

A Survey on the Impact of COVID-19 on MSMEs in and around Rajkot region

Preeti Chandra

Ph.D (Political Science), Patna University

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Corresponding Author

Email: [dpreetichandra786\[at\]gmail.com](mailto:dpreetichandra786[at]gmail.com)

ABSTRACT

Twenty -Twenty match is well known for its uncertain and unpredictable nature in terms of score and winner. Similarly dawn of the year twenty -twenty can be considered as another name of uncertainty and unpredictability, the world is struggling with gigantic monster like the Covid-19 which has brought the entire world to the standstill. WHO has declared this virus a global pandemic covering over almost 195 countries. The virus is posing a serious threat to the global economy and can led to economic depression. A prolonged lockdown have adverse effect on the Indian economy as well. The more less has been incurred on the side of MSMEs. The virus eroding global supply chain and has stopped our journey as an eminent leader in this sector. MSME forms the backbone of the Indian economy this sector contributes about 45% of the manufacturing output, more than 40% of the export and over 28% of the GDP. It contributes 24.63% of the GDP from service, 6.11% of GDP from manufacturing, is going through tough phases. The SMEs act as panacea for Indian economy by creating increased number of jobs opportunities, supplying goods of all varieties and in turn boosting Indian economy. This paper tries to look into the impact of COVID-19 on MSMEs in and around Rajkot region of Gujarat. 250 industries were selected from the directories of different Industrial associations. A survey was conducted to know the impact of COVID--19 on their respective industries. A self made questionnaire was employed as the tool of the study with percentage as statistical technique in order to compare and analyse the data. Out of 250 industries, 118 responded and explained the impact in details. The present article tries to throw a light on their different views, responses and problems being faced by them during lockdown period.

1. Introduction

On 24th March 2020, Prime Minister Narendra Modi announced nationwide lockdown for 21 days as a preventive measure against the COVID-19 pandemic in India. The lockdown was placed when the cases of corona virus reached the figure of 500, thus this lockdown limited the movement of 1.3 billion population in India. The reason behind this decision was to put a restraint on the growth of this Pandemic. However, earlier on January 2020, the novel corona virus SAARC COV2 (SAARC-Severe Acute Response Syndrome) corona virus disease (COVID-19) was officially identified by the ICTV (international committee on Taxonomy of virus) as the cause of the COVID-19 outbreak from Wuhan, China. After the outbreak from China, more than million have been affected with COVID-19, and still it is progressing day by day. This devastating virus has taken almost 195 countries in its grip.

The Pandemic COVID-19 is posing a serious threat to the global economy also. The Indian economy is not untouched with its ill effects; this pandemic is going to put a serious impact on overall economy particularly on MSME sectors. As social distancing becoming the new norms of the day, the world will have to be ready for new trading culture.

2. A Review of Lockdown

The COVID-19 disease is caused by novel Corona virus. It is called novel because it is a new type of virus not known to the world before its outbreak in December 2019 in Wuhan. It is considered as deadly disease because proper medicine for its

cure is yet to be founded. The entire world is waiting for the successful launch of the COVID-19 vaccine. The best measure the entire world have adopted is the physical distancing to stop the spread of COVID-19. In view of this current pandemic the entire world have enforced lockdowns thus the populations are bound to live in self quarantine.

According to Wikipedia- "A lockdown is a requirement for people to stay where they are, usually due to specific risks to themselves or to others if they can move freely". The term is used for a prisons Protocol that usually prevents people, information or objects from leaving an area. If we have a historical perspective of lockdown we find it was placed in different part of the world at different time with some specific objectives. During the September 11 attack 2001, a three day lockdown of American civilian airspace was placed. On 9 April 2013 the entire city of Boston, US was lockdown in search of some terrorists. The methods of lockdown in India during COVID-19 in 2020 includes;

- Ban on people to go out from their houses.
- All services and shops closed except hospitals banks, grocery shops and other essential services.
- Closure of commercial, private establishments and all places of worship
- Suspension of all educational training, research institutions and all nonessential public and private transport.

