

Commentary

COVID19 impact on MSME and Strategy to Overcome and Grow

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Introduction

The Covid19 had affected businesses across the world. The business affected most were the MSME, because of their size and size. The Covid19 spread throughout the world and the lockdown has to be imposed to arrest the spread of the virus. The lock down was imposed during April 2020 throughout India. The people were advised to stay indoors. The Covid19 had spread and the people were to be hospitalized. The business was shut down and all the activities were halted. The industries which were for covid-19 prevention were only functioning with transport facilities. As the covid-19 were coming in control the lockdown were removed and precautions had to followed in the day to day working. The business also insisted for precautions measures as the covid will affect them. The people also followed the precautions measures as it was affecting them and life was at stake.

The business started functioning with covid precautions measures. The people started giving importance for the life and things which increase the standard of living. The people gave importance for their food habits and health items. The demand for the products varied and were completely different. The luxury items were not demanded and were only for the basic health products and life savings items.

The items like hand wash, mask, oxygen cylinders, covid-19 medicines, etc. were demanded in large numbers. The new enterprises manufactured these items were in large numbers and luxury items producers had to shift the product manufacturing. The new technology products were produced in large numbers. The major shift in business and day to day activity was digitalization payments. These digitalization payments had increased from this time nowadays, most daily payments are made digitally for purchasing essential items and services such as milk, vegetables, groceries, transportation, and other everyday needs and these have reduced the cash transaction everywhere.

The covid19 was spreading across the county. As the virus had increased the second lock down had to be imposed. The government had imposed preventive measures, and the covid had come under control. The government had taken many measures to smooth conduct of the business. The government measures during the covid19 are as follows

- Public Health and Containment
- Borders and Travel Restriction
- Lockdowns and Curfews
- Testing and Tracking
- Healthcare Infrastructure
- Medical Supplies
- Facility Expansion
- Vaccination Campaigns

- Economic and Welfare Support
- Financial Relief
- Food Security
- Business Support

During the COVID-19 pandemic, the Government of India launched major economic relief packages under the **Aatmanirbhar Bharat Abhiyan** to support micro, small, and medium enterprises (MSMEs) with collateral-free loans, equity infusion, revised business definitions, and regulatory changes to help units survive lockdowns and restart operations.

- Financial Relief and Credit Support.
- Emergency Credit Line Guarantee Scheme (ECLGS)
- Subordinate Debt for Stressed MSMEs.
- Fund of Funds (Self-Reliant India Fund)
- Structural and Definition Reforms
- Revised MSME Definition
- Udyam Registration
- Inclusion of Traders
- Procurement and Market Support
- Ban on Global Tenders
- Clearing of MSMEs Dues
- CHAMPIONS Portal

The business started to be functioning and MSMEs were working in continuous phases. The Demand for the new product were increasing. The staff had the skill of multitasking thereby the organization were easily working efficiently. The financial measures helped the MSMEs to take the advantage of them and improve their financial strength. The MSMEs had learnt difficulties during the covid time and implemented many strategies to overcome the problems for efficient working. The sales and profit after the covid times are amassed here. The strategies implemented in various aspects where the problems were affecting the organization are as follows: -

Sl.no	Particulars	Nature
1	HR	i) Un skilled Labour shortage
		ii) Skilled labour shortage
		iii) No multi-tasking labour
		iv) High labour cost
2	Production	i) new product requirements.
		ii) High Plant & Machinery cost
		iii) Shifting of plant
3	Raw Material	i) Raw Material shortage
		ii) Low-quality material
		iii) High raw material cost
4	Finance	i) Lack of Funds for day-to-day working
		ii) Funds not available for capital procurement
		iii) Less sales leading less funds
5	Marketing	i) Marketing staff were not available
		ii) The trained staff were not there
		iii) The marketing outside the city was difficult
6	Technology	i) High cost of technology adoption
		ii) No skilled labour to operate the technology machinery
		iii) Demand of the products not there.
7	Management-	i) Continuity
		ii) Un skilled management

Table 1: Major challenges faced by MSMEs across different functional areas.

