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**COVID 19 AND MSMEs SECTOR- A COMPARATIVE STUDY**

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**Abstract**

*The present paper aims to study the impact of Covid 19 pandemic on the Micro, Small and Medium Enterprises (MSMEs) sector. An analysis is made to evaluate the impact of covid 19 pandemic on MSMEs sector in India and in global terms. The MSMEs sector is one of the key sectors in the economy and it plays a crucial role in terms of employment generation & income. It also plays a vital role in economic and social development of the nation. The outbreak of covid 19 pandemic has deeply affected the production, services, employment, trade and growth of the economy. It harmed the existence of small business units in way of closure of some of these and further huge job losses causing to widespread unemployment and distress. The demand and supply sides of the economy also got inevitably affected. The full and partial lockdowns made the situations worst in ways of loss of livelihood of millions of workforce and food shortages. The economy witnessed sudden collapse of domestic & international trade and financial markets. In the present paper the impact of Covid 19 pandemic is studied on three aspects- global, national and state level of Rajasthan state.*

**Keywords** –Economy, Covid 19, Lockdown, Employment & Enterprises

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**Introduction**

The Micro, Small and Medium Enterprises (MSMEs) sector is one of the most dynamic sectors in the economy. It plays a significant role in entrepreneurship development and employment generation for the large workforce. It is second largest employment generator after agriculture sector in India. The sudden outbreak of covid 19 pandemic and subsequent lockdowns created the situations of cash crunch, closure of factories & small units and heavy job losses resulting in production losses, unemployment & situations of poverty. The covid 19 pandemic has adversely affected the economic activities of almost all sectors and its effect on MSME sector was also noticeable. The governments however tried their best to combat with these situations with arrangements at large scale for food supply, medication, vaccination & safety equipments to protect and safeguard the human lives and support their livelihood. Many business units and NGO's have also joined for combating this pandemic.

**Objectives of the study**

- To study the concept of MSMEs
- To examine the progress of MSMEs in India in pre-covid times
- To analyze the impact of Covid 19 pandemic on global, national & Rajasthan state level
- To highlight the problems being faced by MSMEs during covid 19 pandemic

**Scope of the study**

The present study focuses on highlighting the impact of Covid 19 pandemic on global, national & state level. The secondary data has been collected from Books, Journals, various Reports, Budget & Working papers of RBI, NABARD, Government & National and International Organizations.

Micro, Small and Medium Enterprises sector

MSMEs provide employment opportunities and foster entrepreneurship for social and economic development at a lower cost in both rural-urban areas. MSMEs complement the large industries in the form of ancillary units and enables inclusive industrial growth in the country.

Also the MSMEs are contributing in the economy by producing wide range of products to meet the requirements of domestic and global markets.

As per the provisions of Micro, Small & Medium Enterprises Development

(MSMED) Act, 2006 MSMEs are classified in two - Manufacturing & Service Enterprises. The enterprises are further categorized on the basis of investment in equipment & annual turnover.

Table-1 Categories of Classification

Criteria	Manufacturing		Service	
	Turnover	Investment	Turnover	Investment
Micro	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 25 lakh (US\$ 0.03 million)	Rs. 5 crore (US\$ 0.6 million)	Less than Rs. 10 lakh (US\$ 0.01 million)
Small	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 25 lakh (US\$ 0.03 million) but less than Rs. 5 crore (US\$ 0.6 million)	Rs. 50 crore (US\$ 6.8 million)	More than Rs. 10 lakh (US\$ 0.01 million) but less than Rs. 2 crore (US\$ 0.3 million)
Medium	Rs. 250 crore (US\$ 34 million)	More than Rs. 5 crore (US\$ 0.6 million), but less than Rs. 10 crore (US\$ 1.4 million)	Rs. 250 crore (US\$ 34 million)	More than Rs. 2 crore (US\$ 0.3 million) but does not exceed Rs. 5 crore (US\$ 0.6 million)