3. MSMEs in India

MSME forms the backbone of the Indian Economy and responsible for the persistent employment growth .MSMEs contributes about 45%of manufacturing output ,more than 40%of export and over 28%of the GDP.It contributes 24.63% of the GDP from manufacturing .According to the latest available (2018-19)annual report of Department of MSMEs there are 6.34 crore MSMEs in the country .Around 51%of those are working in rural India. Altogether, they provide employment to

11crore people but 55%of the employment happens in the urban MSMEs. Earlier, MSMEs are defined in terms of investment in plant and machinery, but this criterion for definition was not found suitable for credible and precise details of investment. So in February 2018,the union cabinet decided to change the criterion to annual turnover, which was more in the line of GST.

Existing and Revised Definition of MSMEs.

Existing MSMEs Classification:-

Criterion:-Investment in Plant and Machinery or equipment

Sr. No	Classification	Micro (in INR)	Small (in INR)	Medium (in INR)
1	Manufacturing Enterprise	Investment < 25 Lacs	Investment < 5 Crores	Investment <10 Crores
2	Service Enterprise	Investment < 10 lacs	Investment < 2 Crores	Investment < 5 Crores

Revised MSMEs Classification:-

Criterion:-Investment and annual turn over

Sr. No	Classification	Micro(in INR)	Small(in INR)	Medium(in INR)
1	Manufacturing and Service Enterprise	Investment < 1 Crores & Turnover < 5 Crores	Investment < 10 Crores & Turnover < 50 Crores	Investment <20 Crores & Turnover < 100 Crores

Source: MSME Official website

Getting the shape and classification of MSMEs,it is not hard to identify the kind of problems they would face .But the big problem is most of enterprises are not registered anywhere. One the big reason which comes in the way is these industries are too small to qualify criterion, and even GST has affected them badly to come under the formal categorization of micro enterprises. This invisibility has both positive and negative consequences in the enterprises. Being out of the formal categorization, they are not adhered to any regulatory norms ,do not have to maintains accounts and pay taxes as a result it brings down their costs. Its negative consequences are seen during the time of crisis as it constraints the Government’s ability to help them. In some of the developed countries Government has tried to directly give extra credit to small firms during lock down periods. But that could happen because even smaller firms were being mapped. The present situation of migration of the workers in India is a clear evidence that MSME have been the victim of the side effects of COVID-19 induced lockdown.

4. Impact of Lockdown on MSMEs of Rajkot

Rajkot is located in the southwest region of Gujarat. Rajkot is considered as the economic, industrial and educational hub of the Saurashtra region. Its economy is mostly based on the manufacturing and service sector. The lockdown has created a hurdle in the functioning of these industries of SMEs sector. The MSMEs sectors are largely dependent on the labourers, who basically come from villages and small cities. These labourers work in these industries for their livelihood as of now these industries are closed due to lockdown these labourers are now bound to return to their native lands thus leaving MSMEs in a miserable condition. As we know that SMEs are being run by middle class pockets so this Covid 19 has

definitely affected this sector .The present study throws light on the problems of these sectors. This survey was conducted by sending a link to more than 250 MSMEs in and around Rajkot.

5. Statement of the Problem

Problems of MSMEs during lockdown in and around Rajkot District of Gujarat, India.

6. Objectives of the study

To find out the problems faced by the MSMEs in and around Rajkot.

7. Hypothesis

- There exists the problem faced by the owner of the MSMEs during lockdown period.
- There is a problem of worker due to migration of labourer.

Sample:

In the present study, 250 industries falling under MSME category was selected for survey.

Tools

For this study, a self made questionnaire was employed as the tool.

Statistical Technique

Percentage is used as a statistical technique in order to compare ,analyse all the relevant data.

Methodology

For the present study ,descriptive survey method is employed.