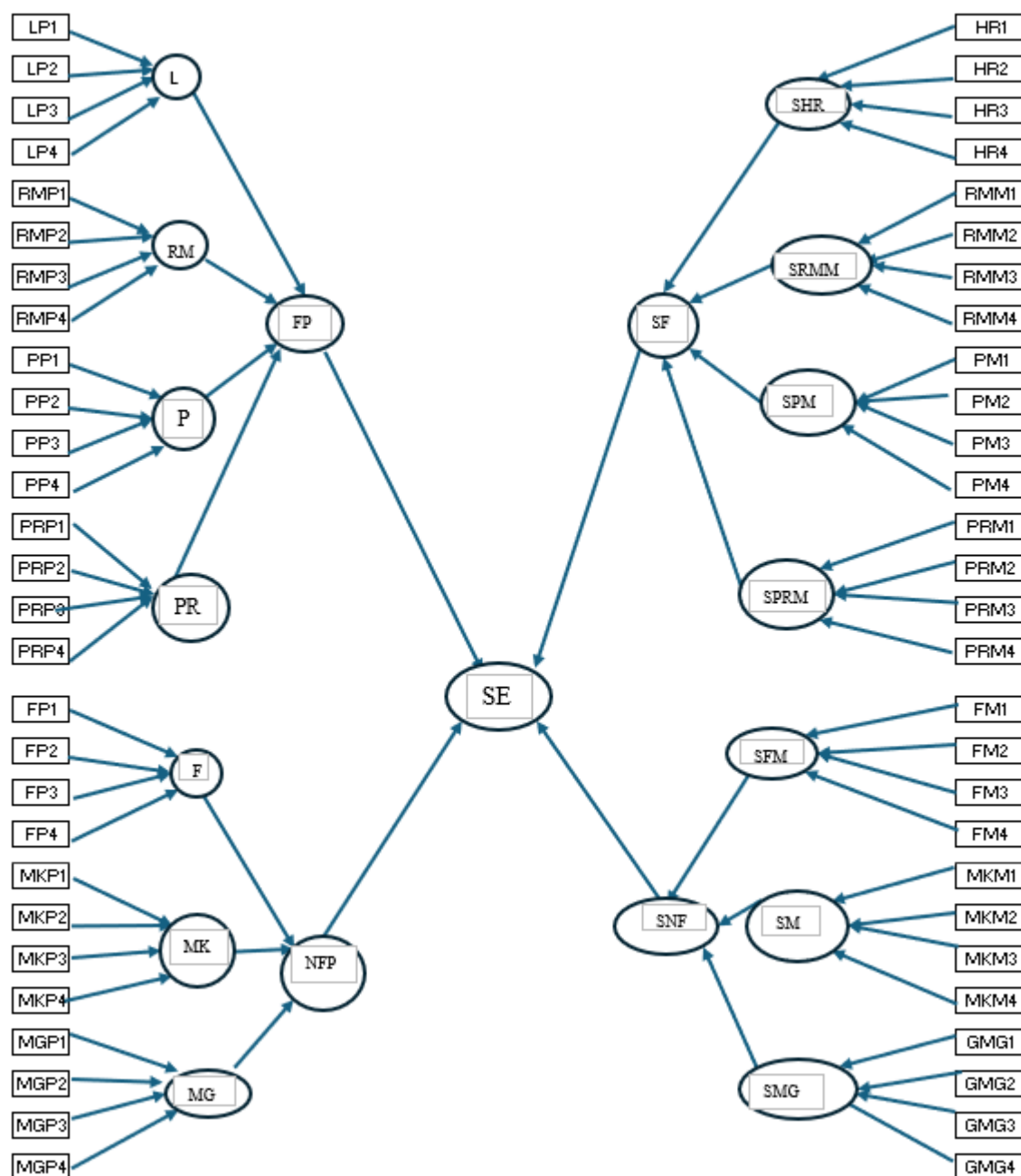
The MSMEs adopted various strategies to overcome the problems and to run the origination smoothly. The strategies adopted by the MSMEs during these covid-19 period are as follows: -

Sl.no	Particulars	Nature
1	HR	i) Training of staff
		ii) Financial coverage
		iii) Participation in Management
		iv) Health care
2	Production	i) Change the production process
		ii) New technology machines
		iii) Disposal of old machinery
3	Raw Material	i) Long term contract
		ii) MEMSE procurement association
		iii) Inventory management
4	Finance	i) Working Capital management
		ii) Utilising the government schemes for both short term and long-term requirement
		iii) Financial management- Budget review continuously
5	Marketing	i) Training the Marketing staff.
		ii) Training in financial and marketing skills.
		iii) Providing protective items for traveling outside.
6	Technology	i) Utilizing the government scheme in this regard.
		ii) Training the staff for operation of the technology machinery
		iii) Providing the benefits of the products to consumers.
7	Management-	i) Importance of the organization to management family.
		ii) Management training and development for better utilizing the resources.

