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### RESEARCH ARTICLE

#### STUDY OF IMPACT OF COVID 19 ON SMALL SCALE INDUSTRIES IN INDIA

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#### Abstract

India has been combating the corona virus disease also known as COVID – 19 pandemic for two years. This pandemic has affected not only India but also the entire world around. Several measures were imposed by the Government in order to stop the spread of this pandemic. During the first, second and third wave of COVID – 19 pandemic, strict lockdown was imposed in India. In order to stop the spread of the covid 19 many small scale industries were shut down. This protocol had a very bad impact on small scale Industries. This research paper highlights the impact of the corona virus disease pandemic on the small scale manufacturing industries in India. The present paper starts with the introduction followed by research objectives, research type and the method of data collection have been stated. The analysis of challenges faced by the small businesses has also been discussed followed by the conclusion.

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#### Introduction:-

Small scale industries are a part of MSME. but earlier industries that manufactured, produced goods and provided services on a small scale or micro-scale were granted Small Scale Industries (SSI) registration. Subsequently, the government passed the MSME (Micro, Small and Medium Enterprises) Act in 2006, and the small and micro industries came under the MSME Act.. The government broadened the scope of the SSI and termed it as MSME and its registration is provided by the Ministry of Micro, Small and Medium Enterprises (MSME) through the Directorate of Industries of the State Government. Thus, both SSI and MSME are the same.[1]

Small Scale Industries (SSI) are those industries in which the manufacturing, production and rendering of services are done on a small or micro scale. These industries make a one-time investment in machinery, plant, and equipment, but it does not exceed Rs. 10 crore and annual turnover does not exceed Rs. 50 crore.[1]

#### History of Small-Scale Industries:-

Small scale industries are those industries which are independently owned and operated profit seeking enterprises. Small scale industries are small in size, but have an impact on the world economy. Small business was discovered about more than 4000 years ago. Adam Smith published 'Wealth of Nations' in 1776. He was describing an economy in which local small business was virtually being the only economic entities. At the beginning of the known history of small business, the cottage industries thrived through the period.[2]

Importance of small scale industries in Indian Economy

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In a country like India, small scale industries play a very important role in generating employment, improving financial status of people and development of rural areas as well as urban areas. Small scale industries required less capital requirement and contribution of these industries in export around 45%. [3]

Small scale industries play an important role for the development of the Indian economy in many ways. About 60 to 70 percent of the total innovations in India comes from the small scale industries. Many of the large businesses today were all started small and then converted into large scale industries. Small scale industries use labour intensive techniques. Hence, it provides employment opportunities to a large number of people. Thus, it reduces the unemployment problem and helps in reducing poverty. It provides employment to artisans, technically qualified persons and professionals. It also provides employment opportunities to people engaged in traditional arts and crafts in India.

Small scale industries help to mobilise and utilise local resources like small savings, entrepreneurial talent, etc., of the entrepreneurs, which might otherwise remain idle and unutilised. Thus it helps in effective utilisation of resources. It promotes decentralised development of industries as most of the small scale industries are set up in backward and rural areas, removes regional disparities by industrialising rural and backward areas and brings balanced regional development and improves standard of living.

Small scale industries do not require advanced machinery. Hence, it is not necessary to import the machines from abroad. On the other hand, there is a great demand for goods produced by the small-scale sector. Thus it reduces the pressure on the country's balance of payments.

Small scale industries play a complementary role in growth of the large scale industries by producing supplementary products for the large scale sector or producing small components that will be useful for assembling final products by the large scale industries. A great role plays for meeting the demand of the consumers without creating a shortage for goods and services. Hence, it serves as an anti-inflationary force by providing goods of daily use.

Small scale industries help in the development of the society by reducing concentration of income and wealth in a few hands. It promotes self-employment and the spirit of self-sufficiency in society. [4]