8. Analysis and Interpretation

The present survey was conducted by sending a link which contains different questions, to more than 250 MSMEs in and around Rajkot. The link was in the form of an excel sheet asking them questions which was seventeen in numbers. These industries were directed to fill the name of the industry, address, contact number, name of the owner, nature of activity, nature of the product, and the various problems observed by

the SME's due to lockdown etc. The contact number and email id of these industries were taken from the directory of different industrial associations. Out of 250 MSMEs contacted for feedback only 118 industries replied with full details.

All the participated industries fall under either in micro medium or small sectors as per the Ministry of MSME norms. They are all MSME registered units.

Table:1 Types of MSMEs under Survey

Nature of activity	Nos.	percentage
Construction	4	3.4%
Distributors	1	0.85%
Installation Work	2	1.7%
Processing & Trading	1	0.85%
Product Manufacturing	84	71.2%
Service	26	22.03%
Total	118	100%

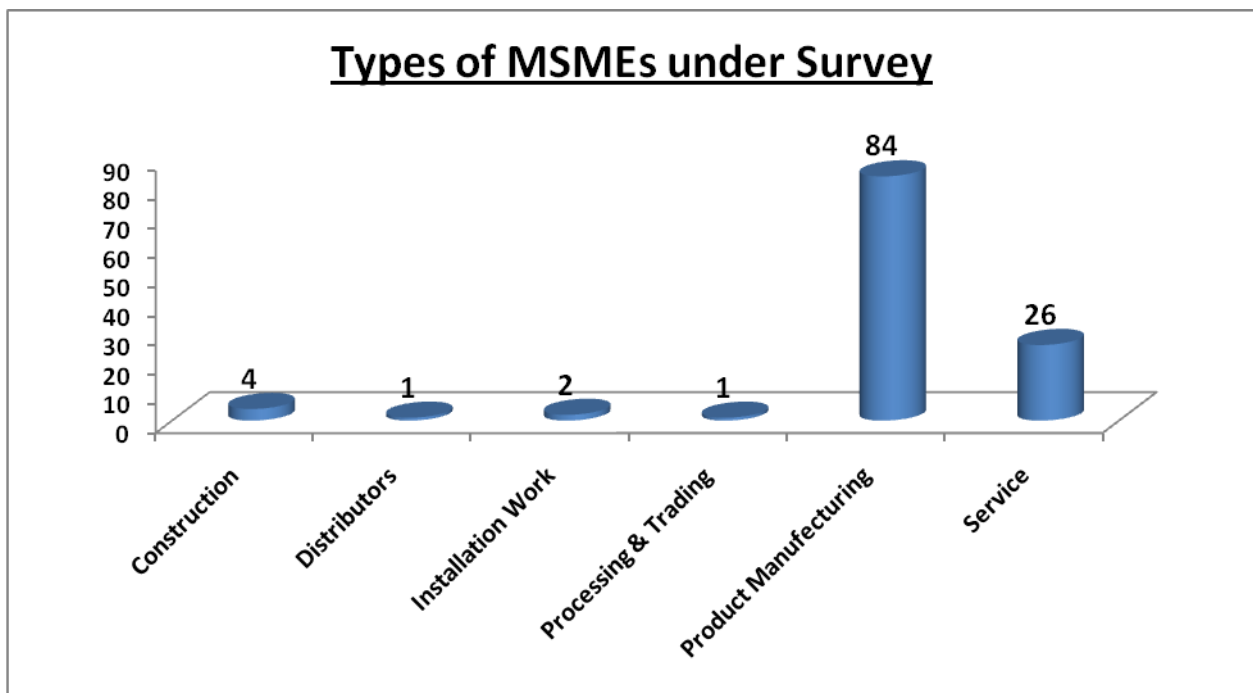


Table 1.represents the further stratification of the participating industries. Out of total 118 industries 71.2% belongs to product manufacturing segment which is highest in

numbers in all sectors across India.22.03% industries belong to service sector, rest 6.76%are from sectors like construction work , distribution and processing &trading industries.

