



## **Impact of the COVID-19 Pandemic on the Indian MSMEs**

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### **Abstract:**

World is in jeopardy due to prolonged COVID-19 epidemic. The deadly virus has threatened the existence of human species. It has affected all the aspects of personal, public, and economic affairs of human society across the globe. There are many theories related to sudden breakout of this fatal viral spread. Though it was china and then Europe that came under its grip in December 2019, first case of the COVID-19 was found in Kerala, India in the month of January 2020. The higher rate of the infection was in the month of September 2020.

Post-lock down situation has great spike in the Corona cases caused great panic and challenges before government and administrative agencies. Governments have been imposing lockdown again due the rising cases of COVID-19. The world stood still during 2020. It has destroyed all human made systems and channels of development. The crises have shifted from national health to the economic crises. In such an existential crisis, it has become impossible for common man to survive amid the unbearable changes.

Lockdown has affected all kinds of industries large scale to small scale. There was a pathetic decline in employment due to chain break of supply, manufacturing, market demands, and so on. Heavy loss of employment due to lock down has created great vacuum in economy of India too. The employment generation engine of the Indian economy has collapsed. In developing countries like India MSMEs (Micro, Small, Medium Enterprises) contributes approximately 60-70% to the employment generation.

In such a disastrous situation, there is a big threat to the small-scale industry in the developing countries as most of the revenues of states and central government is spent on the health and betterment of the people of the country. Industrial workers have been either forcefully terminated or must be opt out due to health or age issues. They are jobless due to the barriers of lockdown. So, this is important to discuss the challenges before MSMEs and government to reboot the engine of employment generation. This paper deal with impact of Pandemic on MSME and on the Indian Economy.

**Keywords: MSMEs, COVID-19, Pandemic, Lockdown, Unlock down, GDP, Export, Employment etc...**

**Introduction:**

World is jeopardy due to prolonged COVID-19 epidemic. The deadly virus has threatened the existence of human species. It has affected all the aspects of personal, public, and economic affairs of human society across the globe. There are many theories related to sudden breakout of this fatal viral spread. Though it was china and then Europe that came under its grip in December 2019, first case of the COVID-19 was found in Kerala, India in the month of January 2020. The higher rate of the infection was in the month of September 2020.

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COVID-19 Pandemic has impacted on the world's Economy negatively. Adverse impact on export and domestic demand has shattered the system. India has been facing two types of major problems due to COVID-19 i.e. health of the public and slow down of the economy. During the Lockdown period all the business activity almost 90% were stopped. People were jobless. Many of them have lost their jobs. All their saving was spent during lockdown period. The GDP of the country is degrading. In such a situation MSME is also worst affected due to the working capital and change of the consumption pattern. This has become bigger challenge before the MSMEs. MSMEs pattern of the production should be changed. MSME play an important role in the economic development. It is considered as an engine of growth. It contributes more than 30% in total GDP of India.

India's ongoing GDP loses are likely to be approximately \$5-10 billion (0.15 - 0.35 percent of GDP), as per data. With more than 20% cut in benchmark indices; the Indian equity market has entered the bear market territory. [Business World 19<sup>th</sup> Jan. 2021] The MSMEs contributes 30% of Indian GDP. In the pandemic situation, many of the MSME has closed their shatters permanently. As we know the MSME is the generator of the employment in the country. This pandemic has drastically impacted on the economy of the world. Now this has become more important that Indian should come out of the situations. People need to find new remedies over this crisis. The pandemic has changed the working styles and demand of the products and services. To captures such opportunities and make the MSME again on the track of the development.

**Objective:**

1. To know the impact of Pandemic COVID-19 on Indian MSMEs.
2. To know the importance of the MSMES in the economic development.

**Methodology:**

This research paper is based on the secondary data, which is collected through available review of the literature. Most of the secondary data is collected though the internet i.e. online journals, research papers, various reports, world banks publications etc.

