

IMPACT OF COVID-19 ON INDIA'S MSME SECTOR AND STRATEGIES TO COUNTER IT

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Abstract:

The adverse impact of COVID-19 Pandemic have been observed worldwide. All the sectors whether agriculture, industry or service sector have equally affected due to this COVID-19 pandemic. In this paper researcher have tried to assess the adverse impact of COVID-19 on MSME sector of India, as this sector is very much important and provides huge amount of employment opportunities in our country. At last researcher have also suggested number of strategies to counter this COVID-19 Pandemic.

Key Words: COVID-19 Pandemic, MSME,

Introduction:

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus. The disease was first identified in December 2019 in Wuhan, the capital of China's Hubei province, and has since spread globally, resulting in the ongoing 2019–20 coronavirus pandemic. As of 25 April 2020, more than 2.82 million cases have been reported across 185 countries and territories, resulting in more than 197,000 deaths.

The adverse impact of COVID-19 Pandemic have been observed worldwide. All the sectors whether agriculture, industry or service sector have equally affected due to this COVID-19 pandemic. Number of countries government are forced to introduce lockdown in their countries. Day to day life of the people have changed due to COVID – 19.

STATEMENT OF THE PROBLEM:

COVID-19 Pandemic have adverse impact worldwide on all the sectors of the economy and MSME sector is not an exception from this. In this paper researcher have tried to evaluate impact of COVID – 19 on MSME sector in India. So the statement of the problem is:

IMPACT OF COVID-19 ON INDIA'S MSME SECTOR

OBJECTIVES OF THE STUDY:

Following are the major objectives of the study:

- To analyze the current scenario of Indian Economy in COVID-19 Pandemic.
- To find out the impact of COVID-19 Pandemic on MSME sector in India.
- To provide basic strategies to counter COVID-19 Pandemic.
- To provide platform for devising policies for the MSME sector in this COVID-19 Pandemic situation.

RESEARCH METHODOLOGY:

In this study researcher have tried to cover in IMPACT OF COVID-19 ON INDIA'S MSME SECTOR. For this research purpose secondary data which are published in newspaper, magazine, journals, internet etc. is considered.

COVID-19 Pandemic's Impact on Businesses & Industries Worldwide:

Due to COVID – 19 pandemic all the sectors of the economy are adversely affected worldwide. All the countries government have introduced strict action plans to stop the spread of the Coronavirus pandemic. Countries and business capitals are primarily locked and major industrial supply networks have stopped completely throughout the world.

Coronavirus has severely impacted business owners and consumers both. Public and private sectors have slowed down with the spread of the virus. The full impact is still not clear but it sure seems severe.

Coronavirus has led to the cancellation of thousands of orders, number of events, shut down of production units, cancellation of trade centers, tickets, hotel bookings and the list is unending.

Restaurants, shopping complexes, and many more places have been shut down. Companies are forced to change their working and move towards online seminars and conferences, work from home etc. resulting in the change of the traditional business work cultures. All this will have very strong impact on financial conditions of all the companies worldwide which will bring economic slowdown and global recession in the world.

IMPACT OF COVID-19 ON INDIA'S MSME SECTOR:

Contributing almost 30 per cent to India's GDP and about half of exports MSMEs play a significant role in the economy. MSME are the most vulnerable ones in this COVID-19 Pandemic. This is because of their size, scale of operation, limited financial managerial resources. They are not able to cope with difficulties that are forced on them. It is difficult even in normal times for them to survive, but they don't have the capacity to deal with something so unexpected.

According to the Confederation of All India Traders (CAIT) which represents 70 million traders in India and the majority of them are MSME. The trade impact for India is estimated to be around Rs 380 lakh and the chemical sector is expected to take a big hit of Rs 12 crore 90 lakh . Micro, small and medium enterprise is the sector which was already reeling under huge distress firstly because of demonetization, then because of poorly implemented GST followed by the prolonged economic slowdown and finally, the biggest of all - the COVID-19 which is going to aggravate the crisis in this specific sector further.