Table:2 Main Issues which affecting the normal functioning of the industries

Main issue	Nos.	Percentage (%)
Liquidity	24	20.3%
Liquidity & RM	15	12.7%
Liquidity & Worker	13	11.0%
RM	10	8.4%
Liquidity, Worker & RM	10	8.4%
Other problem	9	7.6%
Worker	7	5.9%
Liquidity, RM, FI	6	5.1%
Worker & RM	6	5.1%
FI	4	3.4%
Liquidity, Worker & RM,FI	4	3.4%
Liquidity ,worker & FI	2	1.7%
No Issue	2	1.7%
Liquidity & FI	1	0.8%
RM & Transport Service	1	0.8%
Lockdown	1	0.8%
Liquidity, RM,S ales	1	0.8%
RM & FI	1	0.8%
Lack of order	1	0.8%

We observed many issues while collecting the data in real time .The difficulties and problems being faced by the organization was slightly different with respect to the other organization in same location .But we found some problems were identical or common in nature which was being observed by the industries.

Common or identical issues : The list includes the following main issues associated with most of the industries under observation.

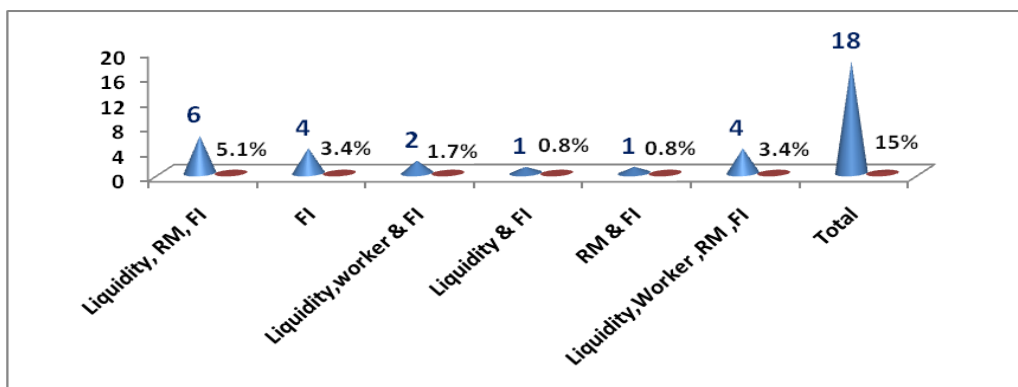
1. Finished Goods inventory
2. Worker
3. Liquidity
4. Raw Material

Explanation of common issues and their impact are as followings :

Finished goods inventory –Finished goods inventory refers to the number of manufactured products in stock that are available for customers to purchase.The finished goods inventory formula is an important inventory ratio that can be used to calculate the value of these goods for sale. Most of the industries are facing Finished goods inventory waiting for dispatch and to be sold in market .But they are helpless during lockdown and their moveable capital is idle.

Table 3-Finished goods inventory (FI)

Issues of Accumulation of finished goods inventory	Number	Percentage (%)
Liquidity, RM, FI	6	5.1%
FI	4	3.4%
Liquidity, worker & FI	2	1.7%
Liquidity & FI	1	0.8%
RM & FI	1	0.8%
Liquidity, Worker ,RM ,FI	4	3.4%
Total	18	15%



The above **Table 3** shows that 15% of industries out of our survey were facing this issue. 18 industries out of 118 were facing this problem. They were waiting for Unlock so that they can sell their finished inventory in open market.

Worker- Worker is a person who is employed to do physical or mental work for wages, especially in order to earn a living, as in a trade, industry, business, office, etc or on a farm etc. The problem of worker was common among the industries under our survey. The industries are facing this issue in different ways.

- The workers left the job and going to hometown.

- The workers going or willing to go their home town due to lockdown but not getting the tickets or conveyance.
- Some industries told that available workers were doing the work half heartedly in fear to get infected by Corona. They were focusing on social distancing also they were not feeling comfortable wearing mask during working at machine.

