

OPPORTUNITIES AND CHALLENGES FOR MSME SECTOR AMIDST COVID-19

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ABSTRACT

The Micro, Small and Medium Enterprises have been significantly contributing in the socio-economic development of India since last five decades. It is the second largest employment generator after agriculture with over 110 million people working across nearly 63 million MSMEs. It produces more than 6000 products for both domestic and global market and contributed 30% of India's GDP and almost 50 % in the total export during 2018-19. MSME sector has proved to be a dynamic sector by expanding itself in to wide range of products and services in various industries. But the pace of growth has been greatly affected after sudden breakout of Covid-19. The world was not prepared in any way to address the problems and disruption created by pandemic since its very nature of unpredictability. MSMEs are considered to be the most vulnerable in India as they are unorganised and majority of them have paucity of funds. The MSMEs have encountered with the new set of problems after Covid, such as immediate shift to digital platform, declined demand, extended lockdown etc. on the other hand it has also provided room for improvement and sustainability among MSMEs by giving them opportunity to accelerate the process of digitalisation, opening up the global market, increased productivity and reduction in the cost. The present paper discusses the set of such challenges and opportunities posed by Covid-19 to ponder in to the possible solution.

KEYWORDS: *Effect of Covid-19, MSMEs, Challenges and Opportunities, Digitalisation.*

Introduction

The Micro, Small and Medium Enterprises have been significantly contributing in the socio-economic development of India since last five decades. It is the second largest employment generator after agriculture with over 110 million people working across nearly 63 million MSMEs. It produces more than 6000 products for both domestic and global market and contributed 30% of India's GDP and almost 50 % in the total export during 2018-19. MSME sector has proved to be a dynamic sector by expanding itself in to wide range of products and services in various industries. It is evident from the past that MSMEs have been great support to the large industries as ancillary units boosting the process of industrial and economic growth. Moreover, recently it is also observed that this sector rather working as an ancillary emerged as the sector fostering product, process and service innovations in response to the initiatives by ministry of MSMEs.

The situations started to be difficult from the end of 2019 and in the beginning of 2020 when the world has been under the threat of pandemic of Covid-19. It has shaken the global economy as well as India's. To respond this situation India has to undergo country wide lockdown in March 2020, which as dragged down the high fly of MSME sector. This unexpected event has come with unexpected road blocks in the economic development. Covid-19 has created an environment of panic for everyone. Individuals are still getting use to with new normal whereas, industries are facing with new set of challenges ranging from demand and supply balance, changing preferences of customer, workforce related issues and pressure of building up digital capacity. Covid-19 has surely come with own set of challenges but also has silver lining as it has forced businesses to undergo the changes that they avoided for long.

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Objective of the Study

The growth and prosperity of any nation depends on its economic development and Covid-19 has greatly affected the global economy with its unannounced entry and unanticipated outcomes. This paper is an effort to study the effect of Covid-19 on MSME sector by highlighting challenges and opportunities. Indian Government is emphasising on this sector for creating an eco-system that fosters the new age entrepreneurs in addition to this, India considers this sector as a growth driver since it makes the Indian market to produce product and services indigenously and export them globally as well as create the market for innovations. MSME sector in India has already been facing some issues related to market and finance and on the top of it now it comes the Covid, which brought the whole new set of challenges along with some opportunities.

Research Methodology

This study is an exploratory in nature. We are still undergoing the situation of uncertainty related to Covid-19 and it is still not clear that when the industries starts to work normally. Thus, the secondary sources of information like; newspaper articles, blogs and annual report of Ministry of MSME have been used to come up with the current picture.

Significance of the Study

This paper throws some light on the ill-effect and possibilities for MSMEs due to Covid-19 which may help academicians, researchers as well as industrialist to ponder in to the problems and come up with feasible solutions. This paper also discuss some possible solutions that unit itself can apply for the survival or as proactive strategy during this toughest and the most unpredictable times.

Impact of Covid-19 on MSME

As indicated in an article of Financial Express, a survey indicates 95% of the respondents (from total of more than 250) have agreed that they were impacted in April 2020 during nationwide lockdown. The same survey said that, over 82 % believed they got negatively affected due to Covid-19 while 70% believed that it will take nearly a year to get back to the pre-Covid level. Whereas, the survey also reveals that 82% of businesses have started using digital platform to do business during the times of pandemic and out of them 54% respondents think that it has helped them to reduce the cost as well as 51% of them believed the same has enhanced the competitiveness. So clearly, majority of small business got adversely affected by the pandemic but when they tried to cope up with those challenges posed by Covid-19, they have actually found some opportunity for sustain and grow even under the crisis.

Challenges

The MSMEs are smaller in size and majority of them are unorganised. That is the reason, this sector is already facing financial problems as well as some managerial issues due to lack of managerial skill. In addition to this Covid-19 has come with some new challenges for this sector. Since, availability of funds is the major problem among them, these new challenges adds fuel in to the problem of survival. Following are the challenges that MSMEs need to address to make them able to remain in the market.

