



COVID-19 Impact on MSME and Strategy to Overcome and Grow

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Abstract

The Micro, Small and Medium Enterprises (MSME) sector is the important business sector which contributes to the GDP and employees' large number of work force throughout the world. In India also The Micro, Small and Medium Enterprises (MSME) contributing approximately 30% of the country's GDP (Gross Domestic Product), 45% of manufacturing output and providing employment to 11 crores of India's population during 2021-22. The COVID 19 has impacted business throughout the world, in India the COVID-19 is also severe. The MSMEs has been impacted severely, then the large industries. The COVID-19 impact on MSMEs in all the aspects, like shortage of raw material, low demand, unavailability of skilled labour as they migrated to the native place, financial crunch many of the MSMEs were not able to pay salary, electricity, rent, creditors not paid etc, technology barrier, etc. The government of India has announced various financial and non-financial measures for supporting the MSMEs. The strategy MSMEs has to adopt during this crisis to survive and grow are elaborated. The MSMEs should adopt the measures to overcome the difficult situation and progress strongly when the COVID-19 impacts reduce.

Keywords: Micro, Small and Medium Enterprises (MSME), Employment, Financial crunch, Government of India, COVID-19

INTRODUCTION

The MSME's sector is very important to the country economic development and contributes immensely to the GDP and employs large workforce throughout the world. The MSME contribution to the economic growth and GDP is very significant. The MSME contribute for the overall economic development and employs the large workforce throughout India (Varada et al., 2012). The MSMEs presence are there in urban and rural areas (Barki et al., 2015). The rural MSME's utilise the resources available in the areas and employees the rural people, thereby the employment to large rural people is provided. The MSME's sector is the second largest employing after agriculture in India. The importance of MSME's are highly regarding and the economic policy are framed to nature

the MSME's (Jyoti, 2016). The former prime minster Dr. Manmohan Sing has stated "the key to our success in employment lies in the success of the manufacturing in the small-scale sector".

Objectives

The main objective of the study are:

- Role and importance of MSME's.
- Problems of MSME's.
- Strategy to overcome the problems (Shiralashetti, 2012).

LITERATURE REVIEW

The present study is based on the secondary data. The

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secondary data are collected from ministry of small and medium enterprise website, research articles etc.

The MSM ministry information, research article, were reviewed, the scope of MSME's, importance, problems and strategy which can be adopted were reviewed and the main and important aspects are depicted in the paper (Parthajeet, 2020).

Importance of MSME

The MSME's sector has unique contribution to the economy. The MSME's provides employment to millions of people are unemployed in India (Sarika, 2020). The MSME's requires lesser capital investment than the large scale industries, the number of people employed by the large scale industries is very less when compared to the MSME's. The MSME's utilisation the resources available in the area, employees the people, thereby the poverty is reduced. The MSME's also contributes by making the people entrepreneurs (Ayesha, 2020). The entrepreneurs are very much required for the economic growth. The MSME's grooms the entrepreneurs for utilising the resources to be economically independent (Akhilesh, 2022).

The MSME's grooms not only the male entrepreneurs but also the female entrepreneur making them financial independent. MSME's are supporting the large industries as ancillary units and also contributes in the inclusive industrial development of the country (Anjali, 2022).

The small industries were supported from the beginning, the importance of these industries were given government recognition during 2006. The Government of India notified the Micro, Small and Medium Enterprises Development (MSMED) Act (Ashok, 2012). The act was to address different issues affecting MSMEs. The act was for development of MSMEs, support them to be competitive. The act has small industries classified micro, small and medium enterprises. The micro, small and medium enterprises were defined as:

- A micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees.
- A small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees.
- A medium enterprise, where the investment in plant and

machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees (Anil, 2020).

The COVID-19 impact on the industries were severe. The MSMEs were badly hit, the difficulties faced were like shortage of raw material, unavailability of skilled labour, financial crunch not able to pay salary, rent, electricity etc, low or nil demand for the product, etc. The Government of India to support the MSMEs announced relief, so that the MSMEs can survive and grow. One of the relief is revision of MSME definition (Husnah, 2020).

The revised 2020 definition of MSME is "Micro manufacturing and services unit's investment was increased to 1 crore and Rs. 5 Crore of turnover, small unit investment was increased to Rs. 10 Crore and Rs 50 Crore of turnover (Arundhathi, 2020). Medium unit investment was increased to Rs. 20 and Rs. 100 Crore of turnover. The manufacturing and service sector criteria were same. The Government of India on 01.06.2020 decided for further upward revision of the MSME definition, medium enterprises investment was increased to Rs. 50 Crore and Rs. 250 Crore of turnover (Gurjeet, 2020).

