

## IMPACT OF COVID-19 PANDEMIC CRISIS ON MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES EMPLOYMENT IN INDIA

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Mrs. Preeti Singh\*  
Dr. Pradyumna Sharma\*\*

### ABSTRACT

*The COVID-19 outbreak has mostly harmed micro, small, and medium-sized enterprises (MSMEs). This paper aims to assess the impact of the COVID-19 outbreak on these businesses related to job losses in India and provide a better understanding of the possibilities for employment recovery in MSME. The study looks at telework use, job loss, labour supply interruptions, and recovery progress. Massive temporary layoffs caused a rise in unemployment, and subsequent recalls of jobless employees caused a quick but partial rebound. We have used an exploratory approach, encompassing policy documents, research papers and reports in this sector, by thoroughly examining the existing literature. The finding indicates that the pandemic has increased informality and reduced wages for most employees, causing a rise in poverty. Women and younger employees have been hit the most. Families have adapted by eating less, borrowing, and selling assets. While government assistance has prevented extreme hardship, it has failed to reach some of the neediest employees and families. We conclude that more government assistance is critically required now to both compensate for losses from the first year and prepare for the third wave.*

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**Keywords:** COVID-19, Lockdown, Employment, MSMEs, Indian Crisis, Policy, Recommendations, Business Survival and MSMEs Workforce.

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### Introduction

The coronavirus disease-2019 (COVID-19) pandemic had a significant impact on both the national and global economy. Various businesses are experiencing varying degrees of loss because of COVID-19. We believe that the worst-affected companies are MSMEs because MSMEs, when compared to large enterprises, typically do not have sufficient financial and managerial resources, especially when confronted with unpredictable disruptions, and they are not prepared for these disruptions. Furthermore, these businesses rely heavily on regular business transactions and a limited number of clients. As a result, many MSMEs are out of stock, others are barely operating, and some may run out of supply shortly.

The MSME sector in India is the second biggest job creator after agriculture, and it serves as a breeding ground for entrepreneurs and inventors, with significant assistance in developing the business environment. MSMEs employ 110 million people in India, with an estimated 63 million MSMEs. More than 6,000 Indian MSMEs manufacture goods for both domestic and international markets. In global trading systems, MSMEs exposed to greater integration with global value and supply chains play an important role. The 2019 data indicates that 29 per cent of the industry contributed to gross domestic product (GDP) overall. Diverse studies, research and investigations have repeatedly shown that this sector

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\* Research Scholar, Faculty of School of Commerce & Management, Career Point University, Kota, Rajasthan, India.

\*\* Assistant Professor, Faculty of School of Commerce & Management, Career Point University, Kota, Rajasthan, India.

serves as a catalyst for the country's socio-economic growth. With the government's new aim to achieve its goal of \$5 trillion by 2025, this is all becoming more significant. With a projected GDP contribution of more than 50%, the MSME sector plays a significant role in achieving this goal.

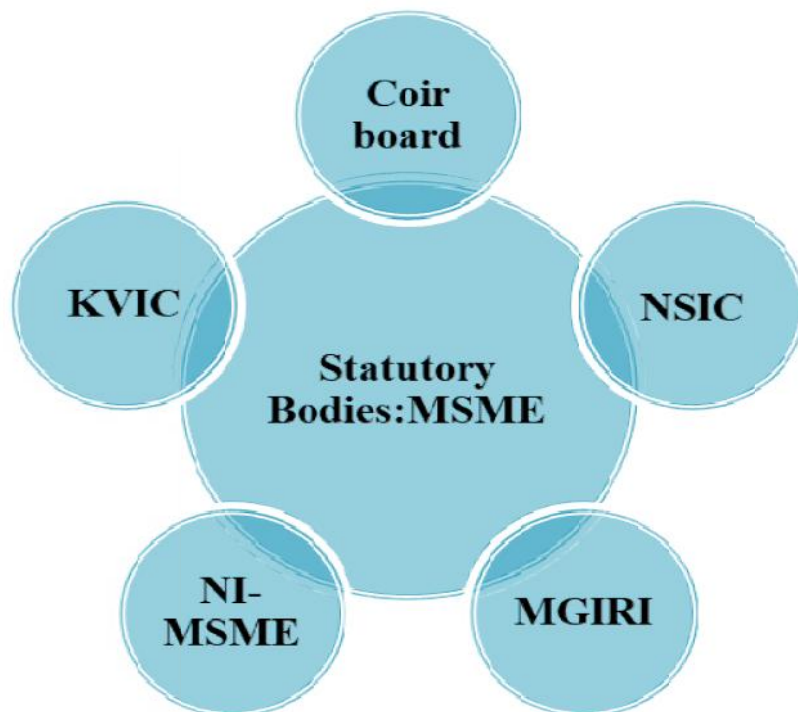
India will be most affected by the worldwide pandemic of COVID-19, according to a study by the UN Conference on Trade and Development (UNCTAD). That justifies the need to study the effect on the microenterprise functioning in India of the COVID-19 pandemic. In addition, labour shortages, manufacturing slowdowns, raw material shortages, and transportation constraints will negatively impact these companies. Thus, this study seeks to assess the effect of the COVID-19 pandemic on Indian MSMEs. Our research will also help policymakers and practitioners find ways to deal with the ongoing pandemic's effect on MSMEs.

