



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Effect Of The Covid 19 Pandemic On Medium And Small Enterprises

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Abstract

The Indian economy is experiencing considerable expansion in SME's across a wide range of industries, including manufacturing of automation technology, plastic products, rubber, materials, building and development, food and drink, cement, metal and electrical goods and machinery and equipment. The Covid-19 pandemic has had an influence on many economic sectors, but nowhere are they being hit as hard as India's MSMEs. The current Corona-virus affects on small and medium-sized enterprises in India are examined in the article. After the dust settles, small and medium-sized enterprises realize that they must develop and change over time in order to remain competitive. A more accommodating assessment of emergency management plans, analysis of a catastrophe or supply chain resilience, the introduction of protection procedures, the streamlining of their product portfolio, the inclusion of new vendors, an updated sourcing policy, sanitation and sanitization methods and others are some of the responses to this problem. SME's can deal with the corona-virus epidemic in this way.

Keywords: Corona virus pandemic, Covid-19, SME's, Impact.

Introduction:

In India, the COVID-19 outbreak is still "flattening the curve." On January 30th (1/30/2020), the first recorded COVID-19 case in India by September 21st, 2020, there had been more than five million cases. With populations of 19 and 25 million, respectively, the two major cities of Mumbai and Delhi reports of more than 185,000 and 245,000 cases, respectively. Unsurprisingly, although the entire extent of the outbreak's impacts

on the economy is not yet known, they have had a significant impact. Small companies have been severely damaged since they are crucial to India's manufacturing and service sectors.

The Government of India (GOI) implemented lockdown reaction to the COVID-19 epidemic measures, air travel, rail, hospitality services, industrial establishments, which included the closure of educational institutions as well as a prohibition on domestic road and a variety of other measures. A list of restricted economic activities that are not deemed vital was clearly included in the stated restrictions (such as courier services, hotels, restaurant services, manufacturing, private establishments and all commercial, etc.), as well as a different set of permitted activities that are considered essential (such as ATM banking, electricity and water and hospital services) during the lockdown period.

Impact of COVID-19 on SMEs

The Indian economy will see a "Historic Low" fast decline of 4.5% in 2020, the "International Monetary Fund" (IMF) predicted. (IMF World Economic Update on Jun 2020). The India's central bank & "Reserve Bank of India", has predicted that the GDP will contract in the ensuing fiscal years of 2020–21. In comparison to the same time in 2019, the consumption of petroleum products, which serves as a proxy for transportation activity and oil demand, decreased by 22.5% from April to July 2020. In 2020-21 of first quarter, the lockout significantly decreased industrial production. People cannot move freely during a lockdown, therefore they must work from home, which initially has an impact on the economy through shocks to the labour supply. Second, a variety of jobs, Some industries, including manufacturing and conventional services, would prohibit people from working from home. owing to demand shocks that lead workers to lose their earnings, salaries, and income as a consequence of losing their employment or firms being unable to pay their employees.

They are discovered to make up a sizable portion of the unorganized industrial and service sectors. For individuals who work in manufacturing or service-related fields, the possibility of working from home is rather low. At least 5 million salaried workers missing their employment in July, according to the "Centre for Monitoring Indian Economy" (CMIE), 19.5 million fewer jobs have been lost in this category overall from April 2020. The country's economy has been severely harmed by the corona-virus lockdown as all transportation and industrial operations have been suspended. 17.7 million Paid workers lost their employment in April, according to data from CMIE.

The following policy steps have been implemented by the Government of India to help "Ministry of Micro, Small and Medium Enterprises" adjust to the shock of the COVID-19 pandemic. But it's crucial to keep in mind that only MSMEs that have received formal recognition are eligible for financial support.

