

MSME Sector and Covid – 19: Strength, Challenges and Opportunities

SHRISTI PURWAR

Centre of Fashion Design and Technology, University of Allahabad
Allahabad (U.P.) India

ABSTRACT

Today the entire world is facing tough time; no country is left from the trap of COVID - 19 virus. As a result people's life and global economy have been disturbed. India is a developing country for which Micro, Small Medium enterprise (MSME) sector is recognized as the backbone of its Indian economy, Indian MSME plays a significant role in accelerating the growth of Indian economy, but due to limited resources and capacity, it is also facing very crucial and unpredictable situation, in pandemic corona time. Present paper entitled "MSME Sector and Covid – 19: Strength, Challenges and Opportunities" has been divided in two section. Section I discusses on the situation of Indian MSME sector, Pre and Post epidemic period of COVID – 19 in the context of strength, challenges and opportunities. Section II highlights scenario of MSMEs in Uttar Pradesh, finding and conclusion.

Key Words : MSME, Covid – 19, Employment scenario, Challenges, Opportunities

INTRODUCTION

In 1961, with the merger of the ministry of small scale industries, and ministry of Agro and rural industries, the ministry of micro, small and medium enterprises (M/O MSME) was formed. MSME sector has emerged as a highly vibrant and dynamic sector of the Indian Economy over the last five decades. According to MSME Development act 2006, MSME entities engaged in the production, manufacturing, processing and preservation of goods and commodities. MSME sector is also promoting khadi village and coir industries in cooperation with concerned ministries and department. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector in India. During the first four years of XI plan, MSME sector exhibited a growth rate of 13% on an average, it is an impressive performance compared to most of the other sectors. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country.

MSMEs are classified on the basis of investment proportion into two divisions – Manufacturing Sector and Service Sector. In 2008, MSMED (Amendment) bill proposed reclassification of all sections of MSME on the basis of their annual turnover. Following chart shows classification of enterprises:

Type of Enterprise	2006 Act		2018 Bill (Amendment)
	Manufacturing	Service	All Enterprises
	Investment in Plant and Machinery	Investment in Equipment	Annual turnover
Micro	25 Lakh	10 Lakh	5 crore
Small	25 Lakh to 5 crore	10 Lakh 2 crore	5 to 75 crore
Medium	5 to 10 crore	2 to 5 crore	75 to 250 crore

Main features of ministry of MSME:

- Works for welfare of artisans and workers
- Provide credit limits or funding support from banks.

- Promotes entrepreneurship development and skill up gradation training centre
- Supports technology up gradation, infrastructural development
- Offers assistance for improved access to domestic and export markets
- Provide modern testing facilities and quality certification
- Support packaging product development and design intervention .

Running Schemes / Projects under Ministry of MSME for promoting MSMEs:

- Prime minister employment generation Program (PMEGP)
- Micro and small Enterprises cluster development (MSE-CDP)
- Entrepreneurial and managerial Development of SMEs through incubators
- MSME market development assistance (MDA)
- Marketing Assistance and Technology up gradation (MATU)
- Revamped scheme of fund for regeneration of traditional industries (SFURTI)
- Credit guarantee trust fund for micro and small enterprises (CGTMSE)
- Credit linked capital subsidy for technology Up gradation
- Technology and quality up gradation support to MSMEs
- Assistance to training Institutions (ATI)
- A Scheme for promoting innovation rural industry and Entrepreneurship (ASPIRE)
- Skill up gradation & Mahila coir yojana
- Market promotion and development scheme (MPDA)
- Khadi and village industries commission (KVIC)
- National institute for MSMEs (NIMSMEs)
- National small Industries corporation (NSIC)
- And many more.....

Employment Scenario and Opportunities:

MSMEs plays crucial role in providing employment opportunities, for workers at all levels of industries. It helps for industrialization of rural and backward areas, thereby reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as

ancillary units and this sector contributes enormously to the socio economic development of the country. The sector contributes significantly to manufacturing output, employment and export of the country. MSMEs contributes around 6.11% (by manufacturing sector) in GDP and 24.63% (by service sector) in GDP, and now MSME ministry has set a target of up its contribution to GDP to 50% by 2025. It is estimated that, this sector provides employment to about 114 million people in over 63 million units throughout the country. Presently, MSME sector is producing over 6000 products, ranging from traditional to high-tech items. It is well known that the MSME sector provides maximum opportunities for both self employment and wage employment outside of Agriculture sector.