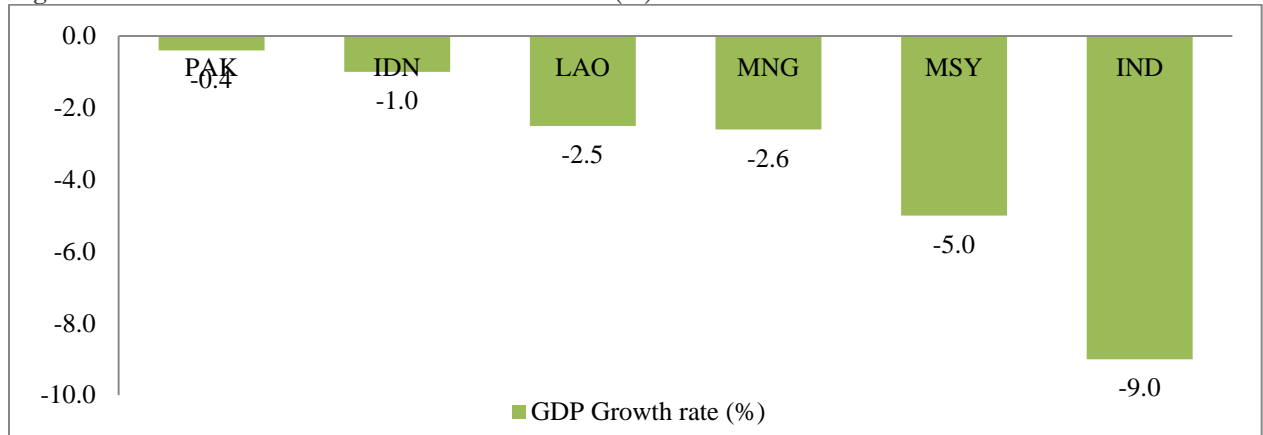
Source- MSME

The MSMEs provides financial assistance & credit facilities, skill development trainings, infrastructure development schemes, technological & marketing assistance and quality upgradations for socio economic development and development of entrepreneurship skills. The MSME have five statutory bodies- Khadi and Village Industries Commission (KVIC), the Coir Board, National Small Industries Corporation (NSIC), National Institute for Micro, Small & Medium Enterprises (NI-MSME) and Mahatma Gandhi Institute for Rural Industrialization (MGIRI). These aid the MSMEs in government schemes and policies. The MSMEs provides training for skill Development & Entrepreneurship development under various categories. The progress of MSMEs is also got affected due to this pandemic.

Impact of Covid 19 pandemic on MSMEs - Global perspective

The MSMEs sector like any other sector was also deeply and adversely affected by Covid 19 pandemic and subsequent lockdowns. The economies in the world noticed a severe downfall in GDP. The small and tiny business units were in danger and the workforce had seen crises of closure of these & huge job losses. The medium and large units also suffered in these situations. A survey was conducted by ADBI on MSME's of eight Asian countries. These countries were Bangladesh (BGD), India (IND), Indonesia (IDN), Malaysia (MSY), Mongolia (MNG), Lao PDR (LAO), Pakistan (PAK) and Viet Nam (VNM). As per the survey, among the eight Asian countries only two countries showed positive GDP Growth rate (%) in the year 2020 and these were Bangladesh & Vietnam and rest six countries showed negative GDP Growth rate (%). The negative growth rate impact is shown in Figure 1.

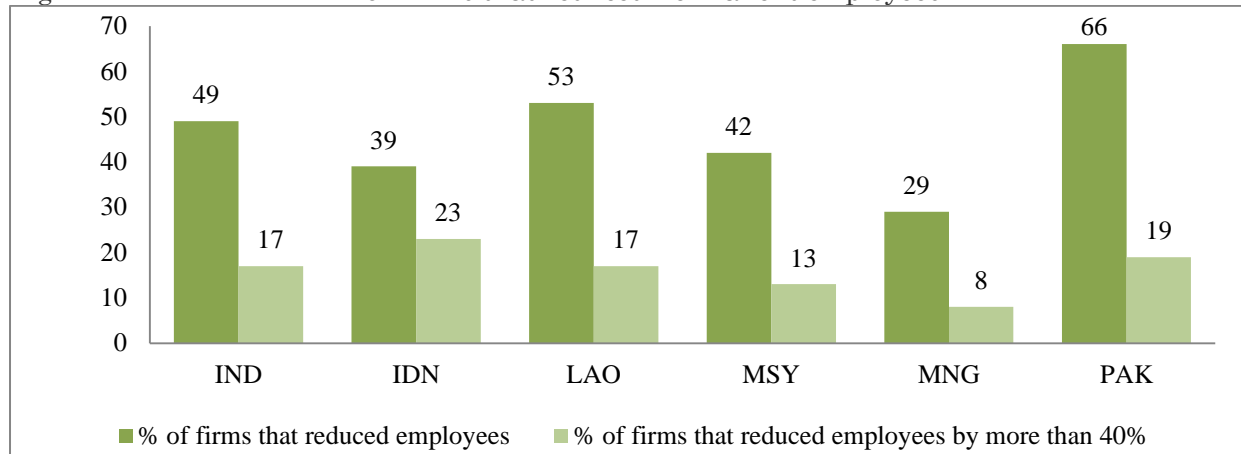
Fig- 1 GDP Growth rate (%) 2020-Forecast



Source: ADB survey report, Asian Development Outlook 2020, compiled as per requirement  
 Impact on permanent employees

As per the survey, the MSMEs experienced much adverse effects of Covid 19 pandemic and changes in the business environment, than others. These crises led to curtail down in number of permanent employees. The impact is shown in Figure 2.