Table 4- Worker

Issues of worker	Number	Percentage(%)
Liquidity & Worker	13	11.0%
Liquidity, Worker & RM	10	8.5%
Worker	7	5.9%
Worker & RM	6	5.1%
Liquidity, Worker & RM, FI	4	3.4%
Liquidity, worker & FI	2	1.7%
Total	42	35.59%

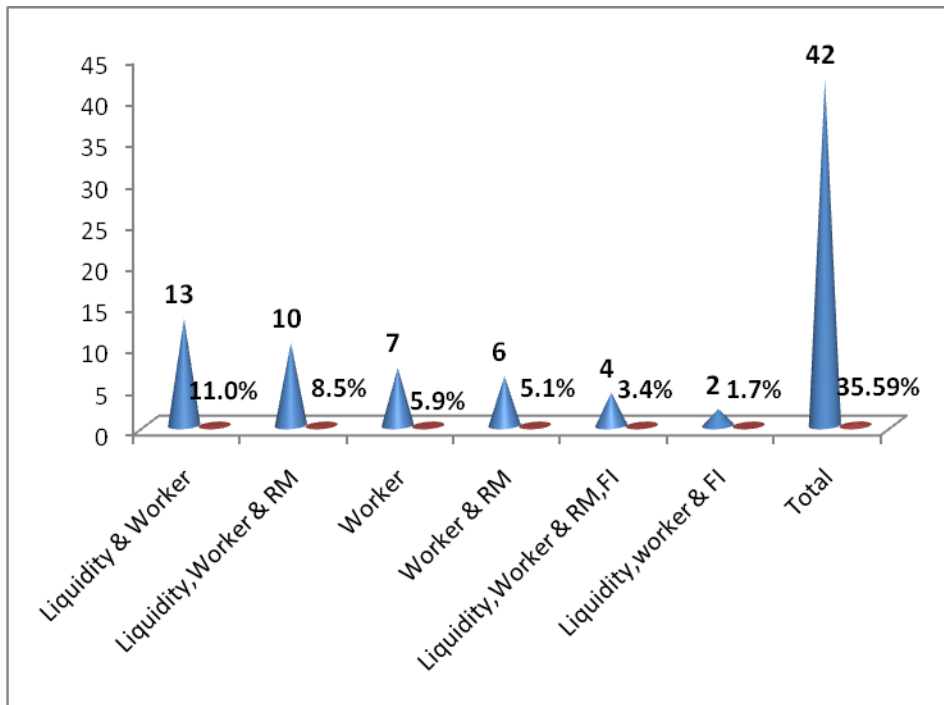


Table 4 shows the problem of lack of workers being faced by the industries due to migration of labourers during lockdown period. 35.59% of the industries are facing the problem of worker. Thus, the hypothesis is accepted.

Liquidity- Liquidity describes the degree to which an asset can be quickly bought or sold in the market at a price reflecting

its intrinsic value. Cash is universally considered the most liquid asset because it can most quickly and easily be converted into other assets. Tangible assets, such as real estate, fine art, and collectibles are all relatively illiquid. Other financial assets, ranging from equities to partnership units, fall at various places on the liquidity spectrum.

Table 5 Liquidity

Issues of Liquidity	Number	Percentage(%)
Liquidity	24	20.3%
Liquidity & RM	15	12.7%
Liquidity & Worker	13	11.0%
Liquidity ,Worker & RM	10	8.5%
Liquidity, RM, FI	6	5.1%
Liquidity ,Worker & RM,FI	4	3.4%
Liquidity, worker & FI	2	1.7%
Liquidity & FI	1	0.8%
Liquidity ,RM ,Sales	1	0.8%
Total	76	64.41%

