

# “The Exploration Of Impact Of Pre And Post Covid-19 Pandemic Syndromes On Sustainable Challenges In Msmes Sector In India”

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## *Abstract*

The micro, small and medium businesses are being hit hardest by the coronavirus pandemic. The pandemic in India has mainly been disruptive, and India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% as per the Ministry of Statistics. Covid-19 has taken the entire world into its grip and as a result people's life and global economy have been disheveled. Covid-19 is a one of the giant disaster in the year 2020. The aim of this research paper is to study the effect on status of employment in MSMEs Sector and survival rate of MSMEs Sector in pre- post Covid-19 period and also to assess the major challenges faced by the MSMEs Sector in Covid-19 period in India. Lastly this study focused the different measures that are taken by the Government of India in MSME sectors to achieve the dream of Self- Reliant India or Atmanirbhar Bharat etc. After studying the devastating impact and various revival strategies, we found that business practices of Indian MSMEs will be totally changed. Digital practices, innovation, accessing of finance, focus on cash flows rather than profit will be essential after this covid -19 epidemic in India.

Key Words: Unprecedented, COVID-19, MSMEs and Paired Sample T-Test, Indian Economy.

## **INTRODUCTION**

This paper mainly concentrates on post Covid-19 effects on MSMEs sector in India. This pandemic has shaken and deteriorates the global economy. In this

article we will try to overview the probable impact of Covid19 on Indian MSME. It is too early to estimate how deeply the pandemic will affect MSME. Covid-19 has moved from a health crisis to an economic crisis. This pandemic destroyed the business cycle all over the world. Around 100 countries have closed national border. During the past month global supply chain has been collapsed. Global economy could shrink by almost 1% in 2020 due to Covid19 pandemic.

India is a developing country and position of India's Micro, Small and medium enterprises (MSME) are the largest in world after china. MSME plays a significant role to accelerate the growth of Indian economy. But the position of MSME will be very unimaginable and unpredictable after this epidemic. The state of Uttar Pradesh has the largest number of estimated MSME with share of 14.20% of total MSME's in the country. West Bengal comes as close second with a share of 14% followed by Tamil Nadu and Maharashtra at 8% economy that desperately needs immediate assistance 63 million MSME units in India.

Many economies may face negative per capita income growth in 2020 due to the Corona virus pandemic, according to the International Monetary Fund (IMF). In its recent forecast, the World Trade Organization (WTO) indicated a clear fall in world trade between 13 per cent and 32 per cent in 2020, perhaps the highest fall since the Great Depression of the 1930s. There is also a disclaimer: no forecast is perfect when the pandemic is at its peak and changing the contours frequently. The IMF has also slashed growth forecast for the Indian economy, projecting a GDP growth of 1.9 per cent in 2020. In its recent World Economic Outlook, the IMF does project a rebound in the growth of the Indian economy in 2021, at a rate of 7.4 per cent in India.

In this time business who deals with packaged food can grab the opportunity by making home delivery and create a healthy relationship with society. SMEs who deals with export, there will be slow down of export business. Service sector is also slowing down since more people opting social isolation like salon shop. MSME sector in India will face the problem like low liquidity or cash flow and lack of workforce since daily-wagers have gone to their villages. Lack of workforce will have to be a negative impact on production and lower production means lower supply and lower supply will create the inflation environment but government has started taking some initiative to keep the MSME segment afloat. The RBI recently introduced long term repo operation (LTRO) worth 100000 crore, as a result bank can increase lending at cheaper interest rate. Such type of initiative will give some help to MSME sector.