### **Methodology**

The current study analyzes secondary data to assess COVID-19's impact on MSMEs' distress and employment. The data sources are reports from the Centre for Monitoring Indian Economy-Consumer Pyramid Household Survey (CMIE- CPHS), the Azim Premji University COVID-19 Livelihoods Phone Survey (CLIPS) and the India Working Survey (IWS), National Account Statistics, a publication of the Ministry of Statistics and Programme Implementation (MOSPI), Handbook of Statistics on the Indian Economy and the Monthly Bulletin, Reserve Bank of India.

### **MSME Industry in India**

MSMEs sector contributes significantly to the country's socioeconomic growth. In Indian MSMEs, the GDP is generated through national and international commerce, at about 29 per cent. According to the Micro, Small, and Medium Enterprises Development (MSMED) Act of 2006, MSME are divided into two categories: Manufacturing Enterprises and Service Enterprises. The businesses are further classified depending on their equipment investment and yearly turnover. It should also be noted that various thresholds for companies involved in the manufacturing and services sector have been mandated as MSMEs based on the above criteria. The MSME Ministry has statutory organizations (Figure. 1), which including the Coir board, Khadi and Village Industries Commission (KVIC), The National Institute for Micro, Small and Medium Enterprises (NI-MSME), The Mahatma Gandhi Institute for Rural Industrialisation and National Small Industries Corporation Limited (NSIC).



**Figure 1: Statutory Bodies of Indian MSME**

- **New Definition of MSMEs**

However, under the Aatmanirbhar Bharat Abhiyan (ABA), the Ministry of Micro, Small, and Medium Companies recently changed MSME categorization by adding a composite criterion for both investment in plant and equipment and annual turnover of enterprises in its notice dated June 1, 2020. In addition, the difference between the manufacturing and service sectors in the previous MSME definition has been eliminated. This elimination will result in sector parity. A comparison of the previous MSME classification to the new classification, where investment and yearly revenue are both to be considered for categorization of a company as an MSME, is shown in below Table.1

**Table1: The new classification of MSMEs.**

<b>Erstwhile MSME Classification</b>			
<b>Criteria: Investment in Plant and Machinery/Equipment</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Manufacturing Enterprises	Investment not more than INR 25 lakhs	Investment not more than INR 5 crores	Investment not more than INR 10 crores
Enterprises rendering Services	Investment not more than INR 10 lakhs	Investment not more than INR 2 crores	Investment not more than INR 5 crores

<b>Revised MSME Classification (w.e.f. July 1, 2020)</b>			
<b>Composite Criteria: Investment in Plant and Machinery/Equipment and Annual Turnover</b>			
<b>Classification</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Manufacturing Enterprises and Enterprises rendering Services	Investment in P&M/Equipment not more than INR 1 crore and Annual Turnover not more than INR 5 crores	Investment in P&M/Equipment not more than INR 10 crores and Annual Turn not more than INR 50 crores over	Investment in P&M/Equipment not more than INR 50 crores & Annual Turnover not more than INR 250 crores

Sources and notes:<https://www.mondaq.com/india/government-contracts-procurement-ppp/978176/new-classification-of-msmes>.