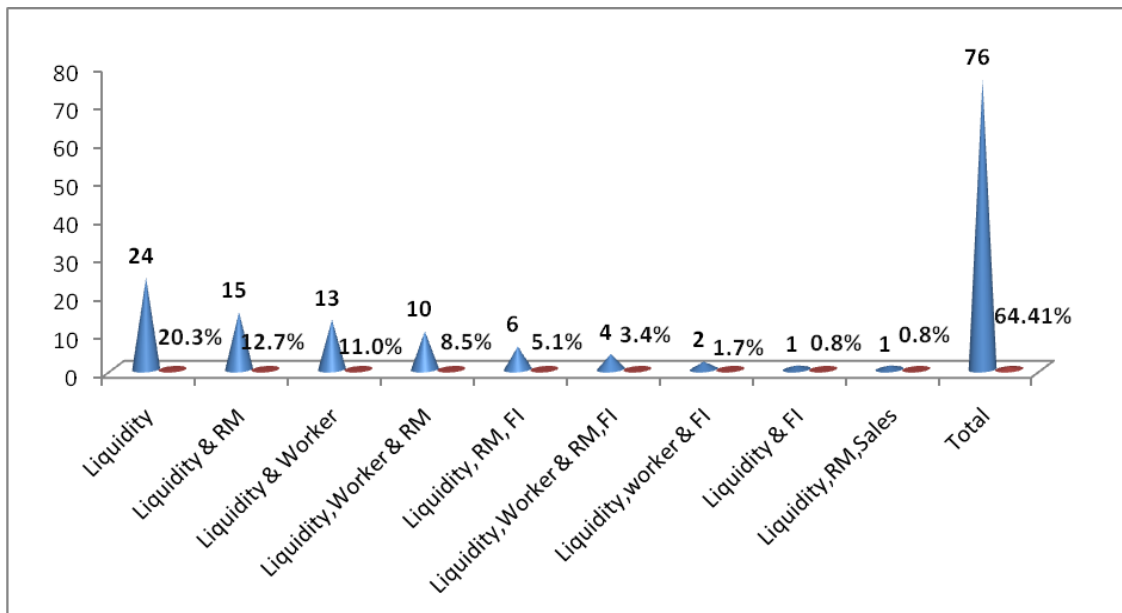


Table 5 shows the problem of liquidity being faced by the industries .Liquidity was a major problem among industries of Rajkot.64.41%.Most of industry was facing this problem during lockdown period.

Raw Material : Raw Materials are materials or substances used in the primary production or manufacturing of goods .Raw materials are commodities that are bought and sold on commodities exchanges worldwide. Traders buy and

sell raw materials in what is called the market because raw materials are the factor of production as are labour and capital. Raw materials perform a big role in the growth of the industries. The MSMEs faced the problem of raw material very commonly during lockdown because the most of the industries were having all necessary infrastructures to run the industry but the lack of raw material created the main hurdle in the growth of the industry.

Table -6 Raw Material (RM)

Issues of Raw Material	Number	Percentage(%)
Liquidity & RM	15	12.7%
RM	10	8.5%
Liquidity,Worker & RM	10	8.5%
Liquidity, RM, FI	6	5.1%
Worker & RM	6	5.1%
Liquidity,Worker & RM,FI	4	3.4%
RM & Transport Service	1	0.8%
Liquidity,RM,Sales	1	0.8%
RM & FI	1	0.8%
Total	54	45.76%