- **Tax return and deadline relaxation:** Numerous business assistance measures, particularly for MSMEs, were introduced. The filing deadlines for income tax returns were prolonged by thirty or ninety days, and the tax interest for late payments deferred has been lowered to nine percent through 2020 June for small taxpayers (with a turnover of less than INR 50 million). In addition to many more, there are also some administrative indulgences.
- **Reducing the cost of bank credit:** Interest rates of the “Reserve Bank of India” steadily dropped from 5.15% in February to 4% on May 22. A three-month payment moratorium on term loans has also been established.
- **The government unveiled a special package** of assistance with the express purpose of promoting the accessibility of financing to “Small and medium-sized enterprises”(SME) and microenterprises. The following three items are included in the package:
 1. MSMEs would get access to loans of INR 3 trillion (\$300 billion) with no collateral. In accordance with this plan, commercial banks and non-banking financial intermediaries (NBFCs) would offer four-year, collateral-free loans with no monthly payments necessary for the first year. Up to October 31, 2020, the banks are permitted to lend a total of 3 trillion INR. It is meant to provide working capital and comes with a 12-month moratorium on principal payments as well as a 100% government credit guarantee. A 20% of their total credit limit emergency credit line is available to qualified businesses. Applications are accepted from existing businesses with credit balances of at least INR 250 million and INR 1 billion in yearly sales. This programming is expected to assist 4.5 million enterprises, according to the government.
 2. To assist MSMEs with their equity issues, the government provided a provision for subordinate debt in the amount of INR 200 billion. That refers to MSMEs that have been classified as Non-Performing Assets (NPAs) or are currently experiencing financial hardship. The promoters of the MSME unit will get credit facilities of INR 7.5 million or 15% of its ownership holding (equity + debt), whichever is less. The loan granted via the financial institutions under the Scheme will be guaranteed by the “Credit Guarantee Fund Trust for Micro and Small Enterprises” (CGTMCE). To support MSMEs, the CGTMCE will be given a budget of INR forty billion. 200,000 failing “small and medium-sized enterprises” are expected to be saved as a result.
 3. The government would establish a fund reserve for the equity financing of businesses possibility for growth. It revealed the establishment of a fund of funds with a \$100 billion corpus. An estimated 500 billion Indian rupees will be raised.
- International bids are no longer permitted for government purchases to shield MSMEs from outside competition, up to INR 2 billion.
- The government promised to forgive debts owed to the federal government and core public sector organizations within 45 days in order to help businesses manage their cash flows.

- On May 14, the government made credit options available to impromptu small enterprises and street vendors. These include an unique financing scheme for street sellers to increase their operating capital, with a maximum credit amount of INR 10,000, targeting the estimated 5 million street vendors and providing microloans with a 2% APR subsidy for a 12-month term on loans up to INR 50,000.

Review of Literature

Wójcik and Ioannou (2020) gain a wider perspective on the pandemic's impacts. The macroeconomic effects of the epidemic are specifically looked at by the writers. The authors assert as well that the pandemic crisis may result in a slowdown in financial regulation, a continuation of firm consolidation practises, and an expansion of commercial services in the financial sector. However, the authors disagree on the distinctions between national, regional, and local financial centres, as well as on the importance of each in the financial markets. The efficiency of the Russian government's strategy to support “small and medium-sized enterprises” during the pandemic crisis will be evaluated in 2020 by Razumovskaia et al. In addition to creating a collection of critical indicators that influence the economic growth of SMEs, the authors concentrated on establishing a cognitive-econometric model. Similar to this, the authors evaluated the effects of public policy tools on the growth of small and medium-sized enterprises using econometric techniques. One of the numerous consequences of the study is that both commercial and governmental organizations may use the created cognitive model to continually examine the success of public policies intended to support SMEs.

The authors of the study by Deschryvere et al. (2020) claim that during the pandemic crisis, the governments of several nations adopted support measures, however, the majority of those initiatives simply addressed immediate financial concerns. Thus, in order to redesign the economic structure, the authors consider how support systems and aid programmes operate. The authors also contend that it is critical to remove any obstacles to innovation and to provide SMEs support organisations solutions for formulating laws that will deal with systemic problems brought on by the epidemic. Similar to this, the level of technical advancement, including the employment of digital technologies in SMEs, affects the total pandemic impacts.

Narula asserts that the risks and opportunities will alter over time depending on the SME structure. In addition, policy initiatives may focus on certain SMEs rather than using a general approach. To promote transformation and growth through innovation, globalisation, and networking, the policy mix would need to shift from its initial focus on short-term sustainability to a longer-term, strategic solution. The combination of policies will be a major cause of concern (Narula, 2020).

