



A Study On The Impact Of COVID-19 On Micro And Small Enterprises In Darjeeling District, West Bengal.

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Abstract

Micro and small enterprises have unswervingly had a substantial influence on employment growth and have been an important source of foreign income for the country. It is not only subsidiary to urban workers but also provides livelihoods for people from all walks of life in rural areas. The micro and small industry is the one that engenders the most revenue, but the reason because of the pandemic, the numbers are adverse. Among all the means MSMEs are one of the important resources that the Government has, it is therefore important to understand how the epidemic has affected this sector. Darjeeling, which is popularly known as an important hill tourist spot and extraction of tourists is chosen for the study. The primary data which is the main data source of the study were collected using a structured questionnaire provided to the entrepreneurs, owners and managers of the respective MSEs spread over the Darjeeling district. Secondary data are also collected from the MSME department, Government of West Bengal. Analysis has been made to find out the effect of Covid-19 on micro and small enterprises. SPSS helps to analyze the regression model to verify the level of significance among dependent and independent variables and to determine the factors that impacted its daily existence after the pandemic. The study finds that even after the relaxation of the lockdown this sector, particularly micro industry and self-employed businesses suffered a lot. The study finds that the mainstream of the micro and small units was closed during the COVID-19 era due to financial and various other issues. Even after post-pandemic, many micro and small units are closed and are still hoping to reopen their respective units. More awareness is required for entrepreneurs, particularly from rural and backward areas regarding the benefits and scope of MSME, and State Govt. should take initiatives to shield the revolting Micro and Small Enterprises within the region.

Keywords: industrialization, education, crisis, pandemic, rural economy, MSME

1.0 Introduction

Micro and small enterprises have become one of the largest economic activities in the world because they produce services, currencies and employment. These are some of the hardest-hit industries, with global demand decreasing because of travel restrictions, due to the closure of several borders to control infection. In India, Kerala served as the first jurisdiction to report the first case of COVID-19 until February 3, 2020. On March 11, 2020, the World Health Organization (WHO), reported that the outbreak was a global pandemic. As a result, many countries, including India, closed their socioeconomic and cultural institutions. In the aftermath of Covid19 pandemic, the world was facing an unprecedented global crisis in health, society and the economy. The Government of India has undertaken several initiatives to make Micro and Small enterprises more spirited and important in the development of the Indian economy. Although they face many challenges on their way to becoming a successful entrepreneur, the government has taken many initiatives for their growth. So, to keep their growth engine on the right track, it is preferable to focus on the formulation of policies favourable to MSEs, an enabling operating environment, improving the appropriate infrastructure, ensuring peace and security, adequate funding, better and efficient management, and the implementation of

modern and appropriate technologies. Taking into account the contribution of MSEs to all aspects of economic advancement, considerable attention should therefore be paid to this area. Government and financial institutions should encourage MSEs, and this is very helpful in their survival. The number of sickness units rose from year to year and the disease, failure to do so could erode the roots of industrialization in the country, which is an essential component of the country's economy.

But most business owners don't know these benefits/incentives. It is our duty and our responsibility to educate them and to inform these entrepreneurs so that they can get incentives for their companies, as the government expects. It will certainly assist them in taking initiatives to implement MSE in achieving growth goals with equity and inclusion for the purpose of the country's social and economic development.

The purpose of the research work is to examine to which extent Covid-19 has impacted the micro and small enterprises sector in the Mirik sub-division of Darjeeling district West Bengal.

1.1 Literature Review

1. Sultan Singh Jaswal (2014) suggested that MSMEs must be fully aware of the various government initiatives and make good use of them to take advantage of them. A major constraint is awareness and, consequently, the lack of knowledge to use them effectively. In addition, government regimes must be effectively monitored and changed to meet the needs of the MSME industry, to allow the MSME sector to take its rightful place as a growth driver of the Indian economy, it is necessary to support MSME education and enable them to make the best use of their human and economic resources to succeed.