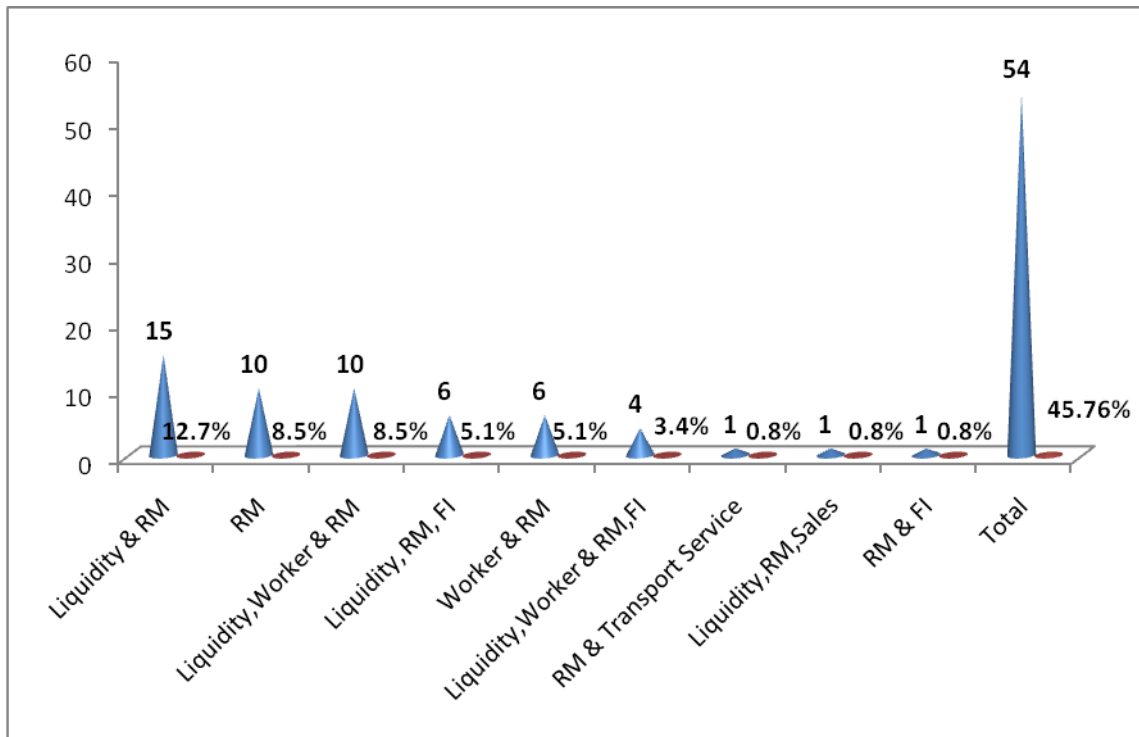


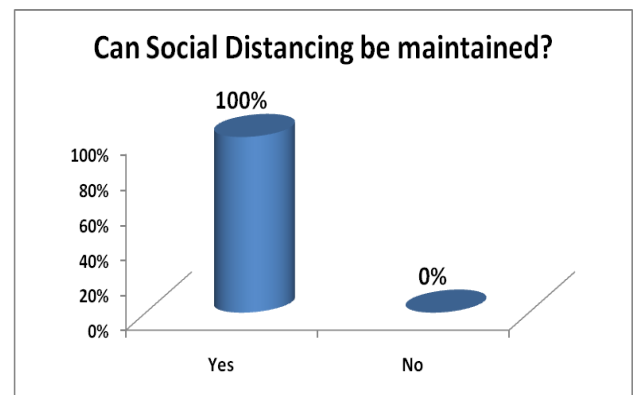
Table 6 shows that most of the industries were facing the problem of raw material during lockdown period. Out of 118 industries 54 industries were facing the problem of shortage of raw materials. Our survey data reveals 45.76% of industries of Rajkot region were facing the problem of raw materials along with other problem. Due to lockdown raw materials could not be collected.

Thus, we found there were many problems faced by these industries during lockdown period. Therefore, the hypothesis is accepted.

We included some other questions also keeping in view the second phase of lockdown when government would allow these industries to open with some restrictions. We included some concerns in our questionnaire in order to understand whether the government guidelines could be implemented or not. Following questions were asked:

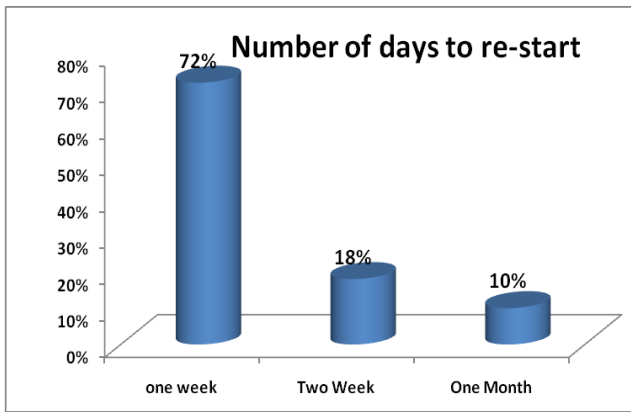
Q. a) Could social Distancing be maintained in these industries when they would be allowed to open?