- **Lack of Market Accessibility**

MSMEs are quite smaller in size and also been operated by people who may are lacking in the basic business skills. This has already make it difficult for units to reach out the business in wide geographical locations and Covid-19 has made it even more difficult due to nationwide lockdown. Furthermore, those MSMEs which are export oriented got also hard-hit as border remained closed and flights were grounded for so long due.

- **Maintaining Cash Cycle**

Covid- 19 has impacted almost all the types of business activities from the end of suppliers to the manufacturers, transporters, agents and sellers/retailers. This has result in to the delay in payments and receipts. Currently, MSMEs in India are already having collection and payment issues due to weak contract enforcement environment and asymmetric power relationship between the buyer and MSME suppliers. Thus, collectively this has made it difficult for MSMEs to maintain the cash cycle which ultimately threatens the financial viability of business.

- **Workforce Related Challenges**

According to the ILO, about 400 million people i.e 76.2% of the total workforce in India is working in the informal economy and is on verge of poverty as a result of extended lockdown and sever effect of pandemic on the business of MSMEs. There are some concerns related to the workforce which that require immediate attention to survive during the times of crisis which are as follow;

- The threat of unemployment as a result of shut down/ closure of some MSME units due to their inability to survive in the market.
 - Mostly the daily wagers, temporary workforce and unskilled labours are under the immediate threat of losing their jobs.
 - There are job openings after lockdown but, still youth and inexperienced workforce are in the worst position as they are offered low-paid and low-skilled opportunities. This has adversely affected them financially as well as morally which may results in to low productivity and absenteeism.
 - Continuous disruption in the business due to lockdown or curtailing the working hours or working with limited no. of workers under the strict Covid guidelines also affected the business of MSMEs adversely. It has also changed the way workforce used to work at workplace and brought new routine that workforce yet has to adjust with.
 - Constant fear of pandemic and working under uncertain conditions has also brought the workforce under pressure and job insecurity which has resulted in low productivity.
- **The Need for Digitalisation and Capacity Building**

Pandemic has forced MSMEs to transform the core selling process from traditional platform to digital. Closing down of market or limited hours of operations as well as customers preferences for contact less buying has led this section of business to operate on digital platform to reach out the customers. This digital shift in the selling process demands for establishment of digital infrastructure and merely infrastructure would not assure the sells, to make it work digital expertise or workforce with digital skill is highly required. To address the situation, business owners have to bear additional cost for building up digital infrastructure, up skilling existing workforce or hiring expert of this field.

- **Cyber Security**

Increased use of digital platform has raised the risk of cyber security and data privacy. During the times of pandemic more and more people opted for the online shopping and online mode of payment. This has forced every size of business to use mobile applications, websites or other modes for orders and simultaneously online mode of payment. Both of this requires bank details as well as personal information. Due to increased exposure of such information more frequently has increased the risk of cyber-crime and identity theft. This has certainly required owners to use the platform that is less risky yet the risk cannot be eliminated.

Opportunities

When the above mentioned challenges are seen in the positive light, the same some how become the opportunities. In the darkest times MSMEs found silver lining as Covid-19 has also surfaced some opportunities. Following are some of the opportunities before MSMEs during Covid-19.

- **Open up the untapped market as a result of use of digital platform**

Due to pandemic, the process off digitalisation among MSMEs has been accelerated and this has opened up the new market that they have never thought to reach out.

- **Increase in productivity and competitiveness**

Digitalisation has not only opened up the new market but also significantly reduced the cost (labour cost, distribution cost, marketing cost etc.) and increased productivity. As the businesses are working with the digital platform domestic as well as global market has opened up and level of competition has increased. In the increased competition MSMEs are pressured to deliver expected (even global standards) level of quality in product & services and work with the limited resources. This helps MSMEs to think innovatively to produce the product with greater efficiency.

- **Increasing reliance of customers on domestic product**

Closing down of the border during the pandemic and Indian Government's 'Atmanirbhar Bharat' initiative has shifted focus of buyers to purchase product from imported products to the domestic product. Unavailability foreign produced for some time has provided opportunities to domestic sellers to place their product in front of buyers and make them trust the quality of domestic product.

- **Accessibility of global market**

Global market seems to be accessible to the MSMEs due to digital exposure. It gives an excellent opportunity to embrace global quality standards, innovations and best practices, which in turn make this sector highly sustainable and globally competitive.

Conclusion

There is no doubt that, Covid-19 has greatly affected almost all the sections of business. However, MSMEs are the vulnerable among them as they have their own share of problem since they are small in size as well as majority of them are unorganised. In addition to this unavailability of finance was already been the biggest problem for them. On the top of it Pandemic has added fuel in to this by coming up with challenges like immediate adoption of digital platform and difficulties in maintaining cash cycle. Among all this challenges, only those MSMEs could survive who adopted change quickly and swiftly. By converting these challenges in to opportunities many small businesses outperforming even during the Covid crisis. The only way to deal with these challenges and creating opportunities out of odds, business owners are required to be innovative, flexible and change agent. They should build the appropriate resources, infrastructure and invest in to up-skilling their workforce.

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