Under the term MSME, start-ups in the manufacturing and services sector are not expressly included, but they may contemplate regarding themselves on the Udyog Aadhar Portal as an MSME (considering the revised classification of MSMEs). Registering as MSMEs allows start-ups to use the many additional advantages that the ABA provides MSMEs. The key MSME States in India and their % of share is tabulated in Table.2.

**Table 2: Registered MSMEs in India (2021, in lakh units)**

<b>Key MSME States</b>	<b>Percentage (%) Share</b>
Maharashtra	17.7%
Tamil Nadu	11.4%
Bihar	10.9%
Uttar Pradesh	9.9%
Madhya Pradesh	9.7%

Sources and notes:<https://www.ibef.org/industry/msme.aspx>.

- **Market Size of Indian MSME**

A third of India's GDP is contributed by small and medium businesses and more than 110 million people are employed. We observed output dropping from an average of 75% to just 13%, using a mixed methodology designed to determine the degree of sectorial hardship at the height of the national lockdown in May 2020. On average, companies have only maintained 44% of their staff and 69% have claimed incapacity to survive longer than 3 months. For smaller companies, distress measures by employment size were more severe. There are around 6.3 MSME crore in India. According to the MSME Ministry statistics, from 16 May 2021, 30,00,822 MSMEs were registered via Udyam registry site, replacing the old Udyog Aadhaar Memorandum registration procedure (UAM). Registered micro-companies amounted ~28 (93%), the small (1,7%) and the mid-size (6%) correspondingly, to 24,657 lakhs (1%) shown in Table.3.

**Table 3: Registered MSMEs in India (2021, in Lakh Units)**

<b>Enterprises</b>	<b>Share</b>
Micro enterprise	28, 93%
Small enterprise	1.8, 6%
Medium enterprise	0.2, 1%

Sources and notes:<https://www.ibef.org/industry/msme.aspx>.Trend point: As of May 16, 2021, the Udyam Registration portal registered 30,00,822 MSMEs.

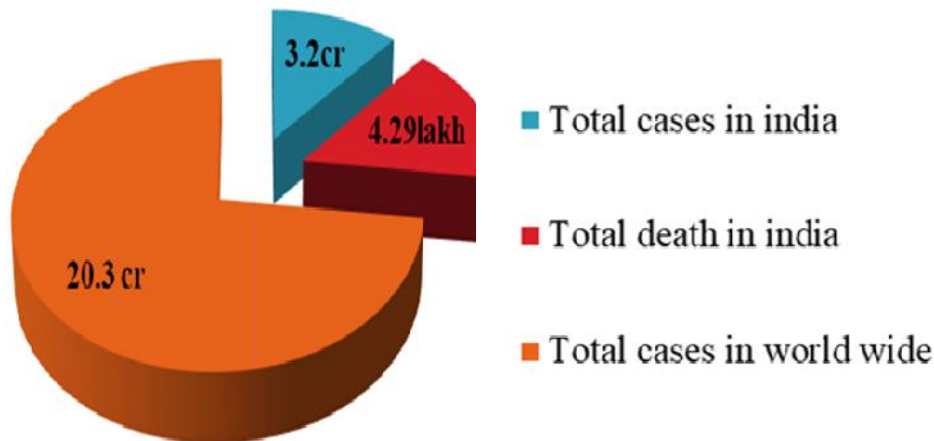
It is anticipated that the BSE-SME platform (small or medium-sized businesses) would be used by >60 SMEs to establish equity funds to fulfil their business needs in 1 year (2021-22). SMEs entered the market on the first initial public offering (IPO) route; in 2020, it raised 100 crores (\$13.74 million). MSMEs are encouraged to sell their products on e-commerce sites, particularly the Government e-Marketplace (GeM), where Ministries and PSUs purchase their products. Until September 2020, the platform has transacted Rs 55,048 crore (US\$ 7.5 billion). Domestic company needs significant financial stimulation with concessional working capital loans from the government and banking institutions to maintain sufficient liquidity. According to statistics available from the Central Statistics Office (CSO), M/o Statistics & Programme Implementation, at present prices from 2014 and 15 to 2018-19, the contribution of the MSME sector to country gross value added (GVA) and GDP is as shown in Table 4.