MCOs' impact on SMEs was divided into two categories: organisational issues (such as business instability, supply chain disruption, and planning future business directions) and financial challenges (such as inconsistent cash flow, difficulty accessing funding options, and bankruptcy risk). Key components of contemporary

survival strategies are addressed in the interim by strategic and communication techniques. The article makes a few recommendations for prospective studies, businesses, and agencies. (Ahmad, 2020)

Mahajan discusses the motivating elements for Indian millennials to shop at a specific online retailer in India as well as how these millennials view these online shops. The same is examined in the Indian setting of the paper. It has been shown that millennials are generally happy with the services provided by a few certain internet merchants. Four more characteristics were discovered to be statistically important for millennials when choosing an online retailer (Mahajan, 2017; Mahajan,2015)

The findings of a McKinsey survey on a sample of 2200 SMEs in 5 European nations the United Kingdom, Spain, Italy, Germany and France, were presented by Dimson et al. in 2020. It concentrated on evaluating the COVID-19 pandemic crisis' effects. Nearly seventy percent of those surveyed acknowledged that the company's revenue decline had substantial economic repercussions. More over half of the respondents believed that the pandemic threat may force them to shut down their businesses within a year. However, some respondents (20%) did make advantage of different types of government assistance, such as tax breaks and/or reimbursements to employees who were placed on furlough. Similar to other writers, Eggers (2020) emphasises the importance of Small and Medium Enterprises in a country's economy. To determine how prior crises affected SMEs, the author looked at 69 publications. In order to prevent a country's economy from declining, the author offers various prevention measures in the areas of institutional environment, finances, and tactics.

According to Karácsony (2020), the COVID-19 the unemployment rate in Hungarian SMEs suffered as a result of the pandemic. The author polled 383 managers of SMEs using online questionnaires. The survey's findings revealed considerable changes in labour force size, composition, and employment practises brought about by the pandemic crisis in Hungarian SMEs.

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Objectives of the study:

- 1) To propose actions to enhance the current state of Small and medium-sized enterprises in India
- 2) To examine how the corona-virus pandemic has affected employment in Indian Small and medium-sized enterprises
- 3) To investigate the effects of the corona-virus on Small and medium-sized enterprises in India

Study Importance

By highlighting the survival and resilience tactics employed by small firms throughout a challenge & protracted crisis, this study adds to the body of knowledge on crisis management. The researcher has offered ideas for small businesses on how to remain adaptive or competitive through strategies for resilience and renewal in addition to advice for legislators and other pertinent organizations.

Methodology

In this study, the descriptive qualitative method was used. In addition to various empirical research on the effects of Covid-19 on the Ministry of Micro, Small, and Medium-Sized Enterprises, researchers collated and discussed some of the implications on India's MSME businesses. The writers gather data from multiple reference sources using the documentation methodology as their method of data collecting. A review of the literature, research pieces from journals, and internet news sources were also employed by the authors due to the restricted amount of time and resources available for this study. These pieces aimed to present assessments and make conclusions about the topics the author looked at.

Challenges and Strategies for the Development of MSMEs

Stakeholders in the MSME are worried about the COVID-19 pandemic. Due to the installation of extensive social restrictions (PSBB), the majority of COVID-19 programmer's participants were unable to get raw materials, and many MSMEs saw a decrease in revenue brought on by the reduced income brought on by the adoption of PSBB. MSMEs have to deal with these difficulties. Due to a shortage of customers to make purchases and a loss in demand as a result of market instability, the inability of MSME operators to get capital loans causes a decline in consumer demand for goods and services. It is also necessary for MSME programmer's participants to be able to revise their company strategies.

Direct sales also gradually decreased as a result of putting PSBB into use during the COVID-19 pandemic, and individuals now would rather remain at home. In this circumstance, one tactic is to broaden the system through use of internet sales, enabling MSME to continue operating while luring additional clients and boosting their market share. Due to changes in consumer purchasing patterns and the COVID-19 "Ministry of Micro, Small & Medium Enterprise" pandemic, e-commerce is the best choice for "Ministry of Micro, Small & Medium

Enterprises” players to thrive in the era of Industrial Revolution 4.0. In the developing industry, there is also a potential to grow one's market share.

Due to the COVID-19 epidemic, there have been fewer customers in a variety of industries, necessitating the necessity for MSME participants to effectively advertise their products and develop fresh concepts. At this point, it is impossible to stop the digital era's fast progress. The “Ministry of Micro, Small & Medium Enterprises” must be able to use the advantages of digital development if it is to flourish, especially in the face of a pandemic like COVID-19.

