

**GOVERNMENT INITIATIVES: STRENGTHENING MSME IN PANDEMIC SITUATION**

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**ABSTRACT**

**“BUILD THE NEW, DON’T JUST FIGHT THE OLD”**

**- Sairee Chahal**

Businesses play a remarkable role in the recent time which contributes to the development of the society. It is concerned not only with the production of goods and services but also improves the standard of living of individuals by providing employment opportunities and contributing significantly to the growth of the economy. MSME is the engine of economic growth which contributes to India’s GDP and socio-economic development. The outbreak of Covid 19 has a tremendous impact on MSME leading to a halt in economic activities and businesses are facing extinction risk. Government has boosted the development of this sector and now it is the supporting pillar for their sustenance. The paper highlights the impact of Covid 19 on economic variables, problems faced, Government protection measures and Atmanirbhar measures introduced during pandemic. The data is collected through secondary sources which includes newspapers, articles and MSME reports. At the end coping strategies for MSME are listed out. The post pandemic situation will experience the dearth of capital which requires financial institutions to lend a helping hand to this sector. The need for fiscal package to revive the economic recovery is the need of the hour for MSME. The government will enable a comprehensive ecosystem for the MSMEs to get back on track and start conducting business. A dynamic sector with innovation and adaptability to survival in the current situation along with Government support has made MSME survive in the tough times.

**Keywords: Development, Economic activities, Measures, Strategies and Survival.**

**INTRODUCTION**

MSME is a vibrant sector which accounts for 33.4% of India’s manufacturing output, 45 % of India’s export and employs 120 Million people. The outbreak of novel corona virus has an impact on trade, investment, growth and employment. MSME are struggling to stabilize their sales as revenues are stagnant.

**Revised Definition of MSME as on May 2020**

**Existing and Revised Definition of MSMEs**



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment<Rs. 2 cr.	Investment<Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

**Source: The Economic Times dated 26<sup>th</sup> May 2020**

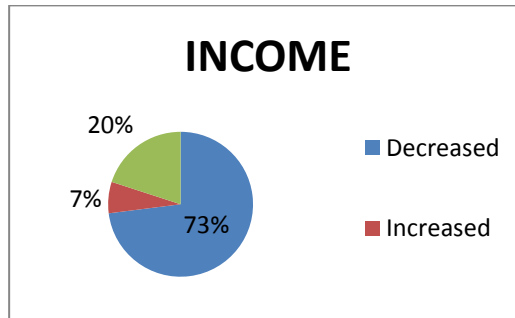
Initially RBI has taken a step forward to help MSME by taking the financial measures which will combat the impact of pandemic which includes:

- ✓ Cut in policy repo rate by 75 base points to 4.4%
- ✓ Inject Rs 3.74 lakh crore liquidity
- ✓ Moratorium of 3 months on payment of installments on existing debt.

**IMPACT OF COVID19 ON ECONOMIC VARIABLES**

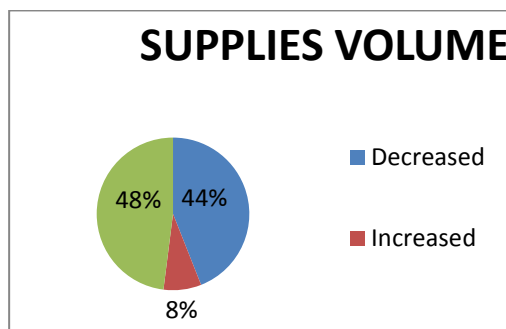
A survey was conducted by Micro save Consulting where 74% businesses were dealing with retail trade in essential commodities were operating and 26% were shut. Their analysis on the economic variables is mentioned below:

**INCOME**



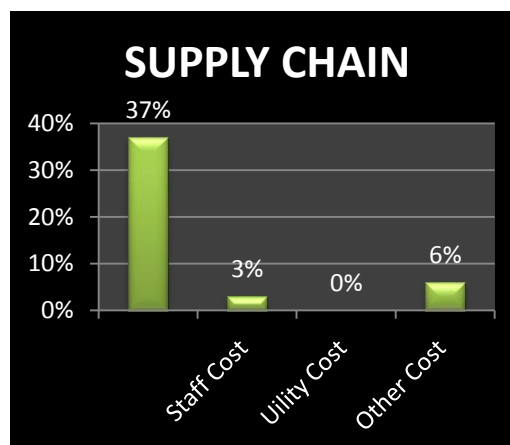
There is a reduction in income due to fall in demand and **73%** businesses have reported a decrease in customer footfall