**Table 4: GVA of MSME in all India GDP. Sources and notes: CSO, Ministry of Statistics and Programme Implementation**

Figures in Rs. Crores adjusted for FISIM at current prices						
Year	Total MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA(%)	All India GDP	Share of MSME in All India GDP (in %)
2014-15	3658196	-	11504279	31.80	12467959	29.34
2015-16	4059660	10.97	12574499	32.28	13771874	29.48
2016-17	4502129	10.90	13965200	32.24	15391669	29.25
2017-18	5086493	12.98	15513122	32.79	17098304	29.75
2018-19	5741765	12.88	17139962	33.50	18971237	30.27

#### COVID-19 Situation on a Worldwide and in India

On 30 January 2020, the first COVID-19 case was recorded in India, which originated in China. As of June 12, 2021, India has the world's second-highest number of confirmed cases (after the United States), with 29.3 million reported cases of COVID-19 infection, and the third-highest number of COVID-19 deaths (after the United States and Brazil), with 367,081 deaths (Figure. 2). For the first time on June 10, 2020 recoveries in India surpassed active cases. Infection rates, as well as the number of new and active cases, began to fall in September. Daily instances peaked in mid-September, with over 90,000 recorded each day, before falling to less than 15,000 in January 2021.



**Figure 2: Total COVID-19 Cases in India and Worldwide**

The second wave, which began in March 2021, was considerably bigger than the first, resulting in shortages of vaccinations, hospital beds, oxygen cylinders, and other medications in certain areas of the country. India topped the globe in new and active cases at the end of April. On 30 April 2021, it was the first nation in a 24-hour period to report over 400,000 new cases. Health professionals believe the figures in India are underreported owing to various reasons. In response to the COVID-19 pandemic, declared a nationwide lockdown for 21 days from March 25th to till 14th April 2020 and subsequently up to till 31st May. Later, 30 May 2020, with certain limitations and stringent social separation rules in place, the GOI began gradual re-opening the economy. This has significantly impacted domestic economic activities and far more than expected at the outset of the pandemic, has reduced GDP growth.

**Effect of COVID-19 on MSMEs Distress and Employment in India**

With the extended national lockdown and social distancing norms, the bulk of MSMEs economic operations came to a halt. Lack of cash, company losses, little or no orders, non-availability of labour owing to movement limitations, non-availability of raw materials, and transportation infrastructure exacerbated MSMEs predicament. The steady worldwide decrease in working hours because of the COVID-19 pandemic, warns the International Labour Organisation (ILO), that 1.6 billion employees in the informal sector over half of global workforce are in imminent risk of being eliminated. These businesses are in the hardest-hit economic sectors, including wholesale and retail, manufacturing, hospitality and food services, real estate, and other commercial operations.

The total output scope of the Indian economy remains low and over 80 percent of the workforce is in businesses with fewer than 10 people. The MSME sector is over 110 million employed – a large part of India's non-farm employment-even though agriculture is excluded from consideration. In the micro end of the scale, most of this activity (75%) occurs at companies employing up to three employees. These companies are very susceptible to containment measures and supply chain interruptions, as well as to low cash reserves and consequent reliance on day-to-day transactions and the dominance of trade and other services. In turn, company closures in the sector also have direct effects on social welfare since employees are either self-employed or in insecure forms of pay without employer access to assistance as shown in Table.5.

**Table 5: The impact of the corona virus (COVID-19) on rural and urban employment in India in 2020**

Employment Type	Rural	Urban
Casual/daily wage worker	66%	82%
Regular salaried	61%	77%
Self employed	45%	87%

In this context, the investigation and analysis of the impact of COVID-19 on employment in MSMEs are discussed below.