Table 2: Strategies adopted by MSMEs to address functional challenges during the COVID-19 period.

The models of problems and strategies for the MSMEs are developed and it is as follows:-

Problems and Strategies Model



The Problems and Strategies in the above model are P1–Labour, P2–Raw Material, P3–Production, P4–Finance, P5–Marketing, P6–Procurement, P7–Management, S1–HR Management, S2–Raw Material Management, S3–Production Management, S4–Finance Management, S5–Marketing Management, S6–Procurement Management and S7–General Management.

The impact of the strategies adopted by the MSMEs after the covid had a very big impact on the organization. The sales and profits increased over the years. The sales and profits for the period 2018 to 2026 is compiled from 450 MSMEs enterprises in Karnataka state, from all the 31 districts. The Sale during this period is as follows:

Period	2018-20	2020-22	2022-24	2024-26
Sales Growth	Total	Total	Total	Total
<0%	18	402	16	22

0-10%	405	47	311	341
10-20%	27	1	123	87
Grand Total	450	450	450	450

Table 3: Period-wise distribution of MSMEs based on sales growth during 2018–2026.

The sales during this period are analyzed, the period 2018-20 is before Covid-19. The sales were more than 0% to 10% during 2018-20, as the business environment was normal. However, the situation was completely different during the Covid-19 times, the period is 2020-22. The sales were very less and <0% growth was maximum as the organization had difficulty in having the sales because of covid-19 situations. The business started to function normal after the Government had taken many steps in controlling the covid-19 and giving many benefits to MSMEs to functions. This result in turn around the sales, the sales were increasing, more than 10 to 20% sales growth were at 27%. The next period had tough competitions and economics crisis because of war at different places, had impact on the growth of the sales. The sales growth had impact and were less compared to the previous period. The sales growth at 10-20% was 19% compared to 27% in the previous period.

The sales growth during this period in presentation form is as follows: -

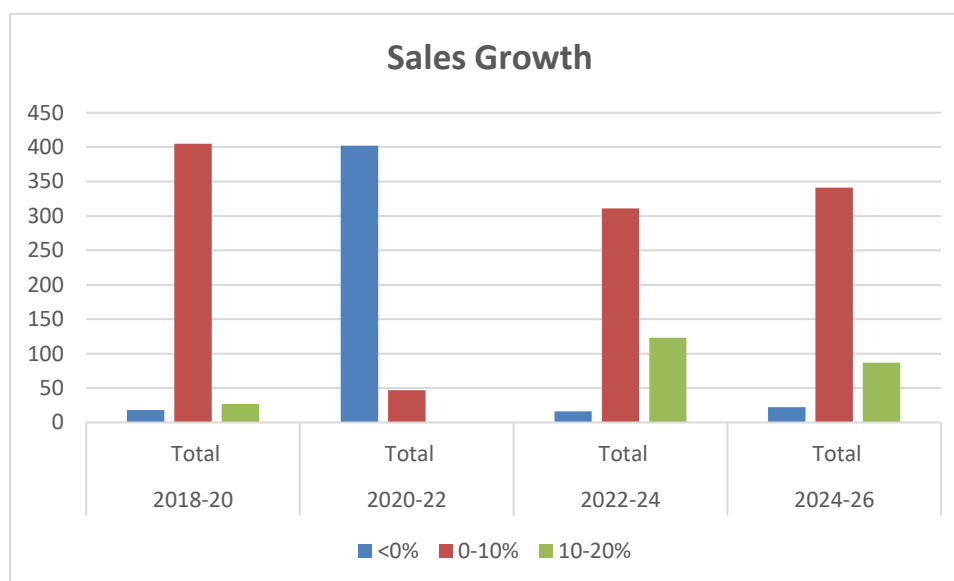


Figure 2: Period-wise distribution of MSMEs by sales growth during 2018–2026.