2. Ali A and Husain F (2014) suggested that in a country such as India, only autonomy is the solution, which can be a remedy to the devaluation of the Indian rupiah. Consequently, MSME can be a godsend and a hope for India's economy in the near future. MSMEs provide consistent development to society and can be a powerful means of utilizing India's natural resources. MSME are very useful in eliminating regional imbalances if they are established in underdeveloped areas. However, Indian MSMEs currently face a variety of issues on different levels. MSME owners are not innovators and their entrepreneurial skills are very weak.

3. Vineet Jain (2014) suggested that the MSMEs in India are facing a challenging situation because of the extreme competition of large industries due to the withdrawal of subsidies, scarcity of infrastructure, anti-dumping policy, product standardization challenges, total quality management, etc. although MSMEs are likely to contribute significantly to the social and economic well-being of the country. As the scale of production and the number of companies increased, it also generated a lot of employment in the country.

4. Ujjal Bhuyan (2016) concluded that while the sector's contribution to India's economy is enormous, it is extremely vulnerable to socio-economic change. Only a handful are capable of surviving beyond the age of five to six. Estimation of the contribution of the microenterprise, small and medium-sized enterprise (SME) sector. Including the services segment, the GDP of the country in 2012-2013 was 37.54 per cent, while total employment in the sector is 805.24 Lakh. The sector contributed 44.70% to India's total export in 2014-2015. The issues of poverty and inequality are also deeply entrenched, particularly in developing countries like India.

5. Thiruvengala Chary.D and Sreenivasa Rao.R (2016) suggested that despite the different challenges it has encountered, the MSME sector has demonstrated admirable innovation. Adaptive and resilient capacity to weather the recent economic recession and contribute significantly to India's industrial growth. Given the importance of MSMEs in sustaining India's economic growth. the MSME sector must be provided with timely, adequate and affordable funding to improve its technological skills and address financial gaps to move up the value stream.

6. Verma T, Nema D and Pandagre R (2017) suggested that there are plenty of opportunities for MSMEs and government support is needed to capitalize on those opportunities. Government agencies, regulators and financial institutions should meet to address MSME problems. MSME itself should take a proactive approach and innovate on a regular basis. As a result of innovation, they could differentiate their products. They must also address modern financing methods like capitalist adventure and private equity investment. MSMEs should plan their operations with care, minimize costs and produce quality goods at an affordable price.

7. **Sadiqua Tabassum, Mohd Fasi (2017)** revealed the main reasons for sickness at work are lack of management, inadequate and timely availability of financial resources, outdated technology and marketing problems. The Government of India is making every effort to halt the collapse of MSEs by providing policies, programs and financial support and by building and promoting their commercial operations. The number of sickness units rose from year to year and the disease, failure to do so could erode the roots of industrialization in the country, which is an essential component of the country's economy.

8. **Dipankar Dutta (2018)** concluded that Micro-enterprises were at the top of the list in West Bengal. Although the UAM registration showed a rocket velocity, but people are far behind the registration may be due to a lack of awareness of the rural configuration. or they are not prepared to register their units to avoid tax. Govt. of West Bengal by its MSME policy (2013-18) focus on this area for efficient use of resources. and broadens the intervention zone to make the State emerge as a leader in this sector. In terms of job creation, the role of MSMEs in that state is deplorable.

9. **Papiya Manna, Dr. Tapas Mistri (2018)** found that the analysis at the district level of MSME shows the perpetual mode of development which is very wavy. Although MSME has great potential, less developed areas are not able to extract the fruits of this. Thus, from a policy point of view, if the government concentrates on issues of regional development areas less development, they must give significant incentives, grants and resources to the less developed regions in order to develop the infrastructure beyond their profitability.

10. **Nurlinda N et.al (2021)** The author reveals that there is a significant revenue differential between MSMEs who use online applications and MSMEs who are always offline or conventional. and concluded that the use of online applications can enhance the performance of MSMEs and can provide an alternative medium for transactions to maintain and improve business continuity during the COVID-19 period. Another advantage is that it can increase sales, be a promotional medium, and expand market share to increase clients.

