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Title: Study of impact of coronavirus pandemic on small and medium enterprises (SME's) in India

Abstract:

The Indian economy is undergoing significant field of growth in SME's with diverse businesses, including machinery and equipment production, metal and electrical goods, cement, food and beverages, materials for building and development, rubber and plastic items and automation technology. The Covid-19 pandemic has had an effect on all economic sectors but nowhere is it affected so much as the MSMEs in India. The paper studies the present impact of coronavirus on SME's in India. After the dust settles, SME's find it necessary, with time to stay competitive, to evolve and alter. The responses to this issue include the introduction of protection procedures, sanitation and sanitization methods, an updated sourcing policy, the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience, an analysis of disaster or emergency management plans. In this way SME's can cope with the coronavirus pandemic.

Keywords: SME's, Covid-19, coronavirus pandemic, impact,

Introduction:

As a very important segment of the Indian economy, micro, small and medium-sized enterprise (MSME) sectors have arisen, making a major contribution to the production, creativity, export and inclusive economic development. The socio-economic growth of our country is focused on micro, small and medium-sized enterprises (MSME). It also accounts for 45% of overall factory output, 40 % of total exports and provides a huge contributor to GDP. In the MSME development market, 7.09% of GDP is produced. In comparison, MSMEs contribute 30.5% to facilities. The MSMED Act 2006, which allowed the growth and advancement of the industry in a system for MSME, established a Mechanism for MSMEs to grow and boost the competitiveness of MSMEs, provided for credit flow to the sector and paved the way for government procurement preferential treatment of MSE products and services, tackled the problem of de lending to the sector The new legislation is supposed to face the main challenges of physical infrastructure bottlenecks, lack of formalization, implementation of technology, construction of power, backward and forward links; lack of access to credit; and risk-capital, perennial problem of delayed payments, etc. These concerns impede the creation of a commercial climate favourable to growing the industry. The MSME Ministry has noted that a flourishing market eco-system is a policy necessity in order to realize the sector's potential and to ensure a sustainable sector development.

Global developments in classifying micro-enterprises indicate that they vary considerably between various jurisdictions. A comparison of some countries has shown, however, that most workers use a vector to describe micro-enterprises, in India, the concept of micro-enterprise is currently focused on the expenditure in equipment and machinery. The new requirements for the designation of micro, small and medium-sized businesses based on profitability, which would be of benefit for microenterprises, have been adopted by government in order to encourage market easing.

There was not a legal concept for medium-sized companies in India before the implementation of the MSMED Act in 2006. Consequently, there was no formal concept for small and medium scale enterprises [SME's] as well as for what was generally known then as large and medium scale enterprises [LME's]. The official meaning was small business (SSIs) because what wasn't a small business unit by design simply became a big and medium company or a non-SSI entity. According to the latest definition, a little unit with investments of up to Rs 1 crore in plant and machinery was specified before the enactment of the MSMED Act in 2006, provided it is not owned by or controlled by a subsidiary of any other industrial undertaking. This condition was set to prevent big firms from grabbing the benefits extended to small-scale industries by setting up their subsidiaries as small-scale undertakings. In addition, it was intended to discourage the misuse of incentives by establishing more than one SSI unit by the same person. The various definitions of SSI over the years are given in the Table below.

Studies by Small Industries Development Bank of India (SIDBI) found that although the ceiling limit for investments in the SSI sector was lifted globally, the actual impact of the revision was not important. However, the 1997 reform of the allocation criteria presented small units with potential for higher expenditure. In the meantime, the government of India has agreed to reduce from 300 lakhs to 100 lakhs the expenditure limit. Particularly within the US government, there is no widely agreed concept of a SME. In the US, businesses with less than 500 workers are listed by SMEs. The related U.S. meanings Commerce Agency, United States. Administration for Small Business (SBA) and the United States This 2010 study of the US Foreign Trade Commission is applicable to the Department of Agriculture (USDA).

The MSME is a Chinese corporation with between 1 and 3000 workers with a gross asset between 40 with 400 million yen. Depending on the field market turnover is between 10 and 300 million yen. In 1966, a subsidiary unit with an investment cap of up to a maximum of Rs ten lakhs was established. An auxiliary Unit is defined as a commercial enterprise engaged or proposed to engage in the production or manufacture of parts, components, subassemblies, equipment, or intermediates, or in the provision or rendering of services and enterprises for or the supply or rendering, as the case might be, of at least 50% of its production or services to one or more of the indigenous enterprises.

A small unit with investment in machinery and plants up to one lakh in rural areas or towns with up to 50,000 inhabitants was established by the 1971 census in 1977. The new description for a small unit has an expenditure cap of Rs 25 lakh, regardless of where the unit is situated (in factories and machinery). Since 1982 the Small Scale Business Establishments (SSSE) have been known as business focused businesses. This included service-oriented companies with expenditure in capital assets, except land and development and up to Rs. 2 lakhs if situated in rural or population-dwelling towns of up to 5 lakhs. Small Scale Enterprises (SSSBEs) was introduced in 1991 with the exception of property and construction, up to Rs. 5 lakhs and irrespective of areas, like units invested in fixed assets. Both benefits and services for tiny units accessible are eligible to SSSBE's. This limit has been enhanced to Rs. 10 lacs in 2000.