**Role of the MSMEs in the Economic Development:**

MSMEs are considered as a growth engine of economy. As per the MSE chamber of India, it contributes 45% of total industrial production, and 40% of total exports contributes very significantly to the GDP. Manufacturing segment within the MSME contributes to 7.09% of GDP. MSMEs also contribute to 30.50% of services. The total contribution of MSMEs to the GDP is 37.54. According to demographic data, population explosion in India would make it number one in the population. Such a populated, developing country in the world, Covid-19 has posed great challenges i.e., unemployment, poverty, as well as health and sanitization etc. Hence this has become the prime focus of the government of India that, the employment opportunities should be given to the unemployed population.

Rise in employment would increase their living standards and reduction in the poverty level in India. It can be stated that the MSMEs also contribute to eradication of poverty too by providing employment and self-employment opportunities. There is also relation between unemployment and crime. Hence the MSMEs play a crucial role in the employment generation and economic development of India.

**Challenges before MSMEs in Pre and post COVID-19 Pandemic:****Demand for the Product:**

Lockdown has shut down all the industries. Many of the businesses have lost their working capital. They are asking for the credit. MSMEs do not keep more money as a working capital. If they provide on the credit, they will lose their liquidity which is already in the situation of crisis. Hence this has also become one of the threats before the Indian MSMEs. It has caused decrease in the demand of the product.

**Capital Generation:**

In the situation of lockdown, the most of the MSMEs were closed. The capital of such MSMEs is always borrowed capital. On the other hand, it creates the problems of interest and EMIs of bank loans and repayment to lenders as the MSMEs requires huge working capital. So, in an initial period of the post COVID-19, this is one of the biggest threats to the Indian MSMEs of capital generation.

**Supply Chain:**

The COVID-19 pandemic has disturbed the supply chain in the world. The MSMEs product mostly requires effective supply chain. Good supply chain helps MSMEs work smoothly. As the lockdown has banned all the transportation as well as import and export activities, this has become one of the threats before Indian MSMEs.

**Work Force:**

In lockdown most of the workers were migrated to their hometowns or native places. MSMEs requires more manpower. As well as the above stated threats also become barriers to pay their daily wages. The worker cannot work without pay. So, the management of working force has also become the threat to the Indian MSMEs.

**Threats for the Indian Economy:**

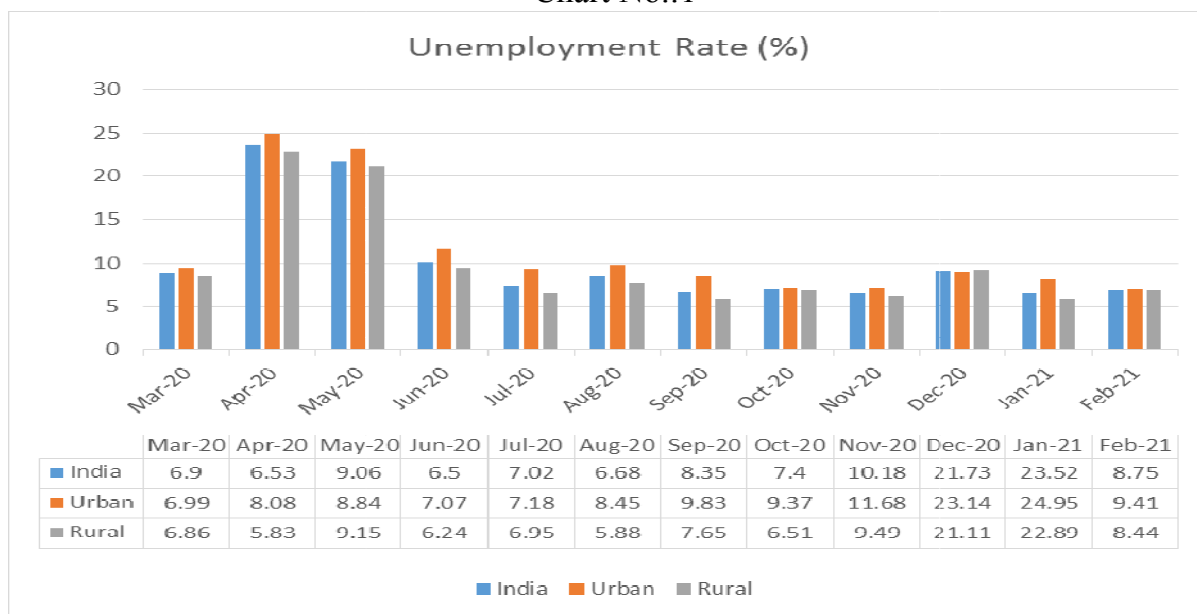
Following are some of the important challenges before Indian Economy due to the impact of COVID-19 lockdown situations.

