



STUDY OF IMPACT OF COVID 19 PANDEMIC ON SMALL AND MEDIUM ENTERPRISES (SMEs) IN INDIA

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ABSTRACT

The Indian economy is experiencing tremendous expansion in SMEs across a large range of industries, including machinery and equipment manufacturing, metal and electrical goods, cement, food and drinks, building and development materials, rubber and plastic items, and automation technology. The pandemic has effected all economic sectors, but MSMEs in India have been particularly hard hit. The current impact of coronavirus on SMEs in India is investigated in this research. After the dust settles, SMEs discover that they must develop and change over time in order to remain competitive. Security systems, sterilization and disinfection techniques, a refreshed obtaining strategy, the consolidation of new merchants, the smoothing out of their item portfolio, a more responsive assessment of production network strength, and an examination of catastrophe or crisis the board plans are a portion of the reactions to this issue.. SMEs will be able to cope with the coronavirus pandemic in this way.

Keywords: SMEs, Covid-19, Coronavirus, Pandemic

INTRODUCTION

Micro, small, and medium-sized enterprise (MSME) sectors have emerged as an important section of the Indian economy, contributing significantly to production, creativity, export, and inclusive economic development. Our country's socio-economic development is centred on micro, small, and medium-sized businesses (MSME). It also contributes significantly to GDP, accounting for 45 percent of total manufacturing output and 40 percent of total exports. 7.09 percent of GDP is generated in the MSME development market. MSMEs, on the other hand, contribute 30.5 percent to facilities. The MSMED Act of 2006, which allowed for the development and progression of the business in a framework for MSME, laid out a Mechanism for MSMEs to develop and help their competitiveness, provided for credit flow to the sector and paved the way for preferential treatment of MSE products

REVIEW OF LITERATURE

Most SMEs were unable to resume work due to a shortage of illness prevention resources, workers' failure to return to work, production lines disrupted, and decreased business demand, according to Yi Lu and his co-authors. Many SMEs struggled with cash flow issues, and while they didn't have a lot of sales, they also had to cover a variety of fixed expenses. Because the return of employment has been delayed, there has been a significant impact on the economy. Strain on the viability of several small and medium-sized businesses, guidelines relating to cash-flow relief for China and the other SMEs may prosper and recover from disasters thanks to cash-flow assistance recommendations for China and the other nations involved, work restarting, and encouraging demand's may prosper and recover from disasters thanks to cash-flow assistance recommendations for China and the other nations involved, work restarting, and encouraging demands can prosper and recover from disasters thanks to rules relating to cash-flow relief for China and the other nations concerned, work restarting, and encouraging demand. Can prosper and recover from disasters thanks to rules relating to cash-flow relief for China and the other nations concerned, work restarting, and encouraging demands can prosper and recover from disasters thanks to rules relating to cash-flow relief for China and the other nations concerned, work restarting, and encouraging demands can prosper and recover from disasters thanks to rules relating to cash-flow relief for China and the other nations concerned, work restarting, and encouraging demand. Countries involved, work restarting and stimulating demand help SMEs thrive and recover from catastrophe. (Yi Lu, 2020). Mahajan discusses the variables that motivate Indian millennials to shop at a specific online retailer in India, as well as their attitudes toward these merchants. The paper investigates the topic in the context of India. Millennials are more or less satisfied with the services of some internet businesses, according to research. Four characteristics were also discovered to be statistically relevant for millennials when choosing an online retailer. (Mahajan, 2017; Mahajan,2015). Organizational challenges (i.e., business instability; disruption in the supply chain; planning of a prospective path in the firm) and financial difficulties were identified as MCOs' impact on SMEs (i.e., disparity of cash flow; access to funding packages; danger of bankruptcy). Meanwhile, strategic and communication strategies cover important aspects of modern survival techniques. The article offers a few guidelines for future studies, businesses, and government bodies. (2020, Ahmad) According to Narula, the risks and opportunities in the long run would change depending on the SME form. Instead of a one-size-fits-all approach, policy measures might be tailored to different types of SMEs. The policy mix would have to shift away from its initial focus on short-term viability and toward a longer-term, strategic solution that encourages transformation and development through creativity, internationalisation, and networking. The policy combination will be a major source of anxiety (Narula, 2020).

OBJECTIVES OF THE STUDY

- 1) To investigate the effects of the coronavirus on SMEs in India .
- 2) To investigate the impact of the coronavirus pandemic in India on SMEs' employment.
- 3) To make recommendations for improving the current state of SMEs in India.