### **Review of Literature:-**

1. Yogesh Mahajan (Sep. 2020) "study of impact of corona virus pandemic on small and medium enterprises (MSE's) in India". The Indian economy is undergoing significant growth in MSE's with divers' businesses, including machinery and equipment production, metal and electrical goods, cement, food and beverages, materials for building and development, rubber and plastic items and automation technology. The COVID19 pandemic has had an effect on all economic sectors but corona virus on MSE's in India. After the dust settles, MSEs find it necessary, with time to stay competitive, to evolve and alter. The responses to this issue include the introduction of protection procedures, sanitization methods, an updated sourcing policy, the incorporation of new vendors, the streamlining of their products portfolio, a more responsive evaluation of supply chain resilience, and an analysis of emergency management plan.
2. Impact of COVID-19: Micro, Small and Medium Enterprises in India, Pandemic Shock of COVID-19 and Policy Response: A Bird's Eye View Krishnarajapet V. Ramaswamy Professor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai, India.
3. COVID-19: Small and medium enterprises challenges and responses with creativity, innovation, and entrepreneurship by Esha Thukral.
4. COVID-19 Pandemic and Micro, Small and Medium Enterprises (MSMEs): Policy Response for Revival (First Published August 27, 2021)

By Minaketan Behera, Sanghamitra Mishra, Niharika Mohapatra, Alok Ranjan Behera.

### **Objectives:-**

1. To study the overall impact of COVID19 pandemic on small scale industries in India.
2. To study the impact of COVID19 pandemic on production of small-scale industries in India.
3. To study to evaluate the impact of COVID19 pandemic on the employment of small-scale industries in India
4. To suggest measures to improve the present situation of small-scale industries in India.

**Research Methodology:-**

The paper studies the present impact of corona virus on small scale industries in India. The study is descriptive in nature. The study uses secondary data for the analysis of the small scale industries. The secondary data is collected from websites, magazines, newspapers and journals in India. The study critically analyses the present situation of the manufacturing industry in India and its impact on employment. The geographical scope of the study is India. The paper first studies the impact of corona virus on small scale industries. Then the impact of the corona virus pandemic is studied in employment in this sector.

**Significance of Study:-**

This research provides insight into the economic Impact on COVID19 on small scale industries in India. The result shed light on both the financial fragility of many small businesses and the significant Impact of COVID19 had on these businesses in the weeks after the COVID19 related disruptions began. Study draws attention to small scale industries that are the sole of the Indian economy and so it needs to uplift after a pandemic.

**Impact of COVID-19 ON Small Scale Industries:-**

Severe acute respiratory syndrome corona virus 2 (SARS-CoV-2), which causes corona virus disease (COVID-19), was first identified in December 2019 in Wuhan city, China, and later spread worldwide. The first SARS-CoV-2 positive cases in India were reported in the state of Kerala on January 30th, 2020. Subsequently, the number of cases drastically rose. [5] As of May 8th, 2020, Maharashtra, Delhi, and Gujarat states were reported to be hotspots for COVID-19. To impose social distancing, the "Janata curfew" (14-h lockdown) was ordered on March 22nd, 2020. A further lockdown was initiated for 21 days, starting on March 25th, 2020, and the same was extended until May 3rd, 2020, but, owing to an increasing number of positive cases, the lockdown has been extended for the third time until May 17th, 2020 Nineteen districts in Uttar Pradesh are identified as hotspot districts, and this was followed by 14 and 12 districts in Maharashtra and Tamil Nadu, respectively. The complete lockdown was implemented in these containment zones to stop or control the community transmission.

During the lockdown all offices and businesses were closed. All public places including schools and colleges were also closed. Only the necessary services like hospitals, pharmacies, groceries, vegetables and dairy businesses remained open with strict observance of pandemic lockdown norms. Because of this, all the stakeholders of this business have suffered a huge loss. [6]

The MSMEs sector plays a vital role in stimulating the growth of the Indian economy. Prior to the COVID-19 this sector is experiencing slow rate of growth due to a multitude of challenges like lack of Finance, shortage of Raw Material, lack of availability of power, proper Marketing techniques, advanced Technology, Inadequate and inappropriate transportations and communication network, poor project planning, Skilled Manpower etc. But the problems have been provoked more by the process of demonetization (2016) and Goods & Services Tax (2017). But the sudden outbreak of COVID- 19 pandemic has disrupted many businesses around the world due to subsequent complete or partial lockdown and social distancing measures, which are essential measures to reduce the spread of the virus. Workplace closures affected the supply chain and led to reduced production. Income decline, salary cut off, layoffs, fear of infection are some of the reasons which have led to reduced consumer spending, which is further causing job losses and business closures. [8] There has been a complete or partial shutdown of competitive sport events and the postponement of mega-events of mass gatherings like Olympics games due to serious human health implications because of COVID-19 Delays in sports events affect the sports and other industries indirectly related to it, such as sports analytics, hospitality, and the tourism industry. Tourism associated with mega-events brings in considerable revenue to the host country. The travel and tourism industry had also adversely affected due to COVID-19. It is expected that even after the outbreak is over the industry is going to take a year to recover as overseas travel will remain restricted in significant parts around the world. SMEs are a significant part of the travel and tourism industry, hospitality services , food services as these industries include small tour operators, car rental companies, restaurant, accommodations all about only due to COVID- 19. [9]Studies and surveys showed that approximately 90% of firms were impacted negatively due to the national lockdown imposed in April 2020 and nearly 75% of businesses remained disrupted till August 2020. Even after progressive unlocking, reports suggest that almost 45% businesses remained interrupted till the end of February 2021 and after also. [10] its overall impact shows that the pandemic had affected the small scale industries.