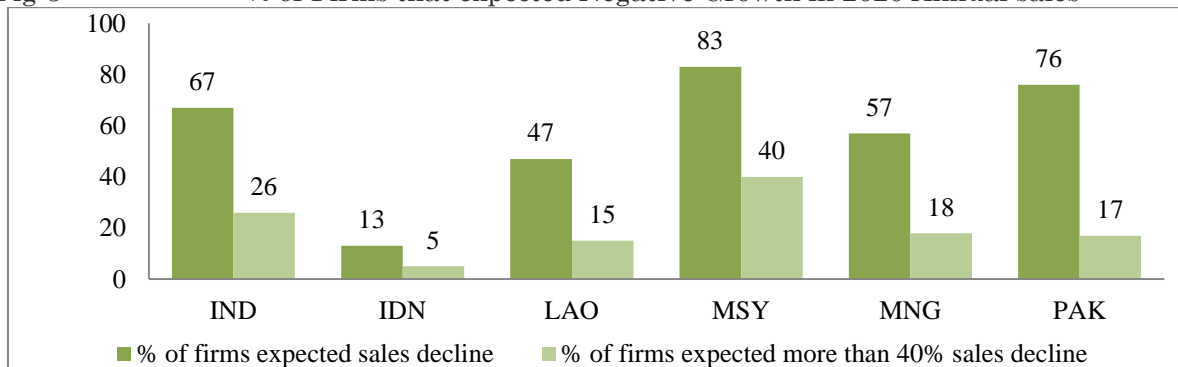
Fig-2 % of Firms that reduced Permanent employees



Source: ADB survey report, Asian Development Outlook 2020, compiled as per requirement  
 Impact on annual sales

As per the survey, the impact of Covid 19 pandemic was also in the form of expected annual sales decline. And it was more than 40% in case of some MSMEs. It is shown with the help of figure 3.

Fig-3 % of Firms that expected Negative Growth in 2020 Annual sales



Source: ADB survey report, Asian Development Outlook 2020, compiled as per requirement  
 Impact of Covid 19 pandemic on MSMEs -Indian perspective

The MSMEs in India are playing a vital role in socio-economic development of the nation. The MSME sector is fostering entrepreneurship development and employment opportunities in India. In India MSMEs are uniformly spread in different parts of the country covering rural, urban and semi-urban areas. These are equally representing in the manufacturing activities, services and trade. Around two-third of the MSMEs are being managed by socially vulnerable groups and by the women.

Progress of MSMEs in India

The performance of Khadi and Village Industries Commission (KVIC), the Coir Board, National Small Industries Corporation (NSIC), National Institute for Micro, Small & Medium Enterprises (NI-MSME), Technology Centre Systems Programme (TCSP) & Coir Board is presented for the period of 2014-15 to 2019-20. The MSMEs provides training for skill Development & Entrepreneurship development under various categories.

Table-02 Progress of MSMEs- Positions of Trainings (Year-wise)