RESEARCH METHODOLOGY

The current impact of coronavirus on SMEs in India is investigated in this research. The research is purely descriptive. For the analysis of SME's, the study relies on secondary data. Secondary data is gathered in India via websites, blogs, magazines, and newspapers. The current state of India's manufacturing industry and its influence on employment are critically examined in this study. The study's geographical scope is India. The research begins by looking at the impact of coronavirus on small and medium-sized businesses. The impact of a coronavirus pandemic on employment in this sector is then investigated.

DATA ANALYSIS AND INTERPRETATION

The Covid 19 pandemic has impacted all economic sectors, but MSMEs in India have been particularly hard hit. All available empirical data, such as the hundreds of thousands of stranded migrant workers around the world, suggests that the Covid-19 lockout was the single most deadly event for MSMEs. The second relief package, PM Garib Kalyan Yojana, was allegedly oriented primarily on the MSME market, similar to the first relief package announced by the government on March 26. MSMEs are extremely vulnerable to economic stress, according to a closer examination of the characteristics of the MSME area. According to the Department of MSMEs' most recent Annual Report (2018-19), there are 6.34 crore MSMEs in the country. Around 51% of these are found in India's rural areas. They employ a little more than 11 crore people collectively, while urban MSMEs account for 55 percent of all employment.

According to the current MSME Department Annual Report (2018-19), there are 6.34 crore MSMEs in the world. Rural India accounts for over 51% of these. They employ over 11 crore people, but urban MSMEs account for 55 percent of all jobs. In these statistics, fewer than two workers per MSME are documented on average. On the basis of which the smallness of things can be explained. All MSME, on the other hand, are clearly divided into large, little, and medium groups. According to the available data, 99.5 percent of all MSMEs fall under the micro group. Small and medium-sized businesses are found in both rural and urban India, however they are concentrated in metropolitan areas. In other words, a single person or wife who works from home is referred to as a micro-enterprise. The remaining 5 crore-plus workers in medium-sized and small businesses — or 0.5 percent of all MSMEs. The company's caste distribution broadens the picture even more People from the Scheduled Castes run almost 66 percent of all micro, small, and medium-sized companies (12.5 percent).

The gender distribution of workers is pretty steady across the board, with roughly 80% of males and 20% of women. In terms of regional distribution, seven Indian states alone account for half of all MSMEs. Uttar Pradesh (14%) is the most populous state, followed by West Bengal (14%), Tamil Nadu (6%), Maharashtra (8%), Karnataka (6%), Bihar (5%), and Andhra Pradesh (4%). (5 percent). The majority of them aren't even registered with the government. One main explanation is that they are so little. Even GST isn't counted, and neither are most micro-businesses. This inherent obscurity appears to function both in favour of and against corporations. Because they operate outside of the established network, they may not be required to manage accounts, pay taxes, or comply with regulatory regulations. Prices are rising as a result of this. Although this still limits a country's readiness to help them, which is clear during a crisis. For example, in certain developing countries, the government has attempted to grant wages and extra credit to small enterprises, although it may do so once the smaller businesses have been recognised.

MSMEs may face the greatest challenge of all: a lack of support. According to a 2018 report by the IFC (part of the World Bank), structured banking structures provide less than a third (or roughly Rs 11 lakh crore) of MSME loan requirements (Chart 5). This explains why the Bank of India Reserve's initiatives to increase liquidity in MSMEs have had such a minimal impact. The majority of the funds come from unofficial sources. To put it another way, this reality is crucial. A main reason why banks should not allocate credit to MSMEs is the high incidence of erroneous credits, which predicts greater slip estimates for comparatively larger enterprises. The stop in MSME payments — whether from clients (including the government) or goods like GST refunds, etc. — is another huge difficulty for the company.

IMPACT OF COVID-19 ON SME'S IN INDIA

Modern horrors like COVID-19 are sweeping the globe, leaving the entire community befuddled and unsure of how one virus has brought the country to a halt. The WHO has classified this lethal epidemic as a pandemic since it has spread to 195 countries. This virus also poses a serious threat to the world's increasingly weak economy. There's no denying that the faltering Indian economy has been growing at one of the slowest rates in the world for the past six years. Several industries are still being ravaged

by a new set of economic challenges brought on by the virus. It is a well-known fact that China plays a critical role in the global supply chain for India and its MSME industry, which is heavily reliant on China for its raw materials. For example, Indian pharmaceutical companies import about 70% of their materials from Chinese manufacturing, totalling \$30 billion in sales. As a result of China's complete shutdown and India's partial shutdown, Export decreases, production halts, job insecurity, market volatility, and industry financial restrictions are among the various worries. The corona pandemic will have an impact on SME online retailing as well (Mahajan, 2020).