Covid -19 and its impact on Indian MSME:

Today the entire world is facing tough time; no country is left from the trap of COVID - 19 virus. As a result people's life and global economy have been disturbed. India is a developing country and MSME sector is recognized as the backbone of Indian economy, which is also suffered due to Covid – 19. The position of Indian MSME is the 2nd largest in world after china. It plays a significant role in accelerating the growth of Indian Economy, But in the period of COVID -19 Indian MSME sector also facing very crucial and unpredictable situations, due to limited resource capacity as well as labor crisis Consequences of lockdown have hit different sectors of Indian economy, it can be understood through following points:

- Due to complete lockdown export and Import of raw material and finished products like – organic chemical, mineral, fuel, cotton, etc. has been stopped which leads to a substantial trade deficit for India.
- The entire tourism value chain which includes hotels, restaurant and agents has been stopped. The service sector loss account for 55% of GDP, It is estimated that the loss to tourism and hospitality industry will be 2-1 billion for March and April alone. The size of loss will be much larger in May-June 2020 and partially July – August 2020.
- Production in garment and textile sector is expected to decline by 10 – 12 % in April – June quarters. This sector is one of the largest employment sector in the country. It provides employment over 45million peoples. Due to pandemic small level textile and garment factories are standing of in-front of closing one. They

are working for one shift in place of two or three shifts. India totally depends on china for textile raw material such as synthetic yarns, trims, cotton, silk etc. it is also a major barrier and challenge for apparel and textile sector. The supply chain of raw material of textile and garments is stopped one.

- Essential FMCG products are in demand.
- Construction work on different sites has been stopped. It is estimated that, job loss in real estate sector may be around 30%
- Education and skilling institutes are fully functioning on implement online learning mode.
- Most of consumers' preferring online shopping, but small businesses are not very much comfortable to adopt digital practices in its business.
- Lockdown has stopped the movements of human being, materials, finished and semi-finished products throughout the country, from villages to cities, from cities to mega cities, from urban to rural sectors. During lock down (I, II and III), partially goods and services are carrying essential items (food and groceries) from one place to another. True transport have also been partially functioning one with higher freight rates due to hike in prices of diesel and petrol.
- Movement of goods from one country to another country has been stopped and major big challenge for MSME sector is, delay in launch of new products.

In over all we can say that, MSME sector in India, facing many problems because of low liquidity or cash flow, lack of workforce, Low production, low demand etc. in this situation, corrective and supportive actions are required. Indian government has started taking some initiative, to keep the MSME segment a float. India government has release fund Rs. 20 lakh cr economic package for MSME sector, it is around 10% of country GDP, which will help India to become self Reliant India Scheme (Atm Nirbhar Bharat Abhiyan) and which may be boost make in India and vocal for local program.

Section - II:

The Scenario of MSME in Uttar Pradesh:

The state of Uttar Pradesh has the largest no. of MSME with share of 14.2% of total MSMEs in the country. UP government has promoted actively worked for MSME sector such as:

Financial Assistance and training program:

- At state level, UP govt has Provided additional

funds to those artisans who registered under ODOP scheme

- Additional loans were provided to the manufacturers on very concessional rate of interest
- SIDBI arranged special loan package (Rs. 50 lakh loan for 5 yrs on 5% rate of interest) for those manufacturers who started manufacturing of medical kits (related to COVID such as mask, body suits, ventilators, testing lab, sanitizers etc.)
- SIDBI has also arranged emergency working capital up to Rs. 1 crore to MSMEs.
- Andhra bank is also setting up short term credit facility for small businesses
- Govt also provide loan facility for migrated artisans through Mudra Yojana / PMJDY

Employment Promotion Schemes for migrated workers and others:

- Under Vishwakarma Shram Samman Scheme, govt. has arranged tool kits and special training programs for migrated artisans and workers who came from various state and places of the country
- Govt. Promoted self help groups (especially females) and arranged potential employment opportunity through the production of mask, sanitizer and home-made essential food items like snacks, pickles, badi, papad etc.
- UP govt. also working on New Startup policy for youth in the field of medical, agriculture, skill education, textile, power/energy, tourism etc for employment purpose.

