut down. If the lockdown lasts more than eight weeks, there will be a starvation situation. If we get into the agricultural industry, harvest time will start, and there will be a worker shortage for picking wheat, which could result in crop rot in the fields. Due to a decrease in supply as a result of the outbreak, flour prices could rise. This will be essential for maintaining the food grain supply chain.

Liquidity shortage brought on by the COVID-19 outbreak will be the main problem for MSME. Supply chains and labour availability will be affected by a lack of liquidity. While there is now no revenue, several firms have fully paid the wages of their employees for March and are ready to pay them in April. Additionally, there are costs like electricity and water that must be paid, but they cannot continue into May or beyond without income or significant government assistance. The biggest worries for MSME businesses are the delays in the release of new products, the difficulty to meet demand from critical industries, and the severe social isolation. A 700 Crore target has been set by the State Bank of India for distribution to MSME in Mumbai.

As India is anticipated to increase somewhere between 1.5 and 2.8 percent, according to the most recent World Bank forecast. Due to the worst global economic downturn since the Great Depression of the 1930s, the IMF predicted that India's GDP will expand by 1.9 percent in 2020. On March 26, the finance minister announced a 1.70 Lakh Crore rupee relief package. In accordance with the Pradhan Mantri Garib Kalyan Yojana, approximately 39 Crore poor people have received direct benefit transfers totaling Rs. 34800 Crore up until May 5, 2020; 12810 Crore has been distributed to 25.62 Crore account holders in two instalments; 1405 Crore has been distributed to approximately 2.82 Crore elderly, widowed, and disabled individuals; and 2.20 Crore workers have received financial assistance totaling Rs. 3493 Crore. Garib Kalyan is the current Pradhan Mantri. 67.65 Lakh Ann Yojana.

The current statewide lockdown has been extended by the Indian government until 3 May. From farmers, women, and small companies to organised workers, it will address a variety of vulnerable segments. On March 23, the Indian stock market saw its worst single-day decline ever. The S&P BSE Sensex slid 13.15 percent to 25981.24, while the NSE Nifty 50 index dropped 12.98 percent. The rupee's low record against the US dollar was 76.16. The effects of COVID-19 could be deadly for many MSME units in India. Standard operating procedure (SOP) for MSMEs at the workplace will be rigorously adhered to, with frequent disinfection of the premises, hand washing and sanitizer availability, and mandatory thermal scanning of all individuals entering and leaving the workplace.

MCA further clarifies that donations to the PM CARES Fund would count as CSR expenses. A new programme called Companies Fresh Start Scheme, 2020 was unveiled by MCA on March 30, 2020. (CFSS 2020). For the following two quarters, the maximum time between two board meetings will be increased by 60 days. MSMEs can receive up to Rs 1 Crore in emergency working capital from SIDBI. For MSMEs producing any product to combat the corona virus, such as hand sanitizers, masks, bodysuits, ventilators, testing labs, etc., SIDBI has made arrangements to provide loans at 5 percent within 48 hours. For small enterprises, Andhra Bank is establishing a short-term financing facility.

MSMEs Definition

Indian MSMEs will play a significant to become Self Reliant India. To become “from local to global” of MSMEs are major emphasis of India. Indian MSMEs will be badly affected by COVID-19 pandemic. It plays vital role in employment generation in India. To strong the foundation of Indian MSMEs and to achieve the dream of Self-Reliant India, Government of India has taken different type of measures.

Low threshold limit in MSME definition have created a fear and they did not expand its business and they think that if we expand our business, we shall be out of the scope to avail benefits of MSME. After a long waiting Government has revised MSME definition.

Existing MSME Classification

Criteria: Investment in plant & machinery or equipment

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

Revised MSME classification

Composite Criteria: Investment and annual turnover

Classification	Micro	Small	Medium
Manufacturing & Service Enterprises	Investment < 1 Crore and turnover < 5 Crore	Investment < 10 Crore and turnover < 50 Crore	Investment < 20 Crore and turnover < 100 Crore

Source: Financial express

V. Survival Strategies of MSMEs Post Pandemic

The following are the reforms we can expect in field of MSMEs sector.

- Digital Usage: Of the 63 million MSMEs in India, only 32% are actively using the internet, and 68% are not yet ready to implement digital practises. To survive in the long run, the untapped segment of MSMEs must alter their strategy and digitize their business processes. For some

MSMEs, implementing digital practises is highly challenging, but without doing so, it will be very impossible to survive the post-epidemic period because people will continue to shun social gatherings and meetings. High credit support and available of working capital, Adopting more sustainability practice which leads to environment conscious.

- MSMEs need to emphasize innovation more. Innovation in MSMEs is indeed amazing, but following this outbreak, MSMEs will need innovation in order to survive. Cross train staff practice will be helpful to some extent in the business premises, so that they will be able to perform variety of roles in business.
- Emphasizing working capital management more. To cover wage and salary costs, prompt receivable collection is necessary.

Whether India can avoid a large economic slump or not the path back to growth will depend on three broad scenarios of recovery, V shaped, U shaped and L shaped recovery. The RBI governor expects that India could recover in a V shaped as projected by IMF in 2021-2022. The public & private sector in India should plan for the best and prepare for the worst scenario, keeping in mind that a V shaped recovery is not guarantee .However the extent of actual impact would depends on the severity and duration of the outbreak which is still unknown. The COVID-19 lockdown may cost the Indian economy INR 8.76 Lakh Crore. Former RBI governor Raghuram Rajan says that recovery will vary from industry to industry, it can be a U shaped (slow comeback) or V shaped (Sharpe rapid growth). Recovery curve will depend on how organization reforms their work practice and the change in consumption pattern of consumer after lockdown period. India management of COVID-19 outbreak is being observe closely and appreciated by WHO, UN, IMF, ADB and also the advanced economies like the US, UK, Italy, Germany, Spain and Japan.

IV. Conclusion

The deadly COVID-19 pandemic is affecting almost every nation in the planet. The most powerful economies are now helpless as the crisis spirals out of control. However, India made a great recovery by making decisions quickly and appropriately. We cannot ignore the disastrous effects of COVID-19, but if we contrast India with other industrialized nations like the United States or Italy—comparisons that are plainly unfair—we find that India is in a much better position. This is simply a result of the nation's fast lockdown and increased focus on social estrangement. India has already suffered from unemployment and this will be further extended. From every incident of life we learn something new it may be positive or negative or both. This positive thing is that, from this pandemic India can analyze its potential. India is overly reliant on other nations for its imports, thus it has chosen to domestically source its commodities rather than importing them from elsewhere. This will somewhat help India's BOP predicament. The idea of working from home will usher in a new culture in India. Digital practise will therefore become more prevalent in the near future. More will be encouraged by Make in India and Digital India. For new business owners and startups, the possibility of closure will come as a huge shock. There will be some minor business closures.

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