1.2 RESEARCH OBJECTIVES

The research work is constructed based on the following objectives:

- a) To give an overview of Micro and Small Enterprises in Darjeeling District West Bengal.
- b) To explore the problem faced by the Micro and Small Enterprises within Darjeeling District.
- c) To analyse the impact of COVID-19 in Micro and Small Enterprises.
- d) To conclude and provide suggestive measures to be taken by the appropriate authority.

1.3 Research Methodology

1.3.1 Study Area: Darjeeling district of West Bengal having four sub-divisions is selected as the study area, where MSEs situated in and around the sub-divisions are selected as a sample for the study. Sub-divisions namely Darjeeling Sadar, Mirik, Kurseong, and Siliguri have been selected for the study.

1.3.2 Sampling and Sample Technique: The study is developed by applying both primary and secondary data. The primary data which is the main data source of the study was collected using a structured questionnaire provided to the entrepreneurs, owners and managers of the respective MSEs spread over the Darjeeling district. A total number of 87 units were selected using purposive sampling technique from the Darjeeling District. The Mirik sub-division is wholly considered but from the rest sub-divisions namely Darjeeling Sadar, Kurseong and Siliguri only one block each is considered.

1.3.3 Statistical Tools Used: These 87 responses have been selected for statistically analyzing the impact of COVID-19 in the MSE units, for addressing the research objectives MS Excel and SPSS software were used. The researcher employed Regression analysis and one-way ANOVA tests as an inferential statistical tool for testing the hypothesis. The reliability of the questionnaire is also tested using Cronbach alpha with a value of 0.703, indicating that the questions were reliable.

1.4 Significance of the Study

It is important to comprehend the need for speculation in developing micro and small enterprises. The government has to move forward with those entrepreneurs who are willing to establish their enterprises after the greatest comeback from the crisis. The Micro and Small Enterprise sectors under the Darjeeling district are vital for its economy as being a major tourism region. Recognizing the likelihood of alteration of the

closed MSEs due to the pandemic from the perspective of reopening and acceptance to the entrepreneurs is important. The opportunities and challenges for establishing and reopening of MSEs after the fightback from the pandemic are to be understood by the entrepreneurs as well as the Government and encourage young minds in the region that would thereby contribute towards the development of the economy.

1.5 An Overview of the MSE Sector in Darjeeling District

Darjeeling being a district is the northernmost district in the state of West Bengal, having four sub-divisions: Darjeeling Sadar, Mirik, Kurseong, and Siliguri. Situated on the foothills of the Himalayas, the district is the gateway to the state of Sikkim and the neighbouring countries of Bhutan and Nepal. The darjeeling hill station has attracted tourists from various regions of the country and is also often considered to be the "Queen of the Hills". The city of Darjeeling offers a magnificent view of the famous Kanchenjunga Mountains and the heritage site of the exuberant toy train ride. The pandemic has caused serious disruptions in the MSE sector, which has already experienced several global shocks in recent years. Business surveys revealed that nearly 95% of businesses were negatively affected by the national lockdown imposed in March 2020. Seventy per cent of companies experienced disruptions until August 2020, and 40% remained impacted until February 2021. The Udayam registration which was started from 2020 in Darjeeling district showed a total of 8149 number of registered units from 3rd July 2020 till 10th feb 2023.

Table 1.0: Darjeeling District Report on Registered Micro and Small Enterprises

District	Registered Units of selected Blocks under Darjeeling District				
	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Darjeeling	63	121	147	271	788

Source: Developed by the Researcher

The registered units from the calendar year are shown in table 1.0. From the year 2017-2018 ,63 units were registered, simultaneously in the year 2018-2019, 121 units, 2019-2020, 147 units, 2020-2021, 271 units and 788 units were registered in the year 2021-2022.