Those SME's which are listed in BSESME exchange there is a

possibility to decline the share price. People will hesitate to invest in SMEs stock after this epidemic as a result supply will be greater than demand which leads to decline the share value. The impact of lockdown will be very discomfort for Indian MSME because in India most of the small business transactions are done in cash and payment to the workers and laborers are also made in cash. Small businesses are not very much comfortable to adopt digital practices in its business. Due to this crisis small businesses will try to adopt digital practices in its business. The Indian government will also need to increase insolvency limit for SMEs and MSME to one crore from one lakh. Otherwise there are chances to arise the problem of liquidity crunch and without adequate liquidity the small business might be close down in coming future

Recently, The Union Cabinet in October 2019 had approved the amendment to change the criteria to classify MSMEs from "Investment in plant and machinery" to "Annual turnover." According to Anil Bharadwaj, Secretary-General of the Federation of Indian Micro Small & Medium Enterprises (FISME), there will be **no distinction between the manufacturing and service sectors**. Before October 2019, The MSMEs has defined by the Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006 based on Investment in plant and machinery. At present, MSMEs has defined as:

Enterprises	Turnover
Micro enterprises	< or = 5 crore
Small enterprises	> Rs 5 crore, < Rs 75 crore
Medium enterprises	> Rs 75 crore, < rs 250 crore

#### Identification and selection of relevant studies:

**Muturi (2013)** this study explains that small and medium firms have understood that enhancing their procedure and working strategies are significant for their business, yet they are deficient in the information and assets to actualize it. He express that inadequate information about which developments are compelling, and which factors impact the selection of programming process change in small and medium ventures.

**Dumbu (2014)** examined the manufacturing MSMEs have not possessed the essential management practices in the form of fund management, purchasing management and training and educational management practices. Lastly this study concludes MSMEs lacked accounting management practices and issue of training and education management practices in the MSEs should be adequate in all aspects.

**Shambhu (2016)** explains that small scale industries assume an essential part in developing concern for business age has made recharged enthusiasm for upgrading nations. As far as the business and pay era, concentrate on potential area in encouraging comprehensive development is vital it remained to a great extent undiscovered. SSI's have to investigate the arrangement changes with the expect to enhance the aggressive quality of small firms.

**Srinivas (2017)** analyzed the disentangling effects on economic performance from MSMEs point of view. The scholar delivered the evidence of the effect of a positive MSMEs reputation on the firms imminent financial performance. The scholar concluded that MSMEs play a significant role in inclusive growth of Indian economy and suggested that MSMEs reputation should be assessed on the basis of an econometric model.

**Pujari (2020)** opined that MSME provide good opportunities for both self-employment and wage employment, due to the Covid-19 more than 1.7 million peoples are loosed their jobs therefore currently unemployment problem has been increased. Therefore this research summarizes scientific foundations, identifies literature gaps, and suggests some evidence for future research directions on COVID-19 which will provide information for research community etc.

**Ashish Kumar (2020)** explains in their literature that the MSMEs are facing an unusual crisis in recent times due to Covid-19 pandemic in terms of suspended operations, supply-chain disruptions, labor shortage, cash flow crunch, lower demands for goods and services. The MSME experience, indicates that lenders are generally not supportive in extending loans without collaterals. Besides indomitable risk abilities, these smart entrepreneurs have also learnt the tricks of organizing resources for their business operations.

**Saumendra Das (2022)** conducted a study on assessment of operational functions affecting on the micro and small enterprises' sustainability. This study deep primary research through direct population survey and proved that Marketing, Technology and Financial competence

have significant and positive impact on success of MSMEs. He identified that positive impact on success of MSMEs and both is supported at 5% significant level. Entrepreneurial orientation is another significant parameter relating to success of MSMEs.

### **Research Methodology:**

The data required for the present Research is considered as journey from unknown to the known. The present study is purely based on data gathered from secondary as well as primary sources of data .The secondary information has been collected from ministry of industry and commerce and also conducted polite survey and interview for the MSMEs owners to understand the real challenges faced during covid-19 period. The required secondary data constitutes the main source of information, suitable for the purpose of the present study. In this study an attempt has been made to research domains, publishing dates, journal language, author's affiliations, as well as methodological characteristics were analyzed respectively. For the purposes of analysis of data we apply for descriptive statistics, Independent Sample-T Test, Mann-Whitney U- Test and paired sample-T Test etc.