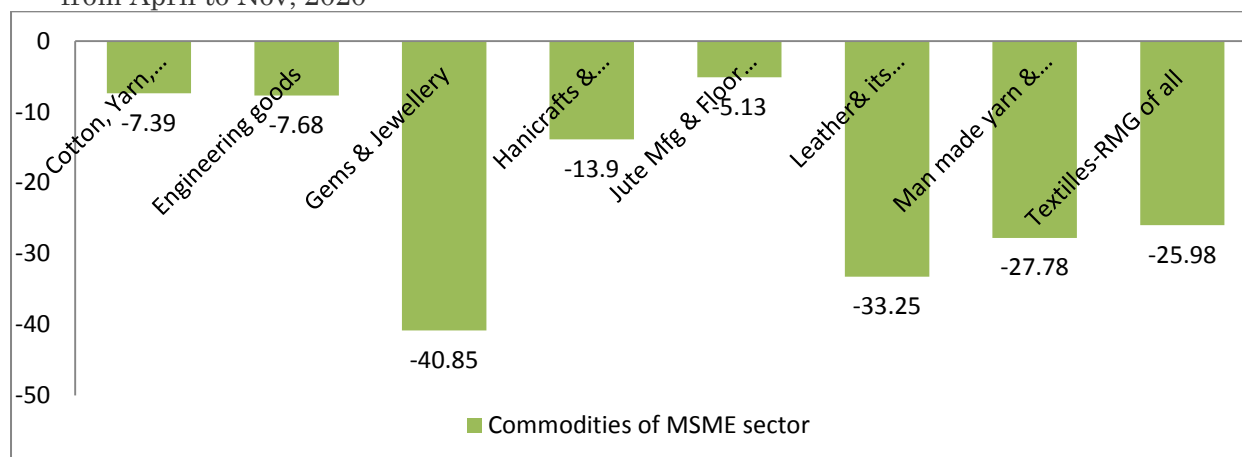
Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
TCSP	165353	180349	149537	147033	208174	275361
NSIC	21860	27455	31958	37459	41201	54624
NI-MSME	47136	31874	4051	2608	990	1740
KVIC	94522	79286	93041	78841	81906	74938
Coir Board	20648	6819	4779	2781	4153	4325

Source- MSME, compiled as per requirement

The Covid 19 pandemic has interrupted the operations of these MSMEs through financial and social hit and these have seen negative growth. Non availability of workforce, inadequate

raw material, cash crunch, transport restrictions has slowed down the MSMEs performance and also temporary closure of some of these.

Fig-4 Negative Growth in few commodities in MSME sector & export trends from April to Nov, 2020



Source: DGCIS & Report 308 of Industry, MSMEs presented in Rajya Sabha, Parliament of India (2021), compiled as per requirement

However the government has supported the MSMEs by ways of Credits, GST & tax exemptions, loan waivers, provision of working capital for liquidity and regulatory and fiscal measures.

Impact of Covid 19 pandemic on MSMEs - Rajasthan perspective

The MSMEs in Rajasthan state also got severely affected by Covid 19 pandemic.

The job losses were in large numbers and many small scale entrepreneurs were in danger situations for their existence and survival. These enterprises faced many problems such as labour shortage & their migration, liquidity crunch, input inadequacy, capacity underutilizations, blockages in supply chain, Regulatory

restrictions, weaker demand & many more.

As per the survey conducted by Department of Economic Analysis & Research for assessing the impact of Covid 19 pandemic on various sectors including MSMEs in the year 2020, it was seen that MSME sector in Rajasthan was adversely affected.

Fig-5 Index for Impact on MSMEs in Rajasthan

State	MSME Impact Score	No. of districts covered	Final score
Rajasthan	-41	21	-1.95

Impact	District covered	Key indicators
District wise & magnitude of impact on key indicators of MSME sector	Jodhpur, Pali, Nagaur, Banswara, Dungarpur, Chittoregarh, Sirohi, Jalore, Alwar, Hanumangarh, Sikar, Udaipur, Kota, Bharatpur, Dholpur, Bhilwara, Barmer, Ajmer, Jaisalmer, Sriganganagar, Baran & Ajmer	Impact of price level of key raw materials
		Impact on production levels of MSMEs
		Impact on cash flow constraints faced by MSMEs
		Impact on employment levels of MSMEs
		Impact on supply chain disruptions faced by MSMEs
		Impact of Covid 19 on consumer demand

Source: Survey, Department of Economic Analysis & Research,, NABARD (2020), compiled as per requirement

The MSMEs sector was the highly affected sector by the Covid 19 pandemic. The report stated the decline in production & employment levels. Further adverse impact was reported on consumer demand and cash flow.

Limitations of the study

In the study, for assessing global impact of Covid 19 pandemic, only six Asian countries have been taken into consideration.

For assessing national impact, the study of negative growth in MSMEs in India only major commodities has been selected.

Conclusion

To sum up, the Covid 19 pandemic had disastrous impact on almost all sectors but the MSMEs sector was one of the worst hit sectors. The adversity was seen in terms of production, employment, demand & supply, loss of liquidity, uncertainty, closures and many more. The impact of Covid 19 pandemic is studied in global, national & state level. However, the economy is now reviving and now the situations are turning to new normal. The governments are putting huge efforts for overcoming the adverse impacts of this pandemic.

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