- Study done by the All-India Manufacturers Organisation (AIMO) survey of 42, 525 MSMEs, 32% thought their units were beyond recovery and 29% indicated it would take 6 months to recover. The current crisis was not the only cause for unit closures, according to a former AIMO president, but also demonetization, Goods and Services Tax (GST) implementation, and the economic downturn.
- Rathore and Khanna (2021) report, the findings of a comprehensive study of 400 businesses undertaken in May-June 2020 throughout 20 states and union territories in India. On average, capacity utilisation dropped from about 75% before the crisis to 11% by May 2020. Sales losses averaged 17% of last year's revenues, while smaller companies were hit worse. Micro businesses lost 20% of yearly revenues, while medium and large businesses lost 10%. Pre-COVID employment fell by 55%, and again, smaller businesses were hit worst. Micro businesses kept just 37% of their employees, whereas big businesses kept 57%.
- Centre for Monitoring Indian Economy-Consumer Pyramid Household Survey (CMIE- CPHS) data analysis show that increased informality was accompanied by earnings losses. Wages and salaries are considered earnings for salaried and wage employees, whereas self-employment revenue is considered both labour and company income. CMIE-CPHS earnings per worker are approximately 20% higher than Periodic Labour Force Survey (PLFS) earnings per worker. This decline in wages is observed in all work situations (Table. 6). Profits for self-employed employees fell by almost 18%, from over Rs 15,000 in 2019 to Rs.3,000 in 2020. Daily wage employees' mean wages fell about 12%.

**Table6: Monthly Earnings Fell for all Employment Categories during the Pandemic**

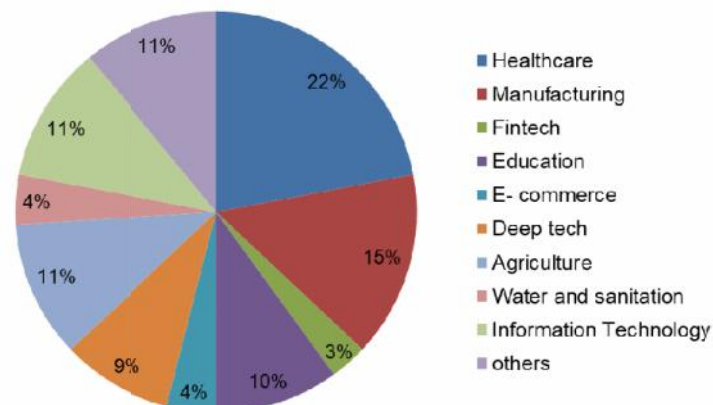
Employment	2019	2020	Change in Earnings ( %)
Self employed	Rs15,831	Rs 12,955	-18
Temporary salaried	Rs 11,422	Rs 9,441	-17
Daily wage worker	Rs 9,135	Rs 7,965	-13
Permanent salaried	Rs 29,226	Rs 27,697	-5

Sources and notes: Calculations is based on CMIE-CPHS. <https://cse.azimpremjuniiversity.edu.in/state-of-working-india/swi-2021/>

- Job losses in the MSME sector showed as 'infantilization' or business shrinkage. The Global Alliance for Mass Entrepreneurship (GAME) and Leveraging Evidence for Access and

Development (LEAD) at Krea University in Buteau, performed a four-wave panel study with 1.461 micro-enterprises, May 2020 through January 2021 and finds that, solopreneurs (one-person businesses) grew from 24% to 30% of the sample, while bigger businesses (more than 5 employees) fell from 26% to 20%.

- Another study by LEAD researchers and Initiative for What Works to Advance Women and Girls in the Economy (IWWAGE) reveals that a 72.5% drop in average revenue during the lockdown, which matches earlier polls. 1 in 3 enterprises closed. Over 10% were closed permanently. The study found that 62% of temporarily halted enterprises and 64% of operating businesses expected a rebound. However, policy assistance measures were not well understood or used. In this context, we offer the Global Alliance for Mass Entrepreneurship (GAME) online dashboard on COVID-19 effect on microenterprises.
- A Central Pay Commission (CPC) online poll of Maharashtra business owners and employees found that over 60% of manufacturing firms with fewer than 50 employees could retain workers for one month. Larger manufacturers were concerned about decreased demand and damaged supply networks. Mumbai's severely hit industries were hotels and restaurants, tourism, and clothes and accessories. Most affected in Pune were hotels, then travel (21%).
- Federation of Indian Chambers of Commerce and Industry-Indian Angel Network survey (FICCI-IAN) assessed 250 start-ups and 27 investors and discovered that 13% of them could not function, while another 60% experienced disruptions. Manufacturing companies were affected the worst, with 46% reporting a total shutdown. Nearly one-fifth had just one month's worth of financial reserves to meet fixed expenses, and only 14% said they didn't have to cut costs throughout the pandemic. Another 29% said they would have to lay off workers if the lockdown lasted until May 2020(Figure.3). Moreover, 66% of pre-lockdown pitches were either cancelled or investors did not respond. Also, 10% of agreements were terminated, and just 8% signed and got money.