### **Objectives of the Study:**

1. To assess the effect on status of employment in MSMEs Sector during pre-post covid-19.
2. To identify the survival rate of MSMEs Sector in pre-post Covid-19 period in India.
3. To assess the major challenges faced by the MSMEs Sector in Covid-19 period in India.

### **Research Hypothesis of the Study:**

1. H1: There is a significant differences between effects on status of employment in MSMEsSector during pre-post covid-19.
2. H2: There is a significant differences between survival rates of MSMEs Sector in pre-postCovid-19 period in India.
3. H3: There is a significant differences between major challenges faced by the MSMEs Sectorin Covid-19 period in India.

## **ANALYSIS AND INTERPRETATION**

### **1. Pre-Post covid-19 effect on status of employment in MSMEs Sector:**

Table No.1 indicates that pre-post covid-19 effect on status of employment in MSMEs Sector. According to the data shows pre Covid-19

period. 164.33 lakh peoples are working and post Covid-19 period 89.39 peoples employed. When Covid-19 pandemic has been spread out, the Indian government has been declared for lockdown in the country majority of the peoples are lost their jobs or employment because majority of the MSMEs enterprises are become loss in post covid-19 period. Therefore the post covid-19 period employment trend has been declined compared to the pre covid-19 period in India.

**Table No.1 Pre-post covid-19 effect on status of employment in MSMEs Sector**

Sectors	Pre Covid-19 Period (2018-2020)			Total Employees
	Rural (In lakh)	Semi-Urban (In lakh)	Urban (In lakh)	
Micro	5.21	15.77	31.88	52.86 (32.16)
Small	4.23	18.21	27.45	49.89 (30.35)
Medium	6.27	21.44	33.87	61.58 (37.49)
<b>Total</b>	<b>15.71</b>	<b>55.42</b>	<b>93.02</b>	<b>164.33 (100.00)</b>
<b>Post Covid-19 Period (2020-2022)</b>				
Sectors	Rural (In lakh)	Semi-Urban (In lakh)	Urban (In lakh)	Total
Micro	3.21	9.88	20.11	33.20 (37.14)
Small	2.47	11.21	16.42	30.10 (33.67)
Medium	1.08	14.12	10.89	26.09 (29.19)
<b>Total</b>	<b>6.76</b>	<b>35.21</b>	<b>47.42</b>	<b>89.39 (100.00)</b>

Sources: Annual Reports of industry and commerce.

Table No.1 (a) descriptive statistics shows post Covid-19 MSMEs enterprises has been lesser than pre Covid-19 period, The highest mean and standard deviation were found in pre and post Covid-19 period category around 31.806 & 15.066 and 4.641 & 3.286 respectively.

**Table No.1 (a) Descriptive statistics**

Descriptive statistics		N	Micro	Small	Medium
Mean	Pre Covid-19	2	5.251	18.736	31.806
	Post Covid-19	2	2.23	11.47	15.066
Standard Deviation	Pre Covid-19	2	1.081	2.868	4.641
	Post Covid-19	2	1.020	2.044	3.286
Variance	Pre Covid-19	2	1.169	8.07	21.534
	Post Covid-19	2	1.041	4.089	10.81
Range	Pre Covid-19	2	2.13	5.24	9.22

	<b>Post Covid-19</b>	2	2.04	4.67	6.42
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**Sources: Significant Level 0.05.**

To calculate, paired sample T-test, for the data of pre-post covid-19 effect on status of employment in MSMEs Sector. Pair-I the P value (Sig 2-tailed), 0.01 which is less than the Alpha value of 0.05, it was found to be significant. Further Pair-II respondents the P value (Sig 2-tailed) 0.064 which is more than the Alpha value of 0.05, it was found to be insignificant

**Table No.1 (b) Paired Sample T-Test**

	<b>Pairs</b>	<b>N</b>	<b>Correlation</b>	<b>Sig</b>
<b>Pair -1</b>	Pre & Post Covid-19	3	.0179	.001
<b>Pair -2</b>	Post & Pre Covid-19	3	.213	.064