1.6 Problem Faced by the Micro and Small Enterprises within Darjeeling District.

A major complication of development in the MSMEs are due to a lack of entrepreneurial, managerial and marketing skills. The micro and small enterprises face challenges related to futile marketing strategies, lack of market analysis and identification of target audiences within the region. Appropriate marketing strategies will definitely increase sales and new customer acquisition requirements. But the challenges this sector face in the district, are unable to compete due to a lack of professionalism and structured management. Furthermore, the lack of training, knowledge of market trends, consumer choices/preferences and advanced technologies have hindered the development of this sector. A summarised form of the problem is narrated below:

1.6.1 Financial Issues

There are many challenges for micro and small enterprises in Darjeeling district because of a lack of funding. Most owners of MSEs come from rural areas and are not educated, and their ignorance of government benefits makes them ignore their special financial privileges. Their irresponsibility leads them to make poor financial decisions, which causes them financial hardship.

1.6.2 Managing Expenses

Managing the administrative, insurance, rent or utilities, these types of expenses is a serious problem for small businesses. Costs can easily accumulate, and excessive overhead costs can be specifically harmful if not managed in a appropriate manner.

1.6.3 Lack of Cooperation from the Officials

As markets and technologies change, they bring in a new set of rules and regulations. Unfortunately, entrepreneurs often do not know or understand what is needed. Right now, there are fines and penalties involved, and something that could have easily been dealt with becomes an issue. Regulation and compliance to these rules and regulation can be a substantial issue if not addressed properly.

1.6.4 Uncertainty

Just like the COVID-19 pandemic, no one ever knows exactly what will happen in the future, but it can be prepared for the customer as well as the market trends with some adroit anticipated planning. While most businesses have a target for the future, it is surprising that many do not get ahead periods of uncertainty.

1.6.5 Finding the Precise Staff

An improved idea of which type of person is best for its business is an important task. In a micro and small business, skills and personality tend to cornet other qualities, but not everybody will be the right person for a given business.

1.6.6 Lack of Awareness Programme

Although the lack of access to affordable and timely bank credit are a regular problem for this industry, the greatest challenge in resolving the credit crisis is the lack of awareness about credit policies by the government.

1.7 COVID-19 and Its Impact on Micro and Small Enterprises in District Darjeeling, West Bengal.

In Darjeeling, the first coronavirus case was discovered on June 1st, 2020. As a matter of fact, from March 24, 2020, not only West Bengal but the whole of the nation was under lockdown following some exceptions. At that time the administration had decided a more restrictive curfew to disrupt the spread of the virus, which had a major economic effect on the state. The decline in government revenues had forced the government to significantly reduce spending on basic needs to stimulate the state economy. As a result of containment, the economic downturn was spreading very rapidly, leading to the closure of many government industries and institutions whose government revenue was forecast to decline by Rs 1700 crores until April 2020 (April 13, 2020 as per the Indian Express). This led to the closure of many micro and small enterprises within the region. The survival and growth of MSEs are dependent on new revenue and value-generation opportunities. As of 10.01.2021, a total number of 65,23,067 were classified, representing 21,13,233 enterprises registered under the Manufacturing category and 44,09,834 registered enterprises under the Service sector (Annual Report GoI 2021-2022).

Many units were closed during the Covid era, especially during the year 2020-2022. A total of 87 units were closed within the period of two years, the majority of which were closed due to the pandemic. 43 units from Darjeeling, 11 from Mirik, 07 from Kurseong and 26 units from Siliguri were closed from all these sub-divisions during these years.

Reopening the closed MSE units was a key challenge through which MSEs could overcome their mobility limitations after the pandemic. In the middle of the turbulence, the digital use of digital technologies changed an economic model.

1.8 Data Analysis and Findings

To know the impact of COVID-19 on Micro and Small Enterprises in the Darjeeling district the following hypotheses were tested.

1. H1: COVID-19 has a significant impact on Micro and Small Enterprises' financial situation within the Darjeeling district.

Table 1.1 illustrates the reliability test using Cronbach's alpha. The coefficient gave a value of 0.703, indicating a moderate level of internal coherence among the test components indicating superior reliability. In this case, the resulting coefficient indicates that the test components are reasonably consistent with each other and considered acceptable.