Role of MSME

MSME's impact on business of the Indian economy. It has been emanating as the most vibrant and dynamic segment having high growth potential, so it is considered as the growth engine of the national economic environment (Madhurya, 2020). Since 1960, the MSME's segment has been flourishing considerably with an average yearly growth rate of about 10%. It constitutes beyond 90% of the total industrial units in most of the economies. In India, there is a paucity of capital but ample labour available (Vivek, 2020).

For the MSME's, the capital to output and capital to labour ratios are much lower in comparison to the large industries, thus this sector serves the growth and employment objectives much better than the other sectors in India. Geographical distribution pattern of the MSME's and its labour intensive nature lead to employment opportunities for job seekers as well as the self-employed people mainly belonging to lower strata of the society, thus alleviating poverty that they seem doomed to. Around 49% of MSME's are located in urban areas and 51% are situated in rural areas thereby promoting equitable and sustainable development (Sumanjeet, 2022) (Figure 1).

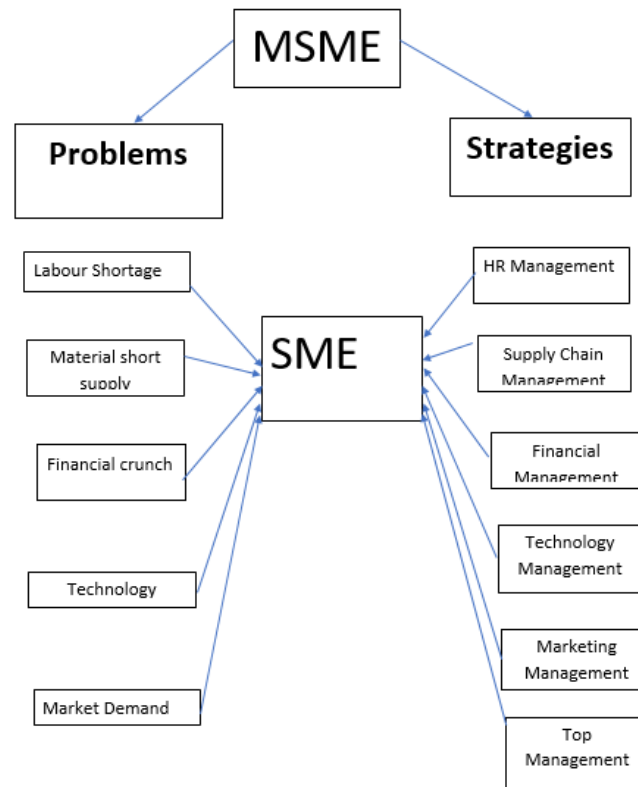


Figure 1. The problems and strategies impacting the MSME's is displayed.

Problems of MSME

The MSME's being small organization, there problems which they face are different from the large scale organization. The impact of the minor changes will have big impact on the MSME's. The Government considering this are supporting the MSME's with many measures for smooth functioning of MSME's. This aspect of the problems and strategies they can adopt to face and overcome the problems are elaborated in this study (Kuldeep, 2022).

Major MSME's problems

The MSME's being a small organization has unique problems, which the large scale organization does not encounter. The COVID-19 has impacted world severely. The MSME's were the worst business sector to be impacted. The problems MSME's faced during the COVID-19 relates all the areas of the MSME's functioning. The major problems MSME faced during this period are as follows:

- Labour
- Finance
- Raw material
- Market
- Technology

Literature review of problems

The literature on the above were reviewed, the problems were discussed in length effecting the functioning of the MSME's. The problems affecting the MSME's above are as

follows:

- **Unavailability of labour:** The COVID-19 impacted the public health, the labour moved to the native for the safety of themselves and family in the native. The hard ship faced in the cities had on the labour movement. They moved to the native, thereby the shortage of the skilled labour force was there everywhere. The new labours were difficult to identify and the skills were mismatch, which were impacting the production.
- **Financial crunch:** The immediate shut down the economy with no movement, the finance available to the MSME were very less. The MSME were facing difficulty in paying salary to the labour/staff, rent, electricity and other monthly expenses. They were unable to raise the funds, as the financing agency were not relaxing the rules for providing the funds. The MSME were not able to procure the raw material and other related goods for manufacturing as the sales were very low and receipt from them had delay.
- **Raw material:** The MSME's requirement of raw material were in short supply or low quality. The supply chain of the raw material was badly hit and the required raw material were not able in the market. This had lead to the reduction/stoppage in production. The finished goods were not ready for sale leading to other problems.
- **Market:** The COVID had impacted on the change on the products demand in the public. The necessity products

were in huge demand and others products were less demanded or nil demand. The MSME's had this market difficult which had not faced previously. The in equipped market department or in existing of marketing department the products manufactured could not be sold at the proper price.