**Sources: Significant Level 0.05.**

## **2. Survival rate of MSMEs Sector on pre-post Covid-19 Period:**

Table No.2 represents that survival rate of MSMEs Sector in post Covid-19 period. According to the data shows pre Covid-19 period 95.44% survival rate was high compare to the post covid-19 period i.e 58.21% respectively. In the lockdown period many micro, small and medium enterprises has been closed down due to incurring more loss and financial burden .Therefore the survival rate of MSMEs enterprises is very less in post covid-19 period compared to the pre covid-19 period in India.

**Table No.2 Survival rate of MSMEs Sector**

<b>Departments</b>	<b>MSMEs Survival Rate</b>	
	<b>Pre Covid-19 Period (2018-2020)</b>	<b>Post Covid-19 Period (2020-2022)</b>
Agri-business and food processing	82.00%	60.11%

Animation Visual and Comics	90.00%	50.01%
Bio Technology	93.44%	77.01%
Drugs and pharmaceuticals	95.21%	85.01%
Electronic and Manufacturing Industries	87.23%	53.11%
Energy and power industries	78.23%	45.02%
Engineering and Machine Tools	89.01%	37.88%
Information Technology	95.21%	76.81%
Infrastructure and Construction	98.11%	45.81%
Textile and Appeals	99.09%	57.32%
Aerospace	83.47%	49.21%
Iron and Steel Industries	88.98%	60.17%
<b>Total</b>	<b>95.44%</b>	<b>58.21%</b>

**Sources: Annual Reports of industry and commerce.**

Table No.2(a) descriptive statistics shows survival rate of MSMEs sector on post Covid- 19 period. The highest mean and standard deviation were found in pre Covid-19 period category around 89.12 and 14.58 respectively.

**Table No.2 (a) Descriptive statistics**

<b>Descriptive statistics</b>	<b>N</b>	<b>Pre Covid-19</b>	<b>Post Covid-19</b>
Mean	11	89.12	58.99
Standard Deviation	11	14.58	6.532
Variance	11	42.67	21.22
Range	11	47.13	20.86

**Sources: Significant Level 0.05.**

The below statistical results of Independent sample T-test depicts that to test the significant difference between the mean differences among survival rate of MSMEs sector on pre-post covid-19 Period. The calculated P value (Sig 2-tailed) is 0.001 and 0.000, which is less than the significant value of 0.05, which indicated that the stated null hypothesis to be rejected and alternative hypothesis is accepted.

**Table No.2 (a) results of Independent Sample T-Test**

<b>Variables</b>	<b>T</b>	<b>df</b>	<b>Sig. (2-tailed)</b>	<b>Mean Difference</b>	<b>95% Confidence Interval of the Difference</b>	
					<b>Lower</b>	<b>Upper</b>
<b>Pre Covid-19 Period</b>	2.011	11	0.001	433.28571	-268.4026	1134.9740
<b>Post Covid-19 Period</b>	1.207	11	0.000	226333.43286	24610.5614	477277.4271



**Sources: 5% Significant Level****3. Major Challenges faced by the MSMEs Sector in Covid-19 period:**

Table No.3 depicts that major challenges faced by the MSMEs sector in India during covid- 19 period. The highest mean and standard deviation were found 4.88(1.89) and 4.44(1.37), the MSMEs owners or respondents are opinioned that they financial challenges and lack of Technological knowledge, currently these are the major challenges faced by the MSMEs inIndia. To summarize finance is known as the blood for the MSMEs. The availability of timely and adequate finance at a reasonable rate is an essential requirement for the development of MSMEs lack of finance can affect the fixed and working capital and thus owners/managers cannot modernize their MSMEs and in the case of technology challenges faced by the MSME owners/managers are not much aware of advanced technology of production, supplier, transportation, and marketing efficiency this leads to delay in production activity in MSMEs sector during covid -19 period. To sum up lockdown restrictions across the country resulted in a slump in the retail sales of apparel for at least 4-5 months India's e-commerce sale of goods and apparel saw a steep rise in 2020.Currently in the year of 2022 MSMEs industry is slightly recovering in India. In this evidence this study undertaken on "Make in India" initiatives taken by the government to boost MSMEs sector during covid-19 period.