Review of Literature

Yi Lu and his co-authors observed that, because of lack of disease prevention resources, workers' failure to return to work, production lines interrupted, and a decreased business demand, most SMEs were unable to restart work. A number of SMEs often experienced cash flow problems, and while they did not have many to no sales, they also had to compensate for different fixed expenses. Because these delays in the resumption of work have placed immense strain on the viability of several small and medium-sized businesses, guidelines relating to cash-flow relief for China and the other countries involved, work restarting and stimulating demand help SMEs thrive and recover from catastrophe. (Yi Lu, 2020).

Mahajan describes the factors that drive Indian millennials to a particular online retailer in India and perceptions of millennials towards these online retailers. The paper studies the same

in the Indian context. It is found that millennials are more or less satisfied with the services of selected online retailers. It was also found that four factors were statistically significant for millennials for selecting a particular online retailer (Mahajan, 2017; Mahajan, 2015).

The effect of MCOs on SMEs was categorized as organizational challenges (i.e. instability of businesses; disturbance in the supply chain; planning of potential course in the business) and financial difficulties (i.e. disparity of cash flow; access to funding packages; danger of bankruptcy). In the meantime, strategic and communication techniques address key elements in modern survival methods. The paper proposes few guidelines for potential studies, companies and agencies (Ahmad, 2020)

Narula claimed that the threats and opportunities would be different in the long term based on the SME form. Instead of a one-size-fits-all solution, policy initiatives can also be sensitive to various forms of SMEs. The policy mix would have to transition from its original emphasis on short-term sustainability to a longer-term, strategic solution that will encourage transformation and development through creativity, internationalization and networking. The policy mix will be a significant subject of concern (Narula, 2020).

Objectives of the study:

- 1) To study the impact of coronavirus on SME's in India
- 2) To study the impact of coronavirus pandemic on employment in SME's in India
- 3) To suggest measures to improve the present situation of SME's in India

Research Methodology

The paper studies the present impact of coronavirus on SME's in India. The study is descriptive in nature. The study uses secondary data for the analysis of the SME's. The secondary data is collected from websites, blogs, magazines and newspapers in India. The study critically analyses the present situation of manufacturing industry in India and its impact on employment. The geographical scope of the study is India. The paper first studies impact of coronavirus on SME's. Then the impact of coronavirus pandemic is studied employment in this sector.

Data Analysis and Interpretation

The Covid 19 pandemic has had an effect on all economic sectors but nowhere is it affected so much as the MSMEs in India. 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, PM 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 (2018-19) Annual Report of Department of MSMEs, there are 6.34 crore MSMEs in the country. Around 51 per cent of these are situated in rural India. Together, they employ a little over 11 crore people but 55 per cent of the employment happens in the urban MSMEs.

There are 6.34 crore MSMEs in the world, as defined in the latest Annual Report (2018-19) for MSME Department. Roughly 51% of these are in rural India. They have over 11 crore-workers together, but the urban MSMEs account for 55% of jobs. On average, fewer than two workers per MSME are recorded in these statistics. On a basis that provides an explanation of the smallness of these. However, it is much more obvious that all MSME are broken into large, tiny and medium groups. 99.5% of all MSMEs fell into the micro category according to the available info. Whereas small and medium-size companies are spread similarly throughout rural and urban India, they are mainly urban India. In other terms, micro-enterprises apply generally to a single person or wife who operates at home. The other 5 crore-odd workers of the medium-sized and small companies — that is, 0.5% of all MSMEs. The company's caste allocation extends the image more. Around 66 percent of all micro-small and medium-sized businesses are operated by persons of the Scheduled Castes (12.5 percent).

At around 80% of men and 20% of women, the gender distribution of workers is relatively stable across the board. Seven Indian states alone account for 50% of all MSMEs in terms of regional distribution. They are Uttar Pradesh (14%), West Bengal (14%), Tamil Nadu (6%), Maharashtra (8%), Karnataka (6%), Bihar (5%) and Andhra Pradesh (5%). Most are not even registered. One big explanation is that they're so little. Even GST does not count and most micro-enterprises do not. This inherent invisibility appears to work both with and against corporations. They may not have to manage account, pay taxes or meet with regulatory requirements since they are beyond the structured network. This rising the prices. Although that still constrains the willingness of a country to assist them, which is evident in a period of crisis. For example, the government has sought to offer pay and extra credit for smaller businesses in certain developing nations, but it might do so when the smaller companies were identified.

This could be the greatest obstacle posed by MSMEs – lack of support. According to a study from 2018 by the IFC (part of the World Bank), less than a one-third (or around Rs 11 lakh crore) of the MSME credit requirement is supplied by structured banking structure that it may theoretically finance (Chart 5). This is because this explains why attempts by the Bank of India Reserve to raise liquidity in the MSMEs have had such a small effect. The bulk of the funds remain from informal outlets. In other terms, this reality is critical. The high proportion of incorrect credits, which suggests higher slip estimates for comparatively larger firms, is a primary explanation why banks should not allocate credits to MSMEs. The other significant challenge for the business is the pause with respect to MSME payments — whether that is from their customers (including the government) or items like GST refunds, etc.