**SUPPLIES VOLUME**



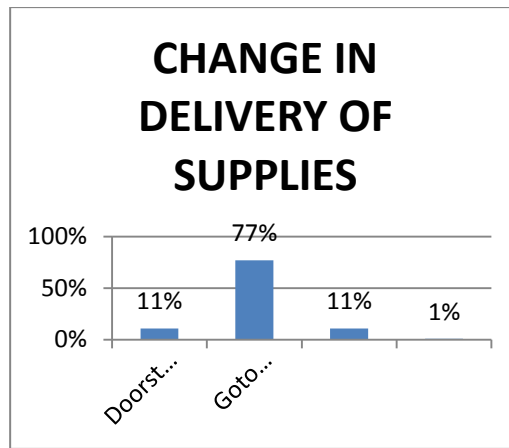
Nearly half the enterprises reported a decrease in volume of supplies

**SUPPLY CHAIN**



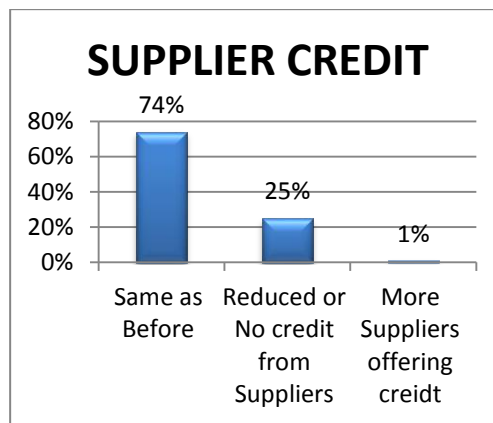
Businesses have remained unchanged and 1/3 of the enterprises has resulted in disrupted supply chain

**CHANGE IN DELIVERY OF SUPPLIES**



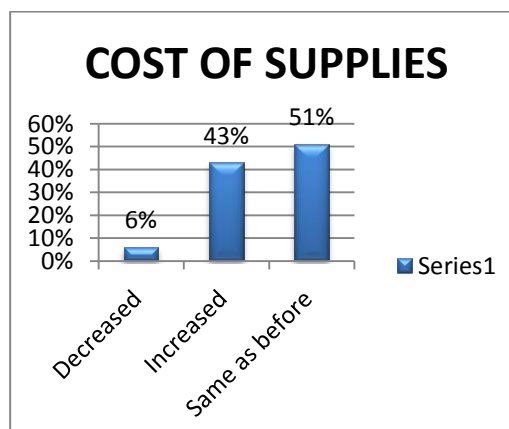
77% of enterprises have gone to pick up all supplies

**SUPPLIER CREDIT**



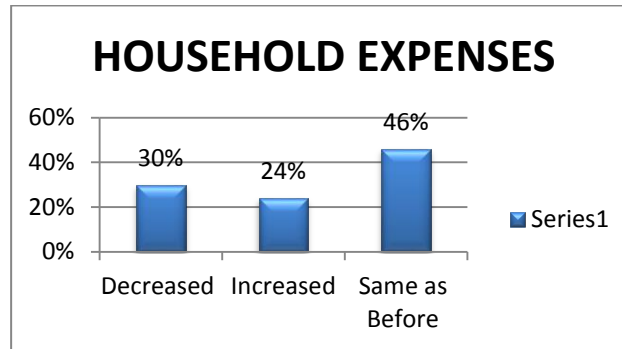
74% of the enterprises have same situation as before in terms of credit and 25% are facing challenges

**COST OF SUPPLIES**



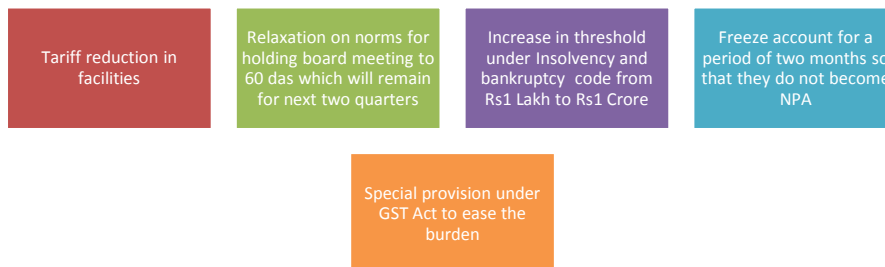
43% of enterprises reported an increase in the cost of supplies