Accordingly, the Confederation of All India Traders (CAIT) represents 70 million traders in India, the majority of whom are MSMEs (CAIT). The trade influence in India is estimated to be worth Rs 380 lakh, with a significant strike in the chemical industry costing Rs 12 crore 90 lakh. Small and medium-sized businesses (SMEs) are still in serious problems as a result of demonetisation, followed by a poorly handled GST that resulted in prolonged stagnation, and finally, the largest of all – COVID-19 – which would exacerbate the crisis in this sector. After the COVID-19 pandemic in India has already progressed to the second stage, many experts predict that we will soon enter the third stage, which involves a cluster-to-community spread. While the country is locked down until 3 May, one thing is certain: the MSME will strike as many as possible, and the shaky economy will leave many people unemployed. And will bring thousands of industrial outlets to a halt indefinitely. Over 75 million MSMEs presently operate in India, with nearly 25,000 of them facing closure. The lockout imposed by the AIMO lasts around four weeks longer, and an incredible 43 percent of enterprises shut down if a crisis lasts more than eight weeks.

MSME is a pillar of the Indian economy and one of the primary sectors that has aided the development of a spring and border economy. The sector, which employs over 114 million people and produces over 30% of GDP, is one of these challenging times, and decisive intervention is anticipated.

Given the extensive devastation caused by the COVID-19, the government must maintain a constant monitoring system and declare immediate remedial measures to restore trust in this vital business, which has been battered by the government's flurry of disruptions. A financial stimulus plan is required to re-energize the consumer economy. In order to maintain the COVID 19 MSMEs, countries such as the United States and China have implemented a number of reform initiatives. The entire shutdown caused a lot of anxiety, especially because these enterprises aren't cash-intensive enough to wait for the crisis to pass. That's why he mentioned job cutbacks. According to new research of manufacturing "small and medium firms," only 7% of them would be able to survive with their cash in their hands for more than three months if their business was put on hold Right present, the lack of available positions is a substantial barrier to resuming work.

Otherwise, the government would have a long time to perform its part, and it would be too late to correct the mistake. As a result of a sudden halt in economic operations during the national lockout, Indian start-ups and SMEs are among the hardest hurt when it comes to controlling the spread of COVID-19. In the next six months, around 80% of start-ups and small and medium-sized businesses in the country aim to reduce, close, or sell up their operations. According to a local survey, 47 percent of start-ups and small- and medium-sized firms in India have less than one month's worth of capital, with several of them having already ran out. Over 13,970 small businesses, including start-ups, SMEs, and entrepreneurs, responded to the study, which was performed in over 90 Indian districts. In comparison, 24% said cash would only be available for three months, and 23% said it would only be available for six months. Only 6% of entrepreneurs and small businesses have signed up for insurance for more than six months The retail stores' debts, which were obtained through government programmes such as mudra loans (Mahajan, 2019), will be difficult to repay. SME's CSR initiatives will be impacted as well (Mahajan, 2018)

The COVID-19 outbreak has wreaked havoc on sectors all across the world, with some industries being hit more than others. The shutdown enacted to address the disease has left numerous enterprises cash-strapped, as corporate growth has slowed as revenues have unexpectedly slowed. In India, start-ups and small and medium-sized firms have approached the government for help with the ongoing

issue. They submitted a number of applications through Local Circles, with some of them awarding one-time Rs 20 lakh registered firms or repaying 50% of start-up employees' salary for a month. Financing for Indian start-ups decreased by more than half in March. They raised roughly \$354 million in 34 deals in March 2020, according to data from Venture Intelligence's business market tracker, which is less than half of the \$714 million raised in 46 deals in February. As reported earlier this month, more than a dozen entrepreneurs have asked danger debt companies to support their loans for a longer period of time than originally agreed. According to the survey, individuals in the businesses severely hit by the pandemic — leisure, accommodation, transportation, and distribution – have asked up to 6 months more time than was first envisaged.

CONCLUSION

All SMEs are battling during the COVID-19 era. Their main issues have been falling demand and a shattered supply chain. Nonetheless, there is reason to be optimistic about the situation. After the dust settles, SMEs discover that they must develop and change over time in order to remain competitive. Security systems, sterilization and disinfection techniques, a refreshed obtaining strategy, the joining of new merchants, the smoothing out of their item portfolio, a more responsive assessment of production network versatility, and an investigation of catastrophe or crisis the board plans are a portion of the reactions to this issue. SME's can adapt to the Covid pandemic along these lines .

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