COVID-19 pandemic has changed the operational environment of small scale industries. The strict lockdown to stop the spread of the COVID-19 virus crisis resulted in the biggest hit for the MSMEs sector, particularly for the

smallest firms. The sudden announcement to pursue all protocols of COVID-19 pandemic emergency in the process of production gives rise to supply chain problems like raw material import & export for cross-state and cross country border, problem in migration of labor force to their native places, procurement of perishable products, monetary crunch, etc., generate unemployment, consumer fear element, the demand side problems, price rise, malfunctioning, reduced profit, etc. The MSMEs sector experiences its worst situation as 55% loss in employment, production falling from an average of 75% of capacity to just 11%, about 17.2% of their annual sales loss, delay in raw material received, less possibility of paying wage, more labour shortage and lost the access to credit. Overall, 70% of firms report that they will not survive the crisis beyond the next 3 months if the lockdown continues, and the smallest one might collapse in month.[11]

**Positive impact of COVID- 19 on small scale industries:-**

There are also some positive impacts on MSMEs due to COVID-19. In the time of lockdown, the movement of goods has been stopped. MSMEs are self-dependent and try to produce goods within the country. MSME is a great opportunity to produce hand sanitizer, face mask, etc. Some businesses are positively affected, which deal with the required items for livelihood. People demand the essential items more than necessary, which ultimately increases the price due to lower supply. In the containment zones, movement of the individual has been banned and in this critical situation, some business deals with packed products hold the opportunity by making home delivery and creating a healthy society.

The COVID- 19 pandemic had adversely affected the productivity of small scale industries. Some businesses totally shut down their work. The crisis is an unexpected event, and the key is to act quickly to implement responses. Firms or businesses diverged in their responses, while some opted for a retreat strategy like a distress sale of assets, taking new debts, laying off employees, which in the long run can undermine the competitiveness of the company. Others acted in a more resilient manner, which includes taking into account the new needs of the customers, moving to online channels for sales, in case of supply chain disruption, sourcing from new suppliers. Resilient and agile approaches are pro-competitive approaches and ensure that a business can weather the storm in as good shape as before or even stronger. [12] with individual business owners' efforts, a government policy support system is also needed to help the businesses survive the crisis and prepare the enterprises to ramp up the businesses once the crisis subsides. [9]

**Relief Packages for small scale industries through MSME:-**

Businesses have been taking a hit due to Covid-19 lockdown. The supply chain has been disrupted, imports and exports are down, and markets are bearish. The MSME segment has perhaps been the hardest hit. The government has started taking some steps to keep the MSME segment afloat. The Reserve Bank of India recently introduced Long Term Repo Operations (LTRO) worth Rs 100,000 crore to help banks increase lending at cheaper interest rates. Government-run banks are also being encouraged to keep loans worth Rs 60,000 crore ready.[13]

The government of India has taken the following policy initiatives to support the MSMEs to manage the shock of COVID-19 pandemic. However, we must note that only the registered MSMEs are eligible to get the financial support. The government announced a support package with the specific objective to support the availability of credit to SMEs and microenterprises. The package has the following three components:

**Rs 3 lakh crore collateral-free automatic loans for businesses, including MSMEs**

To provide relief too many small businesses which are struggling due to the Covid-19 pandemic, Finance Minister Nirmala Sitharaman on Wednesday announced a slew of liquidity measures, which include collateral-free automatic loans worth Rs 3-lakh crore. Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnovers are eligible. The FM added that these loans will have a 4 year tenure and moratorium for 4 months. There will be a 100% credit guarantee cover and to Banks and on principal and interest and the scheme can be availed till October 31, 2020. This is expected to benefit 45 lakh units. To provide stressed MSMEs with equity support, the Government will also facilitate provision of Rs. 20,000 crore as subordinate debt. For the Subordinate debt for stressed MSMEs, promoters of the MSME will be given debt by the bank. [13]