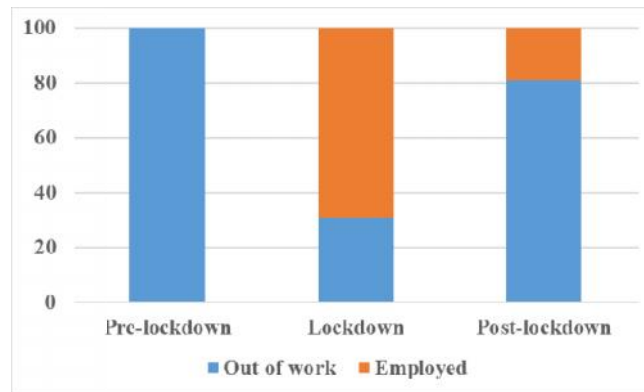


**Figure 3: FICCI-IAN Survey on the Impact of COVID-19 on Indian Start-ups June 2020**

<https://ficci.in/spdocument/23280/FICCI-IAN-Survey-Covid-19-Start-ups.pdf>.

- The National Council of Applied Economic Research (NCAER) published the findings of round 3 of its Delhi NCR Coronavirus Telephone Survey (DCVTS-3) which concluded that 63% of companies stopped or suspended operations between April and May 2020. Only 22% could keep all employees, and 39% couldn't pay any wages. By June, about 38% of shuttered companies had reopened. However, 70% reported significant income losses and 43% reported debt.
- The May 2020 study of SCORE-trained SMEs reveals that although SCORE Training improved their productivity and competitiveness, nothing could have prepared them for the COVID-19 catastrophe. Damage to company continuity, employee morale and safety have been and continue to be catastrophic. The uncertain length and significant economic impact of the coronavirus puts about 400 million people (76.2 percent of the entire workforce) in India at danger of poverty, with specific vulnerabilities in low-paid, low-skilled professions where income loss may be especially severe.

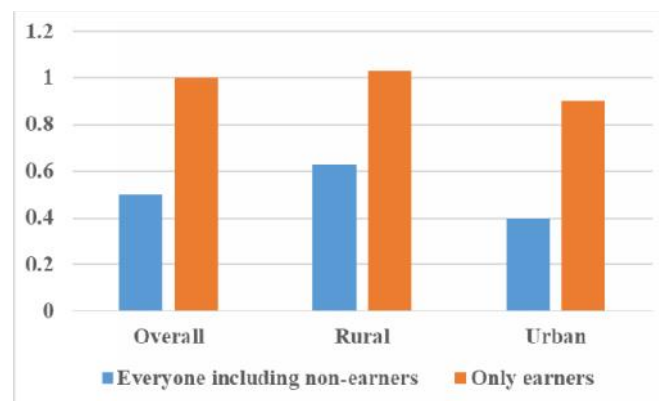
- The Azim Premji University CLIPS interviewed employees in 12 Indian states, mostly in the informal sector and from low-income families. Among 2,778 people questioned in February 2020, 69% lost jobs during the lockdown (in April or May 2020). After the lockdown, 19% of these employees were unemployed in September, October, and November (Figure.4). If the threshold for employment is increased to 15 days of labour per month, the proportion of jobless workers in February rises to 35%. Moreover, an analysis of employment trajectories for this sample of workers shows that 26% remained employed during and after the lockdown, 55% recovered jobs lost during the lockdown, and 15% had no record.



**Figure 4: Nearly 20% of the informal workforce was unemployed in Oct-Nov 2020**

Sources and notes: Azim Premji University CLIPS. <https://cse.azimpremjiuniversity.edu.in/state-of-working-india/swi-2021/>.

- Pre and post lockdown incomes were gathered *via* phone by the Azim Premji University CLIPS panel of 2,778 vulnerable Indian families. As a result, earnings were half of pre-lockdown levels for the first measure (including those with zero earnings) (Figure.5). In cities, total wages were barely 40% of pre-lockdown levels, according to the World Bank. A subset of post-lockdown employees (those who reported positive wages) showed a near-pre-lockdown recovery in earnings.