Impact of Covid-19 on SME's in India

Modern nightmares like COVID-19 are being faced across the planet, which has left the whole community muddled and in the grasp of how one epidemic has halted the nation. This deadly epidemic has spread over about 195 nations, and has been labeled a pandemic by the WHO. This virus also presents a significant challenge to the increasingly fragile global economy. There is little question that the sputtering Indian economy in the past six years has been rising at one of the lowest rates. Right still, several industries are devastated by a fresh collection of economic problems raised by the virus. 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 per cent 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).

Accordingly, 70 million traders in India and the bulk of them are MSMEs are CAIT. The Confederation of All India Traders (CAIT). The trade influence in India is valued at about Rs 380 lakh, with a major strike of Rs 12 crore 90 lakh in the chemical industry. Tiny, SMEs are the sector still in immense trouble due to demonetisation, then due to badly executed GST accompanied by sustained stagnation, and the largest of all – COVID-19 – which in this particular sector would worsen the crisis further. After the COVID-19 pandemic in India has already reached the second stage and as many experts claim, we will very soon reach the third stage involving a cluster-to-community spread. One thing is fairly certain while the nation is locked down to 3 May that the MSME will strike as many as possible and that the troubled economy will leave many workers unemployed and will forever carry thousands of manufacturing outlets to a halt. In India, over 75 million MSMEs now operate, and almost 25 thousand of those businesses risk closure, the lockout enforced by the AIM0 is about four weeks longer and an astounding 43% shuts off if a crisis stretches beside for more than eight

weeks. MSME is the pillar of the Indian economy and one of the main sectors that have helped a spring and boundary economy to develop. One of these difficult stages is the industry, which provides more than 114 million citizens with work and contributes over 30% of GDP, so decisive intervention is expected.

Given the widespread havoc of the COVID-19, a constant monitoring system is required by the government and urgent relief steps should be announced to improve trust in this very critical industry which has been beaten by the government's flurry of disturbances. To re-energize the consumer economy, a financial stimulus package is needed. A number of reform initiatives were adopted by countries such as the USA and China in order to preserve the COVID 19 MSMEs. The complete shutdown posed a lot of concerns, especially as these businesses are not cash-intensive enough to wait for the crisis. That's why he said work cuts. A new study for "small and medium businesses" in manufacturing shows that, once their company is suspended, only 7% of them would be able to live with their cash in their hands for about three months. The shortage of jobs available is a huge barrier to restarting now.

The government would have a long time to do its part otherwise, otherwise it will be too late to reverse the error. Indian start-ups and SMEs are among the worst hits to control the spread of COVID-19 as a result of a sudden pause in economic operations during the national lockdown. About 80% of start-ups and small and medium-sized companies in the country plan their activities either to decrease or to shutter or to sell off in the next six months. According to a survey of local circles, 47 percent of start-ups and small- and medium-sized businesses in India are left with less than one month of cash and several of them have already run out of money. The survey, which was conducted in over 90 Indian districts, earned over 13,970 responses from small firms, including start-ups, SMEs and entrepreneurs. In comparison, 24% claimed cash would only be available for up to three months and 23% only for up to six months. Just 6% of entrepreneurs and small companies have registered being insured for more than six months. The loan taken by the kirana stores through government schemes like mudra loans (Mahajan, 2019) will be difficult to repay. The CSR activities of the SME's will also be affected (Mahajan, 2018).

The COVID-19 epidemic has flooded industries across the globe, with some businesses impacted more than others. The shutdown that was introduced to combat the epidemic has made several businesses cash-dry, as business growth has ground to a halt as their profits unexpectedly slows down. Start-ups and small and medium-sized businesses in India have reached out to the government for assistance with the ongoing crisis. They submitted numerous applications through Local Circles, some of them repaying 50% of startup employees' salaries for one month, or granting one-time Rs 20 lakh registered startups.

In March, the financing of Indian start-ups dropped by more than 50 percent. According to data from Venture Intelligence company market tracker, they raised around \$354 million in 34 deals in March 2020, which is less than half of the \$714 million generated in February in 46 deals. More than a dozen entrepreneurs have requested danger debt companies to fund their loans over a longer period of time than initially negotiated, as was stated earlier this month. The study stated that those in industries that have been affected hardest by the pandemic – leisure, lodging, transport and also the distribution companies – have demanded up to 6 months longer than initially expected.

Conclusion

During the COVID-19 era all the SME' are struggling. Their biggest problems have been declining demand and broken supply chain. Yet there is hope for the challenge. After the dust settles, SME's find it necessary, with time to stay competitive, to evolve and alter. The responses to this issue include the introduction of protection procedures, sanitation and sanitization methods, an updated sourcing policy, the incorporation of new vendors, the streamlining of their product portfolio, a more responsive evaluation of supply chain resilience,

an analysis of disaster or emergency management plans. In this way SME's can cope with the coronavirus pandemic.

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