**Table No. 3** Major Challenges faced by the MSMEs Sector in Study Area

<b>Variables</b>	<b>Mean</b>	<b>SD</b>
Lock down impacts the import and exports	4.44	1.76
Management related challenges	4.26	1.03
Lack of Credit to MSMEs	3.40	1.53
Challenges related to marketing strategies	3.75	1.29
Lack of Technological Knowledge	4.44	1.37
Lack of proper infrastructure facilities	3.80	1.57
Lack of skilled human resources	4.25	1.68
Challenges related to government rules and regulations	3.70	1.38

Financial challenges	4.88	1.89
Environmental hazards related challenges	2.89	1.01

**Source: Primary data. Note: Significant Level 0.05.**

To be summarized that, Mann–Whitney U- test results that management related challenges, lack of credit to MSMEs, challenges related to marketing strategies, lack of Technological Knowledge, lack of skilled human resources and environmental hazards related challenges category results, the P value (Sig 2-tailed) is which is indicates less than the Alpha value of 0.05, it was found to be significant. Therefore the results indicate that the stated null hypothesis to be rejected and alternative hypothesis is accepted. In the context of lack of proper infrastructure facilities, challenges related to government rules and regulations and financial challenges category results, the P value (Sig 2-tailed) is which is indicates more than the Alpha value of 0.05, it was found to be not significant. Therefore the results indicate that the stated null hypothesis is accepted.

**Table No. 3(a) Results of Mann–Whitney U test**

Independent Variables	Mann Whitney U-Test	P-value	Results
X1	3.17	0.001	<b>H0=Rejected</b>
X2	2.89	0.000	<b>H0=Rejected</b>
X3	3.20	0.004	<b>H0=Rejected</b>
X4	3.85	0.001	<b>H0=Rejected</b>
X5	2.00	0.523	<b>H0=Accepted</b>
X6	4.01	0.004	<b>H0=Rejected</b>
X7	2.78	0.099	<b>H0=Accepted</b>
X8	2.11	0.626	<b>H0=Accepted</b>
X9	3.01	0.000	<b>H0=Rejected</b>

**Source: Primary data. Note: Significant Level 0.05.**

#### **Remedial Measures for Boost the MSMEs Sector during post Covid-19 pandemic:**

1. MSMEs should given more emphasis on innovation. Of course innovation in MSMEs business is amazed but innovation will be indispensable for MSMEs after this epidemic, other they cannot exist.

2. 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.
3. Giving more emphasis on working capital management. Quick collection from receivable will be helpful to meet wage and salary expenses.
4. Government of India announces 20 lakh crore economic packages on 12.05.2020. It is around 10% of country GDP which will help India to become Self Reliant and boost Make in India initiative. It's time to "Be Vocal for the Local". There will be five pillars of Self Reliant India.

### **Conclusion:**

Impact of the Covid-19 pandemic is being more and more dangerous and visualization of its impact will be really shocking in coming future. Every sector is being affected due to the pandemic whether country will tolerate the consequence of the Covid-19 pandemic in near future. As a result, specific efforts must have made to strengthen the sector's financial position, technology, in-house technical innovation, inter-firm linkages, and support systems to overcome such challenges. As a result, we can conclude that caring for this developing sector entails managing the Economy in the event of a Covid-19 pandemic epidemic. India is too much dependent on other countries for importing goods, how India has tackled this situation by home sourcing arrangement instead of import from other country. This will improve medium and large scale industries situation to some extent. Work from home concept is going to being new culture of digital practice will be increase productivity of the industries in India.

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