On 14 May, the government announced credit facilities for small, informal businesses and street vendors. These include a 2% interest subsidy on microloans for a period of 12 months for loans up to INR 50,000 and a special lending program for street vendors of up to INR 10,000 to finance their working capital, targeting about 5 million street vendors. [14] The government has decided to provide PF and EPF support for both businesses and workers by

providing a liquidity relief of ₹ 6,750 crore to reduce the business's financial stress. The PF contribution of employer and employee was reduced from 12% to 10% for all official establishments under EPFO to increase the liquidity in the hands of the consumers as well as producers, but in the case of CPSEs and state PSUs, it will continue 12% as an employer contribution. Under this support of the government, around 6.5 lakh employers and 4.3 crore employees get benefited. Under the PM GaribKalyan Package, this benefit also applies to workers who are not eligible for 24% EPFO support.[15]

#### **Measures announced in Union Budget for 2021-22 to improve present situation of small scale industries:-**

Government has taken a number of initiatives under AatmaNirbhar Bharat Abhiyan to support the MSME Sector in the country especially in Covid-19 pandemic like Rs. 20,000 crore Subordinate Debt for MSMEs,

Rs. 3 lakh crores Collateral free Automatic Loans for business, including MSMEs, Rs. 50,000 crore equity infusion through MSME Fund of Funds and launched 'Udyam Registration' online portal for new Registration of MSMEs.

No global tenders for procurement up to Rs. 200 crores.[16] and also launched

An online Portal "Champions" on 01.06.2020 by the Prime Minister. This covers many aspects of e-governance including grievance redressed and handholding of MSMEs. This is very helpful to solve the problems and grievances. Through the portal, total 40,201 grievances have been redressed upto 21.11.2021. [17]

#### **Measures announced in Union Budget for 2022-23 to improve present situation of small scale industries:-**

The Union Budget for 2022-23 has announced several measures for the uplift of the micro, small and medium enterprises (MSMEs) sector that included extension of the Emergency Credit Line Guarantee Scheme (ECLGS) till March 2023.

Union Finance Minister NirmalaSitharaman, while tabling the Union Budget, said ECLGS had provided much-needed additional credit to more than 130 lakh MSMEs. This will help them to mitigate the adverse impact of the COVID-19 pandemic. Hospitality and related services, especially for those which are provided by micro and small enterprises. This will help to regain their pre-pandemic level of business.

Considering these aspects, the government has extended the scheme by ₹ 50,000 crore taking the total cover under the scheme to ₹ 5 lakh crore, with the additional amount being earmarked exclusively for hospitality and related enterprises.[18]Further, the Centre said the Credit Guarantee Fund Trust for Micro and Small Enterprises scheme will be revamped with the required infusion of funds. This will facilitate additional credit of ₹ 2 lakhcrore for Micro and Small Enterprises and expand employment opportunities. To help the MSME sector become more resilient, competitive and efficient, the Centre will roll out Raising and Accelerating MSME Performance (RAMP) programmes with an outlay of ₹ 6,000 crore over 5 years.

The Budget document also said that the Customs-duty exemption given to steel scrap last year was being extended for another year to provide relief to secondary MSME steel producers. [19]

#### **Conclusion:-**

Due to the COVID-19 pandemic subsequent lockdown all small scale industries suffered from huge losses and still after COVID-19 they are suffering. The biggest problems have been declining demand and a broken supply chain. The problems arise about sanitization, protection procedure, sanitization methods and other measures. People had low income and many of them lost their jobs and faced problems in sustaining themselves. The above study focused mainly on small businesses and their activities during the pandemic. The small scale industries eventually had to lower down on their cost and need to take additional debt to retain. The study shows that multiple businesses shut their businesses due to the financial crisis. The pandemic not only affected the profitability but also highly impacted the employees. Hence, all these affected the world economic structure due to the fall of the backbone of the economy. In that situation people had less purchasing power because they did not have enough money to survive and it was not possible to purchase products as per their need so small businesses could not afford to take the risk of investment in production of goods. In that worst situation the government had taken some measures to uplift small scale industries which had discussed the above study. This benefited directly to the Indian Economy. However, we cannot be sure about how much time will be taken to improve the situation of small businesses.

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