**Figure 5: Ratio of Post to pre Lockdown Earnings for Informal Workers**

Sources and notes: Azim Premji University CLIPS. <https://cse.azimpremjiuniversity.edu.in/state-of-working-india/swi-2021/for>.

### Responses and Relief Packages to MSME

To support of the MSMEs, the GOI has undertaken the following policy measures to handle the shock of COVID-19 pandemic.

#### Employment-related Measures

- **Food**

The Prime Minister's Food Security Scheme for the poor was launched by the Indian government in March 2020 amid the COVID-19 pandemic under the Ministry of Consumer Affairs, Food, and Public Distribution. PMGKY will cover about two-thirds of the population.

- **Direct Benefit Transfer (DBT)**

Between March 24 and April 17, state governments used PFMS to distribute Rs 9,217.22 crore to 4.59 crore beneficiaries via 180 social programs. Farmers now get INR 6,000/- per year under the PM-KISAN program (minimum income support scheme) in three equal installments. Wage increases for MNREGA employees from INR 182/- to INR 202/-. An INR 1,000 in two payments over three months for 30 million senior citizens, widows, and disabled. 200-million-woman Holders of Jan Dhan accounts will get INR 500 each month for the following three months as a gift.

- **Healthcare**

Pandemic raging COVID-19 harmed India's health, healthcare system, and human security. The Finance Minister has provided Rs 5 million in medical insurance and for healthcare staff and free vaccines to all under NHP (2017) emphasized "Health for All. Vaccines are now available to everyone over the age of 18 as of May 1.

- **Social Security**

The concept of social security in the face of the COVID-19 pandemic has transformed the vista into one of generalised insecurity in a nation like India. This income loss is permanent for employees whose salaries and earnings are based on real job performance daily. Employees may withdraw from Employees Provident Fund Organization (EPFO) up to 75 percent of their account balance or three months' basic pay and dearness allowance, the program is intended to cover 65 percent of workers and 95 percent of formal sector firms. Establishments with up to 100 workers, 90 % of whom earn up to INR 15,000 per month, shall be paid the employee provident fund contribution (12 percent each) by the government from March 2020 to May 2020.

#### **Economic Stimulus Measures**

- **Liquidity Measures**

The following relief measures announced by Reserve Bank of India (RBI) on 27 March 2020 & 17 April 2020.

- 75 basis point reduction in the policy repo rate (from current 5.15% to 4.40%).
- RBI will hold auctions of TLTRO (Targeted Long Term Repo Operations) of up to three years tenor of appropriate sizes for a total amount up to INR 2 lakh crore (USD 26 billion) at a floating rate linked to the policy repo rate (50 % corporates, 25% development institutions for onward lending to agriculture, housing, and medium / small enterprises, and 25% NBFCs and MFI).
- Beginning March 28, the CRR for all banks will be lowered by 100 basis points to 3% for a one-year period.
- The system will get INR 4.74 lakh crore (USD 63 billion) in liquidity as a result of these liquidity initiatives.

- **Relief for MSMEs after first COVID-19 Wave**

During lockdown, the MSME sector suffered from a lack of raw material, working capital, and demand, as well as a huge migration of employees back home. The GOI offered a host of facilitative measures for the MSMEs sector once the countrywide lockdown ended.

- Collateral-free loan of INR 3 lakh crore (USD 39 billion) with 100 % credit guarantee.
- Subordinate loan of INR 20,000 crore (USD 2.6 billion) for stressed MSMEs.
- Fund of Funds injection of INR 50k crore (USD 6.5 billion) for MSMEs with growth potential and viability.
- Clearance of MSME duties within 45 days.

- **Relief for MSMEs after second COVID-19 Wave**

MSMEs, hard affected by the second wave of COVID-19, say the RBI efforts to guarantee liquidity and assistance are inadequate. Moreover, the government has established no interest GST payments. To handles the COVID-19 shock the GOI recently undertook a policy effort to assist the MSMEs.

- On July 1, 2020, the Udyog Aadhaar Memorandum (UAM) will be replaced by Udyam Registration (UR). MSMEs continued to register on Unemployment Rate (UR) Portal with the second wave of COVID-19.