From the point view of generation of more employment opportunities migrated workers of other states have been classified in three categories – unskilled workers, semi skilled workers and skilled workers. Unskilled workers were promoted by providing such quick trainings with others semi skilled and skilled workers of the state, so that they could be employed either in construction work in villages or construction work in road infra-structure or construction work in rural and urban housing schemes. Those who were semi skill migrated workers were trained in the area of work in which they were interested such as nursing staff, Para-medical staff, small type of repairing work of Automobiles etc. They were also promoted by financial institutions of state, so that in future they should not remain self employed worker only, but may become employment providers' entrepreneurs. Those who were trained migrated workers have been giving jobs in their suitable

job areas and helped by financial assistance and training techniques, so that, in future they may be innovators as well as need based entrepreneurs.

Migrated workers of Gujarat and Maharashtra state who were employed either in dairy industry or textile industry as semi skilled worker, during the period of covid – 19. Such migrated workers have been promoted to promote essential textile products and dairy products in the state of UP. These products will fulfill daily consumption need of masses. These were provided employment in preparing packaging materials of both industries also.

Findings and Conclusion:

It is very much important and interesting that, Covid-19 is not only a crisis with an unforeseeable ending; but it is providing opportunities to Indian young entrepreneurs. The government and businesses enterprises in every sector have to work together with strong cooperation and zeal and it is expected that they will help each other for speedy recovery of the enterprises at (micro level) as well as the economies (at macro level). The post covid-19 business environment will be totally different from current business environment, especially in MSME sector, because, the objective is to become to top rank economy of the world. The following changes can be expected in the field of MSMEs sector.

– India has approx 63 million MSMEs but around 32% of them are digitally engaged and worked. Rest is not very comfortable with digital mode. but for long run survival of MSME they have to change their strategies in order to compete in global market. However, to adopt digital practices is really a difficult job for some MSMEs but without adopting digital practice, it will be very difficult to survive and compete global world during post epidemic period. Digitalization and technology shall improve day to day functioning of all concerned enterprises, management, consumers, investors and socio economic culture of the country.

– Emphasis on working capital management will be more important. it will be helpful to meet wages and salary expenses. Cost reducing services and technology is need of the hour which may enhance production, productivity and export.

– Of course innovation in MSMEs business is amazed but innovation will be indispensable for MSMEs after this epidemic, so emphasis on new innovation also

an important aspect, otherwise enterprises will not survive in long run. Management of epidemic are generating new demand for immunity enhancing medicines and yoga.

– 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.

– Online order and transactions system may be support to business and banking activities, B2B and B2C relations and cash flow activity.

From every incident of life we should learn something new. It may be either positive or negative or both. This positive thing in post pandemic India shall create potential challenges and opportunities. India is too much dependent on other countries for importing goods, how India has tackled this situation by home sourcing arrangements instead of import from other country. This will improve situation of India to some extent by self reliant India, make in India program. Work from home concept is developing new work culture in India. As a result of digital practice, it will lead path of make in India and Digital India clear. It will be encouraging India with new work culture. It's time to 'Be Vocal for the Local' and then Local to the Global". To become VISHVA GURU we have to transform India "from Local to Global. MSMSE will encourage Indian economy for leading to rank one in economic arena. Thus MSME will play vital role for achieving dream for "Self Reliant India", therefore policy dimension will also change for brighter future of Indian economy to the top rank one.

REFERENCES

- Desai, Vasant (2014). *The Dynamics of Entrepreneurial Development and Management*, Himalaya Publishing House, New Delhi
- Desai, Vasant (2016). *Micro, Small, Medium Enterprises*, Himalaya Publishing House, New Delhi
- Kumar, Narayan (2012): *Entrepreneurship Development*, Narayan Publishing, Agra, UP
- Prasad, Ramesh (2020). *Impact of COVID-19 Pandemic on Indian Economy with special reference to Indian MSME Sector*, E- Research journal of Social- Science.
- Siphahi, Elsa (2020). *Covid – 19 and MSMEs: a Revival Framework*. Res. J. Adv. Humanities, **1** (2).
- Syal (2015). *Role of MSMEs in the Growth of Indian Economy*, *Global J. Commerce & Management Perspective*, **4**.