Table 1.1: Reliability Test

Case Processing Summary				Reliability Statistics			
		N	%	Cronbach's Alpha	N of Items		
Cases	Valid	87	100.0			.703	47
	Excluded ^a	0	0.0				
	Total	87	100.0				

Analysed Using Self-Collected Primary Data

Table 1.2: Regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.318 ^a	.101	.057	.378

Analysed Using Primary Data

Table 1.3 Anova

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.320	4	.330	2.305	.000 ^b
	Residual	11.738	82	.143		
	Total	13.057	86			

Analysed Using Primary Data

Table No. 1.2 indicates that the linear regression model was used to examine the relationship between different conditions. Independent variables are financial problems, raw materials and labour-related problems, political-related problems, and marketing-related problems and the dependent variable "Impact of Covid 19." The above table no 1.3 describes the overall model exhibited a significant relationship ($F = 2.305$, $p < 0.001$) with an R-value squared at 0.101. This means that predictors account for approximately 10.1% of the difference in the impact of Covid 19.

Table 1.4 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.933	.385		7.613	.000
	Financial Problems	.157	.069	.359	2.289	.002
	Raw Materials and Labour-Related Problems	-.019	.055	-.057	-.354	.724
	Political Related Problems	.045	.088	.056	.507	.614
	Marketing Related Problems	-.065	.095	-.078	-.684	.496

Analysed Using Primary Data

In table no. 1.4 among individual predictors, financial problems had an important positive effect ($\beta = 0.359$, $p = 0.002$), suggesting that MSEs with more financial problems during the covid 19 pandemic. However, raw materials and labour-related problems ($\beta = -.057$, $p = .724$), political-related problems ($\beta = .056$, $p = .614$), and marketing-related problems ($\beta = -.078$, $p = .496$) did not show significant relationships with the pandemic.

The constant term in the model ($B = 2.933$, $p < 0.001$) shows the predicted value of the dependent variable when all predictive variables are at zero.

Overall, the model suggests that the COVID-19 pandemic has a significant impact on MSEs' financial problems, whereas other problems examined in the study have not shown significant effects.

1.9 Findings

1. All data which have been collected are reliable with Cronbach's alpha value of .703
2. Through linear regression analysis it has been found that Covid 19 have a significant impact on MSEs' financial situation, whereas other problems examined in the study have not shown significant effects.
3. Factors that have been identified as prime factors for the impact of Covid 19 that led to many micro and small units shut down, such as preferring business support, getting support from local areas, suffering labour problems, inefficient training programmes, local government not supportive, and constant political pressure.

1.10 Summary and Suggestions

1.10.1 Summary

India has a good future potential for Micro and Small Enterprise economy through promoting and motivating young entrepreneurs. The entrepreneurs of closed micro and small units are to be guided and motivated for the essence of achieving its goals and the development of the economy as a whole. More awareness is required for the entrepreneur particularly from rural areas of Darjeeling District regarding the benefits and scope of this sector. The Government should emphasise all sorts of facilities for overcoming the crisis motivate the closed units and encourage young entrepreneurs to look forward to the opportunities of MSEs shortly. Also, the Government should emphasize setting up an MSE (micro and small Enterprise) Facilitation Centre (MFC) in the region.

1.10.2 Suggestions

The study is developed based on the response collected from the entrepreneurs in the Darjeeling District on regards the impact of covid 19 on Micro and Small Enterprise units. It is observed from the study that during the lockdown period, the majority of the entrepreneur had to close their units because of financial reasons and somehow, they were very reluctant to run their units by applying some of the digital networks. On the other hand, some part of the entrepreneur who is comparatively less educated and fear future losses do not want to open their units. However, it is evident that the majority of the enterprises made a comeback from the crisis and reopened their closed units being fully motivated. It is essentially important to strive towards their goal all over the region for the betterment of the sector which has a positive impact on the economy. Some of the suggestions in this respect are enumerated below:

- a) The government should provide funding for those micro and small enterprises who are willing to come forward motivated and intend to work on behalf of society and the economy and other promotional activities in potential markets.
- b) Local awareness programs on health-related issues and precautions that can be taken to be more careful regularly should be conducted.
- c) The government should reduce interest on term loans and working capital loans for that enterprise which are still suffering from the pandemic.
- d) Banks should facilitate faster clearance of bank credit associated with the micro and small enterprises.

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