According to the author's observations on various study cases, The “Ministry of Micro, Small & Medium Enterprises” represents the individual, group, occasion, or scenario that the researcher is interested in. Utilizing a range of digital marketing strategies, they use the following tactics to advertise their products successfully:

- Post pictures and videos of your products frequently on social media. Preferably, social media utilization should be pertinent to the particular product category.
- Make promotional product films for social media or engage in in-person product promotion. This plan will benefit the company's operations if it is properly implemented.
- Encourage consumers to choose products by educating them and introducing product quality on social media. Brand awareness will be created in this manner, which may affect consumer purchase choices.
- Enhance both the product and service quality. The COVID-19 epidemic has made consumers more cautious while using goods and services, which has resulted in a decline in consumer confidence in traded services & goods. Additionally, restrictions on direct customer sales have resulted in a sharp decline in customer spending. In order to increase customer trust and successfully communicate product quality, MSME participants must raise the quality of their products. Small and medium-sized firms must constantly improve product quality by adapting to changing consumer demands, preferences, and expectations.
- MSME participants can employ unique sales service hotlines that are conveniently accessible by customers, increase service quality, expand service kinds such delivery orders and online purchase services, and enhance product quality in addition to these. Businesses that offer delivery services must raise the bar on their customer service by enhancing and guaranteeing the cleanliness of their products. You may use online service activities and build services utilizing online media to improve services and enable business as usual. Through providing high-quality service, one may win the confidence of their customers and encourage loyalty. In the COVID-19 epidemic of today, customer loyalty is crucial for corporate survival.
- Client-Relations-Based Marketing (CRM). MSMEs need to focus on retaining current customers, keeping up with product maintenance, and increasing customer happiness in order to increase customer loyalty. Because they are already confident in the quality of their products, devoted customers won't

switch to other producers. Relationship marketing is one strategy MSMEs can use to endure a drop in economic activity. Building long-lasting relationships with consumers is the goal of the marketing strategy idea known as customer relationship marketing. To generate repeat business and consumer loyalty, it preserves strong, mutually beneficial ties between service providers and clients. Given the current situation, demonstrating sympathy for clients who struggled during COVID-19 can help you develop marketing relationships with them. Commercial participants have the ability to voice issues that are also intended to promote their goods.

Results and Discussion

The MSME has observed a 25-30 percent decrease in turnover since COVID-19 in the non-culinary sector, Ikhsan Ingrabatun, the head of the Indonesian MSME Association, claims (Akumindo), because the exchange of tangible goods and services between buyers and sellers is necessary for the selling of these commodities. The corona virus has exacerbated the state of the world economy (Covid-19). Employees in the formal and unofficial sectors have suffered because of the Covid-19 pandemic. Over 1.5 million employees were dismissed or laid off.

If MSME have been used to the digital ecology by the Indian market, they can withstand the COVID-19 environment. MSMEs will be able to survive the Covid-19 epidemic if they can adjust to their market by developing novel items, like those that formerly sold bags and clothing but are now offering fabric masks. The businesses of power, clean water, irrigation, cattle, plantations, fishing, vehicles, and banking, to name a few, have not been harmed by the Covid 19 epidemic. Similar to this, the use of digital marketing to increase sales has helped the retail industry survive in part.

Conclusion

The analysis presented in this paper allows for the following inferences: The effects of the corona epidemic have been felt by numerous enterprises, particularly the MSMEs sector (Covid-19). As a result of Covid-19, supply chains have been hindered, industrial capacity has been reduced, there are travel restrictions and shuttered factories have been put in place. The 19-20 pandemic had an effect on a number of businesses, including manufacturing, transportation, and tourism. Ones that can resist the Covid-19 epidemic include the banking, irrigation, agriculture, livestock, plantations, and clean water industries.

If they wish to outlive the COVID-19 epidemic and search routes to stabilize the economy, small and medium-sized firms must be vigilant. Changes in the business environment during this pandemic in the future, sales and marketing, as well as business-supporting technology, to be adopted in participants in MSMEs can adopt a survival strategy that has been described and is anticipated to adapt to. The approved government is anticipated to continue educating company participants through socialization or training, constructing controlled networks for MSME communication to increase MSME capabilities.

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