- **Technology:** The COVID-19 had changed the business operation entirely. The new technology had to be adopted for day to day working. The MSME's were not in a position for this drastic change in the technology adopting to the business. This leads to the skilled labour availability for operating the technology. The MSME's entrepreneurs had adopt to this changes immediately.
- **Others:** The others problems like increase in the prices of the goods and services, high expectation from the labour, customers, new market demands, change in attitude of the people etc., had their impact on the MSME's functioning. These problems had severe impact on the entrepreneur health, finance, skills.

DISCUSSION

Literature review of strategies

The MSME's Strategy which can be adopted to overcome the problem and to achieve the goal of the organization were reviewed. As it is said every difficult is an opportunity, the MSME's also accepted these difficulties as an opportunity for new products related to COVID-19, health care sector, etc. The MSME's had the strategies to over these difficulties and grow (Abhijit, 2022). MSME's can adopt strategies to face and overcome the challenges/problems are as follows:

- **HR management:** The HR management is very crucial in this period. The assessment of the requirement, source of aspirant, training, pay packages have to be dealt carefully. The MSME's may not have the specialized HR person, to supervisor these activities. The proper HR management support the MSME's in the availability of the staff with proper skill which would be very useful in the operations without difficulty. The production and other related activities can be carried out without disruptions. Also, the staff would be motivated to work with the good HR policies and communication.
- **Inventory management:** The raw material during this period was difficult to procure as the lockdown was in place. The manufacture sector was badly hit and the production was at stand still. The MSME's had difficult time in procuring the raw material required for the production. The Inventory management had an important role to play, so that the required raw material was readily available of the quantity required for production.
- **Financial management:** The MSME's had to face the financial crunch as the sales dipped to very low and

receivable had long duration time. The day to day working expenses with the monthly expenditure like salary, rent electricity had to be paid. The finance had to be arranged for the smooth functioning. Also, the financial stability of the organization had to be reviewed with the future requirement of the production, expansion etc. The financial management will be very helpful in this regard to tide over the problems.

The government has initiated many supporting measures in support of the MSME's. The benefits of each of the measures has to be studied and to take necessary actions which would benefit the MSME's (Chitsimran, 2021). The government supporting MSME's are as follows:

- Collateral free automatic loans up to INR 3 Lakh Crore.
- The government has announced INR 20,000 Crore as subordinate debt.
- **Equity infusion:** INR 50,000 Crore for MSMEs, the government is set to infuse INR 50,000 Crore in 'equity' through a fund of funds.
- **Forbidden global tenders:** The government has taken the decision to not allow global tenders in procurements up to INR 200 Crore.
- **MSME dues:** The finance ministry has given an assurance that the government and the central public sector enterprises will release all pending MSME payments/dues in 45 days.

The finance team has to review the above and take the benefits of the government initiatives.

- **Technology management:** The technology has been changing always. The COVID-19 had impacted the technology in a large way. The working of each activity is be driven by the technology is being given prominent by the technology manufacturing and provider. One of the important change is the digital payment adopted by the business and the common people in utilizing the digital payment. The MSME's had to accept this technology change in all their activity for smooth function and better management.
- **General management:** The MSME's are being managed by the individuals in many cases. The general management in the large organization has the head of all the areas who will be discussing the issues regularly and take the strategic decision. The MSME's even though are headed by the individual, they have to discuss with the expert of all the areas to assess the economic conditions and take decisions.

CONCLUSION

The MSME's problems are very different and to tackle immediately. The problems will have impact on other areas also. The review of the above MSME's problems indicates that

these problems have to be carefully identified. The strategies to tackle each problem have to be reviewed for necessary adoption in the organization. The combinations of the strategies would be very helpful in overcoming the MSME's problems with resources available. The MSME's has to adopt to the changing environment conditions by necessary suitable actions so that the maximum benefits are derived. The review of literature of the MSME's role, importance, problems and strategies to overcome is very informative and interesting. The MSME's importance in the economy, their contribution to the national through output, employment, regional balance, utilization of resources is guiding factors to the entrepreneurs to start and running the existing MSME's in proper manner. The problems of the MSME's are different in each state, district and of various categories. Their study will guide the MSME's in understanding the problems they are facing and the ways and means to overcome by adopting relevant strategies.

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