- MSMEs may benefit from programs like the Prime Minister's Employment Generation Programme (PMEGP), Rural Employment Generation Programme (REGP), Micro Units Development & Refinance Agency (MUDRA), and other announcements made to help MSMEs cope with the COVID-19 pandemic. In July 2021, PMEGP generated 91,054 projects and 7,28,432 jobs.
- The Ministry of MSME administers several schemes for MSMEs, including the PMEGP, the Credit Linked Capital Subsidy for Technology Upgrading Scheme (CLCS-TUS). These programs benefit all qualified MSMEs, including SC and ST populations. The Public Procurement Policy for Micro and Small Enterprises Order 2012 requires 4% SC/ST and 3% women owned MSEs.

#### **Other Financial Assistance and Subsidies**

##### **• Payroll Overdrafts**

As part of the COVID-19 regulation package, the RBI issued a notice to minimize the cost of debt payment caused by business interruptions induced by the COVID-19 pandemic and to guarantee business continuity.

##### **• Relaxing Tax Returns and due Dates**

To ensure that taxpayers may take advantage of all the benefits of the Income-tax Acts timeline extension (such as investment), the new updated tax return forms include a separate schedule for detailing investments/deposits/payments made on or after 1 April 2020 to 31 July 2020.

- Rates of Tax Deduction at Source (TDS) for non-salaried specified payments made to residents and rates of Tax Collection at Source (TCS) for defined receipts are lowered by 25% of the current rates.
- The deadline for filing all income-tax returns for fiscal year 2019-21 has been extended.
- The deadline for submitting certain audit reports required by the Act, such as tax audit reports and reports on specified domestic transactions, has been extended to December 31, 2020.
- Provision of different audit reports under the Act, including tax audit reports, has been extended until 31 December 2020.
- The Vivid se Vishwas Scheme payment deadline has been extended until 31 March 2021.

#### **Conclusion**

Around 29 % of the Indian MSMEs sector contributes through their national and international commerce to the GDP. The COVID-19 Pandemic in India had devastating effects on virtually all sectors of the economy, but the MSME sector was one of the hardest affected. MSMEs suffered from a lack of money, company losses, orders, staff owing to mobility issues, raw supplies, and transportation infrastructure. This study analyzes the impact of COVID-19 outbreak on MSMEs operating in India in order on employment, income, inequality, and poverty. It also reviews the efficacy of policy actions done so far to provide relief and assistance. Finally, because India is still expecting a lethal third wave, it provides some political recommendations for the short and medium term. The pandemic has increased informality and reduced wages for most employees, causing a rise in poverty. In June 2020, employment and wages improved, although not fully and about 100 million jobs were destroyed between April and May 2020. Most returned to work by June 2020, while more than 15 million remained unemployed. Employment losses were greater in states with a higher average COVID-19 case load, which contributed disproportionately to job losses. Women and younger employees were hit hardest, and many couldn't return to work by year's end. After the lockdown, employees returned to precarious and informal labour. Between late 2019 and late 2020, almost half of formal paid employees went into self-employment (30%), casual wage (10%), or informal salaried (9%) labour. Informal employment increased substantially. Salaried employees went into self-employment and daily wage jobs. Agriculture and trade developed as backup areas. Poverty and inequality have risen, affecting poorer families and Families survived by selling assets and borrowing money from friends, family, and moneylenders.

As a result of the COVID-19 shock, the Indian government introduced measures to assist MSME. Free rations, cash transfers, MGNREGA, PM-KISAN, and pension payments were among the main assistance measures announced in 2020 as part of the PMGKY and ABA packages. In various studies, approximately 90% of families possessed ration cards, while just 50% of households had Jan Dhan accounts held by women. However, PMGKYs effectiveness was comparable for both kinds of alleviation. For cash, 60% of women-owned Jan Dhan accounts got one or more transfers, while 30%

received none (and 10 % did not know). Its budgetary reaction to COVID-19 so far has been modest, at about 1.5%-1.75% of GDP and to overcome the situation, bold actions will be needed. India's policy approach to the COVID-19 issue has been mainly supply-side, focusing on credit availability. Extending free rations under the PDS at least till the end of 2021, expanding MGNREGA, establishing a pilot urban employment programme, boosting old-age pensions, and additional stimulation in DBT, as well as a special package to resuscitate MSME, are all desperately needed.

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