Ans. The answer came positive as 100% of the industries assured that they would follow the government guidelines and maintained the social distance. These industries assured they would install the sanitizer dispensing machine and thermal scanner at the entrance gate. Also the worker would be provided Facemasks, sanitizer and gloves in order to maintain personal hygiene. These industries would run the unit in three different shift calling one third of man power in each shift in order to maintain social distance.



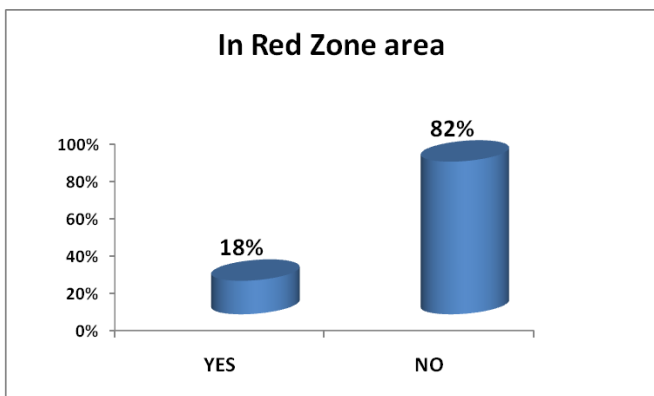
Q.b) How many days it would take to restart the unit?

Ans. This Question wanted to throw light on the preparedness of these units to restart themselves after the first phase of lockdown is over. When these industries were asked about the minimum time taken to resume the functions they had given different opinion. 72% of these industries said they would restart the units within or less than one week. 18% expressed that they needed two weeks duration to restart the unit because though manpower could be arranged but due to the shortage of raw material more time could be taken to collect the raw material and restart the function of the unit again. 10% expressed they needed the time of one month to resume the normal functioning of the units since the most of the labour departed to their hometown so they could not join at short notice. so they needed more time to arrange fresh labour and train them because the labour who migrated from these areas could not return on short notice since all the ways of transportation not available during this period.



Q C) .Whether the units fall in Red zone area?

Ans. Our survey shows that 18% of the industries from the sample fall in Red zone and 82% are in green zone so they can restart their units when allowed by the government.



9. Findings

- 1) 15% of the industries of Rajkot region were facing the issue of accumulation of finished goods inventory during lockdown period.
- 2) 35.59% were facing the problem of lack of workers.
- 3) 64.41% were facing the problem of liquidity.
- 4) 45.76% of the industries were facing the problem of lack of raw material.

References

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2. <https://financialexpress.com/>
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- 5) All the industries taken as the sample assured in unison that when the units reopened social distance would be maintained by them. These units would be working in three shifts and one third of manpower allowed to work in each shift.
- 6) 72% of the units are able to restart their units in one week and remaining in two weeks to One month when they are allowed by the government to reopen these units.
- 7) 82% of the industries are in green zone area while 18% were in red zone area.

10. Conclusion and Suggestions

As per the survey many many micro,small and medium enterprises have temporarily shut their business due to impact COVID- 19 crisis.The survey drew responses from close to 118 micro ,small and medium enterprises (MSMEs) in the first two weeks of June .Our survey reveals majority of MSMEs believe that it will take up one week to one month for business to return to normal. MSMEs are seeking support from the government to tide over this crisis. Besides, some MSMEs started a business website or enabled E-Commerce functionality since the lockdown started owing to the COVID-19 pandemic.COVID-19 has forced everyone to rethink daily life. In response to the lockdown, MSMEs who could embrace digital prevalence were able to keep some semblance of normalcy and continue to serve or engage with their customers. But lack of technical expertise and the perceived costs of developing a web presence continue to be key challenge to creating web presence. Thus, it can be concluded that government should facilitate MSMEs by taking various steps like digitalisation-marketing, e –tendering, e-commerce in various applicable sectors .And manufacturing sectors which are facing liquidity related issues can be benefitted by government grants with extended period of time having low interest rate. Some of the sectors can be helped by extension of moratorium period for interest payment for all existing loans up to next year .