**Impact on Employment:**

As it has been discussed above, the MSMEs are the employment generation engine. It generates more than 60-70% employment opportunities to the Indians. So, the

COVID lockdown has not only greatly impacted on the employment generation of MSMEs but also the radical decline in employment generation. Workers have lost their jobs. They became jobless.

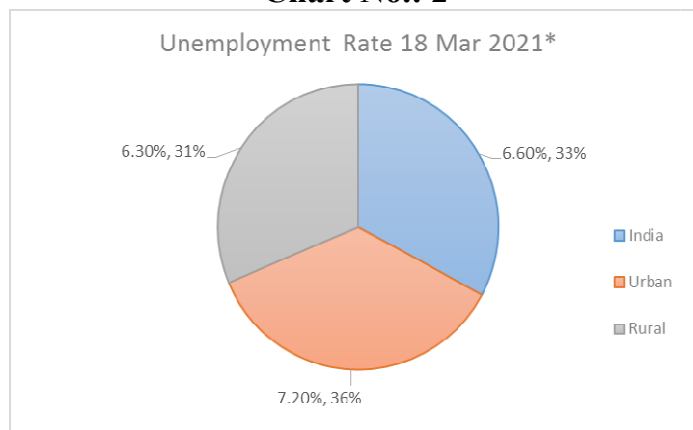
**Chart No.:1**



**Source: Statistical Profiles - Unemployment in India**  
(<https://unemploymentinindia.cmie.com/>)

The above chart no. 1 indicates that the lockdown impacted very adversely on the employment generation. There is a high unemployment in the month of April and May-2020. It also indicates that unlock down slightly increased the employment in India.

**Chart No.: 2**



**Source: Statistical Profiles - Unemployment in India**  
(<https://unemploymentinindia.cmie.com/>)

The above chart no. 2 indicates the unemployment in India. There is 6.6% unemployment in India. In Urban India, there is 7.2% unemployment, whereas 6.3% unemployment is in Rural India.



### **Impact on GDP:**

The contribution of the MSMEs in the Indian GDP is more than 30% of the total GDP. As the COVID-19 lockdown has slow down the MSMEs in the country, it has adversely impacted on the GDP also.

### **Impact on Export:**

The MSMEs overall contribute 40% in the total export of the country. As per the above discussion, most of the MSMEs were closed during the COVID-19 lockdown. Naturally the export contribution of the MSMEs has decreased.

### **Impact on Indian Rupee:**

The export of any country not only channelizes the business abroad but also it strengthened the currency of country as it fulfils the need of foreign currency. It directly impacts on the value of countries currency.

### **Social impact:**

Unemployment not only impacts on the GDP and economy of the country, but it greatly affects the social balance of the country. There is a close relation between rate of unemployment and increasing crime rate. So, the COVID-19 also impacted on the unwell being of the country. It leads to social imbalance.

### **Conclusion and Suggestions:**

As per the above discussion it is concluded that the pandemic COVID-19 has greatly impacted on the MSMEs. This has increased unemployment in India. The export and valuation of Indian rupees is decreased as the MSMEs contribute near about 40% in exports. This has also impacted on the inflow of foreign currency in India. As an engine of employment generation and economic development the state and central government should focus on the development of MSMEs in India. The boost of the MSMEs will be the boost to the Indian economy.

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