



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

The Assessment Of Impact Of Covid-19 On The MSME Sector And Their Revival Strategies

Dr. A. S. Bagwan

Assistant Professor, BMCC, Pune

Abstract

This study has analysed the impact of the Covid-19 on the MSME firms and their revival strategies to face this challenge by analysing the responses of 99 select MSME firms in Pune. The study reveals that there was a severe impact of the Covid-19 pandemic on the performance of the MSME firms. The collected data have been analysed with the help of Excel and SPSS by applying ANOVA tests. The collected data have been analysed with the help of Excel and SPSS by applying ANOVA tests. The majority of respondents have faced challenges to survive in the pandemic. The MSME firms suffered from the decline in demand, delayed payments, shortage of labour, disruptions in the supply chain and, termination of production facilities due to Covid-19. The study further reveals that there was a severe impact of the Covid-19 irrespective of the size of the firms. Most of the firms have not availed the benefits of the Government schemes. They have raised finance from financial institutions and personal sources.

Key Words: MSME, Impact of Covid-19, Revival in New Normal, MSME in Pune

Introduction:

Micro, small and medium enterprises (MSMEs) play a crucial role in the economy of a developing nation like India considering the salient features like low capital formation rate, scarcity of technical knowhow, low per capita income, high rate of population growth, moderate infrastructural facilities and so on. India's MSME sector contributes more than 29% to the GDP and is responsible for 50 % of the total exports. This sector has a lower capital-output ratio which means small investment gives a good growth rate. They are also giving one-third of India's total manufacturing output. The sector employs more than 11 crore people by generating direct and indirect employment. It boosts the socio-economic development of the country.

Objectives:

The present research paper aims at achieving the following objectives:

- i) To analyse the impact of COVID-19 lockdown on MSME sector,
- ii) To understand their survival strategies during the pandemic,
- iii) To elaborate their revival strategies in the new normal.

Hypotheses of the study:

- i) $H_0: \mu = 0$, There is no association between the decrease in demand due to Covid-19 and the type of firm.
 $H_1: \mu \neq 0$, There is an association between a decrease in demand due to COVID-19 and the type of firm.
- ii) $H_0: \mu = 0$, There is no association between the problem of cancellation of orders due to Covid-19 and the type of business ownership.

H1: $\mu \neq 0$, There is an association between the problem of cancellation of orders due to Covid-19 and the type of business ownership.

The MSME in Pune:

Over the years, Pune, a center for education as well as a thriving center for the automotive and manufacturing industries, has seen a notable increase in the number of Small and Medium-sized Enterprises (SMEs). In the mid-1900s, major corporations such as Telco and Bajaj established their operations in Pune, which laid the groundwork for the subsequent growth of the SME sector. This piece explores the economic impact of small and medium-sized enterprises (SMEs) in Pune, their growth trajectory, and the revolutionary role that digital solutions like SAP Business One play in supporting this growth.

Review of the literature:

India's micro, small, and medium-sized enterprises (MSME) sector is its backbone. Their input is extremely significant, particularly to a growing nation like India. In addition to helping to provide jobs, they also motivate unskilled labourers to begin their own businesses in rural areas. (Katyal A & Xaviour B, 2015) The sector of Micro, Small, and Medium Enterprises (MSMEs) plays a significant role in the economic development of India. It supports social stability, economic diversity, GDP growth, export revenue, industrial output, and the creation of jobs. The purpose of this exploratory research study is to outline the MSME sector's contribution to the Indian economy. (Khatri P, 2019)

The MSMEs sector plays a significant role in the Indian economy, accounting for over 40% of exports, 70% of industrial employment, and 45% of the country's industrial output. (Khanna R & Singh S., 2018)

The MSME sector has faced several major challenges, including a lack of readily available credit and easy financing options, restrictive regulations, a lack of modern, reasonably priced technology, a lack of basic infrastructure, a lack of exclusive marketing platforms and distribution networks, rigid labor laws, and a shortage of skilled labor at reasonable wages. (Thiruvengala C. & Sreenivasa R, 2016) Inadequate knowledge and antiquated technology further prevent these businesses from taking on the larger companies that are devouring their market share. (Hattiangre & Harkal, 2022)

Data analysis and interpretation:

1. Gender:

Gender	Responses
Female	24
Male	75
Total	99

(Source: Survey Data)

2. Age in years

Age in years	Responses
Less than 25	2
25-35	8
35-45	41
44-55	2
45-55	30
55-65	12
55-66	2
More than 65	2
Grand Total	99

(Survey Data)

3. Types of firms:

Type of Firm	Responses
Small	79
Medium	20
Total	99

4. Type of ownership:

Type of Ownership	Responses
Partnership	44
Sole Proprietorship	55
Total	99

5. Type of Business

Type of Business	Responses
Manufacturing	47
Service	33
Both	19
Total	99

Statements showing the responses of the MSME owners on the impact of Covid-19**Hypotheses Testing:**

$H_0 : \mu =$
There is

Sr. No.	Statements	SA	A	N	D	SD
1	Decrease in Demand	32	52	5	10	0
2	Production activities closed	25	44	4	26	0
3	Orders cancelled	31	57	4	7	0
4	Delayed Payments	24	49	7	19	0
5	Interrupted supply of raw material	25	66	3	5	0

0,
no

association between decrease in demand due to Covid-19 and type of firm.