Following problems will be faced by MSME sector of India in near future

1. India's GDP: Quick retraction across the globe including India; by end April to mid-May will surely affect the GDP of India in this quarter. This will surely slowdown the growth in the country and the growth of MSME sector in India.

2. Private consumption: The lock-down is likely to have a sizeable impact on the economy, most significantly on consumption, which is the biggest component. Abrupt stop of urban activity could lead to a steep fall in consumption of non-essential goods. The impact would be even more severe if domestic supply chain disruption caused by the lockdown were to affect the availability of essential commodities. This leads to decrease in the demand of various products of MSME sector of India.

3. Investment and external trade: Shutdown of factories and the resultant delay in supply of goods could result in a shortage of raw materials in MSME sector which affects production cycle, investment and external trade related activities in India's MSME sector.

4. Financial conditions of MSME: The severe disruptive impact on demand caused by the pandemic has created large cash flow gaps for MSME sector of India. Tight financial conditions will make it difficult for them to fill this gap through market borrowing.

5. Problem of Unemployment: Due to this Pandemic situation many MSME will register heavy losses and in near future they are forced to shut down their business also. This will add fuel to the burning issue of unemployment in India.

6. Problem of water: Due to this pandemic situation, people are forced to wash their hands quite frequently which will pose serious issues of water in the economy. Those MSME sector which are using water as a one of the resource in their manufacturing system will might face shortage of water in near future..

STRATEGIES TO COUNTER IMPACT OF COVID-19 ON INDIA'S MSME SECTOR:

The increasing widespread of COVID-19 has transformed the world's hustle into varying degrees of uncertainty. One of the few things that seem fairly certain is that the current downturn is fundamentally different from recessions we have seen in the past. We require to make more permanent, structural changes to the way we live, work and play.

Researcher have summarized couple of strategies in which the business landscape will shift, not only in India, but the world around. Leveraging these will certainly help navigate the India's MSME sector to survive in COVID-19 Pandemic:

- 1. More focus on localization:** Due to this pandemic situation the concept of localization will gain more focus and Importance. It will certainly help to continue business up to certain extent instead of depending upon globalization.
- 2. Focus on Modern Trade and E-commerce:** Most companies have opted to work remotely and their employees are now 'online' and working from home in this pandemic situation. This will surely going to increase after the pandemic situation also. This will change the way we 'work' with far reaching implications on every business. So to continue business activities Digital strategy will be required by all the companies worldwide.

- 3. Maintaining healthy relationship with stakeholders:** Be transparent with your stakeholders about what your business is going through. Stakeholders can empathize with companies facing a crisis, as long as the communication is transparent. Have an honest conversation on the situation and its impact on your business with your entire leadership team. Any negative message should be delivered with utmost empathy along with transparent reasons.
- 4. Move towards variable cost models:** One of the biggest lessons, amongst others, is the importance of reducing overall business costs. One significant way to accomplish this is to convert fixed costs to variable costs wherever feasible. This will surely help to minimize fixed cost expense of the firm and helps to improve financial condition up to certain extent.
- 5. Building alertness:** The ongoing pandemic is forcing countries and companies to take quick actions in the absence of perfect data, while remaining customer-centric, addressing employee needs and reinforcing stable team dynamics. It has also made them ponder upon the enabling mechanisms that need to be put in place to respond to any unexpected events in the future.
- 6. Develop new products:** In order to survive this pandemic and to maintain the turnover and current level of business activities try to develop new products which can attract new customers towards your company.

CONCLUSION:

In sum, this crisis is a story with an uncertain ending. However, what is clear is COVID-19 has introduced new challenges to the business environment which call for a measured, practical and informed approach from political and business leaders. We also need to realize that COVID-19 is likely to lead to a new normal being aware of and preparing for these shifts will help businesses and economies navigate in the post COVID-19 world. India's MSME sector is not an exception to this. So MSME sector also have to come up with new strategies to survive and to remain competitive in this Pandemic situation. The strategies suggested in this paper will surely help India's MSME sector to fight in this pandemic situation.

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