The Profit during this period is as follows: -

Period	2018-20	2020-22	2022-24	2024-26
Profit Growth	Total	Total	Total	Total
<0%	23	425	26	29
0-10%	411	25	324	356
10-20%	16	0	100	65
Grand Total	450	450	450	450

Table 4: Period-wise distribution of MSMEs by profit growth during 2018–2026.

The Profit during this period is analyzed, the period 2018-20 is before Covid-19. The Profit were more than 0 to 10% during 2018-20, as the business environment was normal. However, the situation was completely different during the Covid-19 times, the period is 2020-22. The Profit were very less and <0% growth was maximum as the organization had difficulty in having the Profit because of covid-19 situations. The business started to function normal after the Government had taken many steps in controlling the covid-19 and giving many benefits to MSMEs to functions. This result in turn around the Profit, the Profit were increasing, more than 10 to 20% Profit growth were at 22%. The next period had tough competitions and economics crisis

because of war at different places, had impact on the growth of the Profit. The Profit growth had impact and were less compared to the previous period. The Profit growth at 10 - 20% compared to 22% in the previous period.

The Profit growth during this period in presentation form is as follows: -

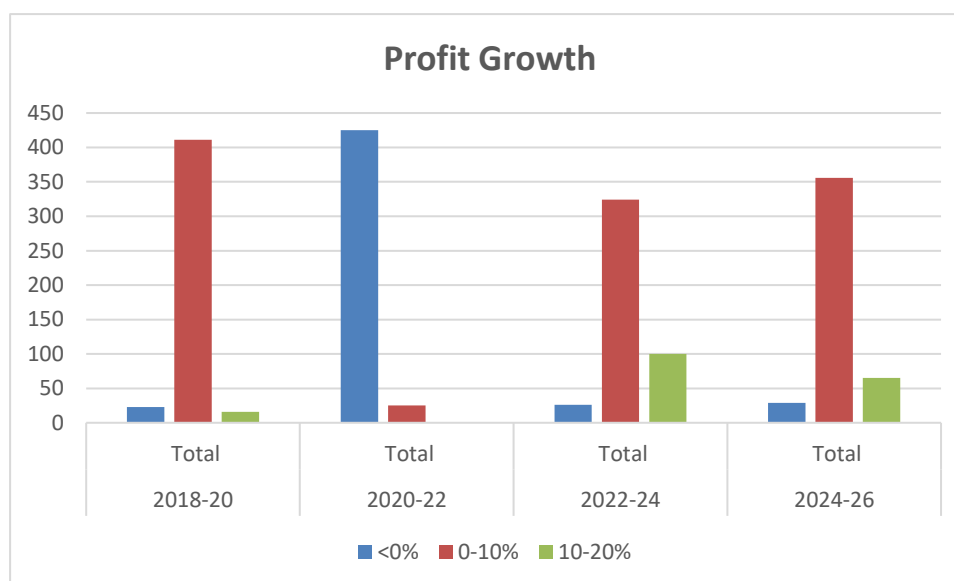


Figure 3: Profit growth of MSMEs across different growth categories (2018–2026).

The reliability analysis is done on the problems and strategies adopted by the MSMEs during the period. The data collected were reliable and verified by **Composite reliability, Cronbach Alpha, AVE, MSV, Convergent, Discriminant and MaxR (H)**. The Anova is compiled for the periods, the Null Hypothesis is accepted for the period 2018-20, 2022-24 and 2024-26 and is rejected for 2020-22. The correlation of various factors is also compiled and Chi Square for various factors are also done.

The business experience gained during the Covid-19 and following years are very exceptional. The Management will be using these experience to over come the problems and to run the organization smoothly. The period 2022-24 was extremely excellent, but the economy was slow and lot competition had to be faced after that period. The Management are utilizing their experience to overcome the problems and to run the organization smoothly and making the organization stronger than before. The experience of HR, Raw Material, Production, Finance, Marketing and Management are utilised with some modification in the present situations. The technology is being adopted in large scale and its benefits are reaped by the organization. The staff are becoming multiskilled and can handle any work easily. The finance is given more importance for the day to day working and also long-term investment. The Management persons are taking the training and development for the better organization leadership and management. The MSMEs are forming pool for utilisation of HR, Capital Plant & Machinery, Marketing resources for very body benefits. The staff is also given importance of their contribution and financial support is provided to them. The experience gained is guiding the MSMEs to grow stronger every year.