$H_1 : \mu \neq 0$, There is association between decrease in demand due to Covid-19 and type of firm.

- The above hypothesis is tested at Level of Significance = 0.05

One Way ANOVA table and F-Test

ANOVA
Decrease in demand

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.785	1	1.785	2.318	.131
Within Groups	74.720	97	.770		
Total	76.505	98			

(Source: SPSS Output)

From above table, we get Significance value > 0.05 . So statistically, we can accept the null hypothesis and reject the alternate hypothesis.

Inference:

There is no association between decrease in demand due to Covid-19 and type of firm.

Hypothesis 2 -

H₀: $\mu = 0$, There is no association between the problem of cancellation of orders due to Covid-19 and the type of business ownership.

H₁: $\mu \neq 0$, There is an association between the problem of cancellation of orders due to Covid-19 and the type of business ownership.

- The above hypothesis is tested at a Level of Significance = 0.05

One Way ANOVA table and F-Test

ANOVA Order Cancelled					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.129	1	.129	.205	.652
Within Groups	61.164	97	.631		
Total	61.293	98			

(Source: SPSS Output)

From above table, we get Significance value > 0.05 . So statistically, we can accept the null hypothesis and reject the alternate hypothesis.

Inference:

There is no association between the problem of cancellation of orders due to COVID-19 and the type of business ownership.

Findings and Conclusions:

This study has analysed the impact of the Covid-19 on the MSME firms and their revival strategies to face this challenge by analysing the responses of 99 select MSME firms in Pune. The study reveals that there was a severe impact of the Covid-19 pandemic on the performance of the MSME firms.

The collected data have been analysed with the help of Excel and SPSS by applying ANOVA tests.

The majority of respondents have faced challenges to survive in the pandemic. The MSME firms suffered from the decline in demand, delayed payments, shortage of labour, disruptions in the supply chain and, termination of production facilities due to Covid-19.

The study further reveals that there was a severe impact of the Covid-19 irrespective of the size of the firms. Most of the firms have not availed the benefits of the Government schemes. They have raised finance from the financial institutions and personal sources.

Recommendations:

1. The MSME firms expect longer repayment terms of the loan, loans with lower interest rates, warehousing assistance, export assistance, and, marketing assistance from the Government.
2. The pandemic has shown the vulnerability of the MSME sector to the world. As these firms play a significant role in the growth of the economy of developing nations. More efforts should be taken by the Government to enhance the resilience of this sector.
3. There is a need to develop comprehensive eco system to support the MSME sector and building their resilience.

References:

1. Kumar V, 2017, An Analysis of Growth of MSMEs in India and Their contribution in Employment and GDP of the Country, 2017, Vol 4, No.2, 187-191.
2. Srivastava S., 2020, 'Role of MSME Sector in Indian Economy: A Study With Special Reference to Gujarat' Pacific Business Review International, Volume 13 issue 3 September 2020
3. Zanjurne P, 2018, 'Growth and Future Prospects of MSME in India', International Journal of Advanced Engineering, Management and Science (IJAEMS), Vol-4, Issue-8, Aug-2018
4. Shelly R et al, 2020, 'Role of Micro, Small and Medium Enterprises in Indian Economy', International Journal of Economics and Financial Issues, 10(5), 84-91.
5. Saluja D. 2012, 'Role Of MSME's in Economic Development of India', International Journal of Economics, Commerce and Research (IJECR), ISSN 2250 – 0006, Vol.2, Issue 1 Mar 2012 35-43
6. Gade S, 2018, 'MSMEs' Role in Economic Growth – a Study on India's Perspective', International Journal of Pure and Applied Mathematics, Volume 118 No. 18 2018, 1727-1741
7. Dey S., 2014, 'MSMEs In India: It's Growth and Prospects', Abhinav National Monthly Refereed Journal of Research in Commerce & Management, Volume 3, Issue 8
8. Manna P & Mistri T, 2017, 'Status of Micro Small and Medium Enterprises (MSME) in India: A Regional Analysis', IOSR Journal Of Humanities And Social Science (IOSR-JHSS) Volume 22, Issue 9, Ver. 13
9. Gilda F et al, 2016, 'Role Of MSMEs in Economic Growth of India', International Journal of Multidisciplinary Research and Modern Education (IJMRME) Volume II, Issue I
10. Gupta L & Ranjan R, 2014, 'Impact of Liberalization on Contribution of MSMEs in Economic Development of India', International Journal of Business Management & Research (IJBMR)