## ADVERSE CASH-FLOWS ALONG WITH INCREASED HOUSEHOLD EXPENSES HAVE FORCED ENTERPRISES TO DIG INTO THEIR SAVINGS

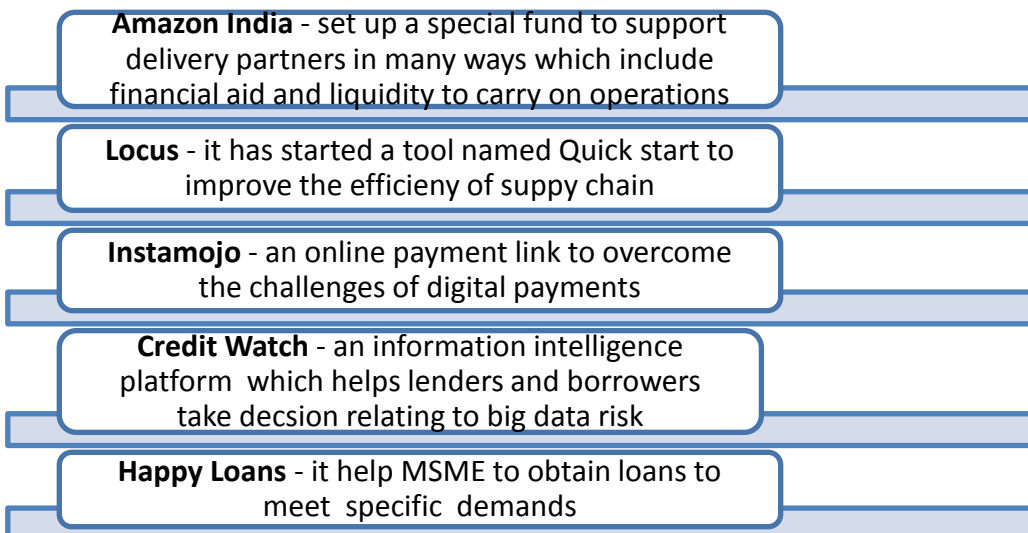


¼ enterprise surveyed reported an increase in household expenses

## GOVERNMENT MEASURES TO SAVE MSME DURING PANDEMIC



## PLATFORMS HELPING MSME DURING COVID



## GOVERNMENT SCHEMES INTRODUCED FOR MSME SURVIVAL

Government is also taking up initiatives by introducing measures in order to infuse credit and confidence among businesses

1) **Collateral Free Loans** – This facility provides credit guarantee coverage to lenders on principal and interest amount for loans up to 3 lakhs which is valid till 31<sup>st</sup> October 2020.

- 2) **Subordinate Debt** – This scheme is applicable to MSME that have been declared as NPA and 20,000 crore will be provided as subordinate debt.
- 3) **Equity Infusion from fund to fund** – this provides equity funding with a corpus of 10,000 crore which provides growth potential and viability.
- 4) **Global Tenders** – in order to promote self-reliance and support make in India a tender up to 2000 crores is accepted
- 5) **Digital Initiative** – This initiative will help Governance to become simple and effective.

#### **PROBLEMS FACED BY MSME DURING COVID19**

- 1) Lack of Availability of Labourers and Financing
- 2) Difficulty in obtaining loan against collateral and delay in payments
- 3) Unavailability of Cash
- 4) Declining Revenues

#### **AATMA NIRBHAR PACKAGE ANNOUNCED FOR MSME**

Union Finance Minister Nirmala Sitharaman on 13<sup>th</sup> May 2020 announced a package for MSME which includes:

- 1) To provide collateral free automatic loan worth Rs 3 Crores
- 2) To provide a subordinate debt of Rs 20,000 crore to stressed MSME
- 3) Equity infusion for MSME through fund to fund
- 4) Revised definition of MSME by distinguishing between manufacturing and service sector to be eliminated with respect to investment limit.
- 5) Global tenders to be disallowed in Government procurement of garments upto Rs 200 crores
- 6) Provision of E-Commerce Markets

#### **COPING STRATEGIES FOR MSME IN PANDEMIC**

- ✓ The use of digital media will be the strategy that MSME can adopt where WhatsApp is used as a communication channel to take orders from customers and communicate with suppliers, digital payments and use of E- Commerce sites for delivery of essential items
- ✓ Promoting “Swadeshi” Ideology via Policy & Strategy Drafting
- ✓ Provide access to Information Technology Enabled Services (ITES) at affordable cost
- ✓ Encouraging innovation through setting up of incubators

#### **SUGGESTIONS FOR RECOVERY OF MSME**

##### **1) Logistic Support**

Supply chain management, communication and transportation system is interrupted and Government is taking measures to reinforce to deal problem of inventory management, idle plant and machinery.

##### **2) Mitigating Fund Constraints**

Banks, NBFC and Financial institutions have provided moratorium on term loans, interest subvention, enhancing guarantee coverage.

##### **3) Digital Awareness**

Physical activities and movements have been restricted and there is change in mode of doing business and Fintech companies are growing for lending business.

##### **4) Security Measure for MSME Employees**

Launching of Jan Dhan Accounts, Insurance and Provident Fund to strengthen and protect employees.

#### **CONCLUSION**

Liquidity is the key for revival of MSME. Tax relief and credit guarantee provided by Government will help MSME to survive. Novel coronavirus has created a havoc and has led to the development of technology has enabled the shift in carrying on business from offline to online digital medium.

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