Impact of Covid-19 on MSME Sector in India: An Overview

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***Abstract*—Micro, Small and Medium Enterprises (MSME) is an important sector of the Indian economy that contributing immensely to the country's socio-economic development. It not only generates employment opportunities but also works hand-in-hand towards the development of the nation's backward and rural areas. After Agriculture, it is the second largest employment generator and hence refers as the 'Backbone of the Country.' In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. The COVID-19 Outbreak hit all the sectors of the Indian economy, no exception to MSME. The sector has been battered by the pandemic, with millions of businesses across different sectors seeing extensive economic devastation. The pandemic has broken MSMEs' back, and the biggest challenge now is survival. On this backdrop, present study has been undertaken to overview the impact of COVID-19 on MSME and to suggest remedial measures to revive the sector.**

***Index Terms*—COVID-19, MSME Sector, GDP, Employment Generator, Indian Economy**

I. INTRODUCTION

MSME sector in India acts as a breeding ground for entrepreneurs and innovators with considerable support in strengthening business ecosystem. The estimated number of MSMEs in India is 63 million and employs 110 million individuals. Indian MSMEs produce more than 6,000 products for local and global consumption. According to DGCIS data, the value of MSME related products in India is $147,390.08 million and contributed 48.56% of total export during 2017-18. MSMEs exposed to higher level of integration with global value and supply chains are playing critical role in global trade systems. Data from 2019 shows that sector contributed 29% to overall GDP. This sector acts as a catalyst for socio-economic development of the country. All this becomes more important with government's new mission of achieving $5 trillion economy target by 2025. Within this target the role of MSME sector is going play an important role, with expected contribution to GDP above 50% mark. The potential of Indian MSME sector is still untapped and that is one of the reasons why government policies are now more convergent towards building resilient ecosystem with better breadth and depth.

The Government of India has introduced MSME or Micro, Small, and Medium Enterprises in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the Production, Manufacturing, Processing or Preservation of goods and commodities. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

A proposal was made to redefine MSMEs by the Micro, Small and Medium Enterprises Development (Amendment) Bill, 2018, to classify them as manufacturing or service-providing enterprises, based on their annual turnover.

Table 1: Classification of Enterprises into Micro, Small and Medium Enterprises (in Rs)

Kind of Enterprise	Act of 2006		Bill of 2018
	Manufacturing	Services	All Enterprises
	Investment Towards Plant & Machinery	Investment Towards Equipment	Annual Turnover

Micro	Rs. 25 Lakhs	Rs. 10 Lakhs	Rs. 5 Crores
Small	Rs. 25 Lakhs to 5 Crores	Rs. 10 Lakhs to 2 Crores	Rs. 5 Crores to 75 Crores
Medium	Rs. 5 Crores to 10 Crores	Rs. 2 Crores to 5 Crores	Rs. 75 Crores to 250 Crores

Source: Ministry of MSME

1.1. Features of MSMEs

1. MSMEs work for the welfare of the workers and artisans. They help them by giving employment and by providing loans and other services.
2. MSMEs provide credit limit or funding support to banks.
3. They promote the development of entrepreneurship as well as up-gradation of skills by launching specialized training centers for the same.
4. They support the up-grading of developmental technology, infrastructure development, and the modernization of the sector as a whole
5. MSMEs are known to provide reasonable assistance for improved access to the domestic as well as export markets.
6. They also offer modern testing facilities and quality certification services.
7. Following the recent trends, MSMEs now support product development, design innovation, intervention, and packaging.

MSMEs, the backbone of India's economy, have been struggling amid the onslaught of COVID-19. Taking these challenges head-on can help them survive and thrive amidst the uncertain climate. The sector was under stress even before the pandemic, with challenges such as delayed payments, over-dependence on few customers, and lack of a skilled workforce. The announcement of country wide lockdown dragged MSME owners, employers and external stakeholders in unexpected times, where no one had experience to handle this kind of situation. Extended lockdown had negative impact on supply of finished goods, procurement of raw material and availability of employees to work in production and supply processes. During April to June 2020, sector faced challenges related to debt repayments, wages/salaries, statutory dues etc.

1.2. Various MSME Schemes launched by Government

1. Udyog Aadhar Memorandum: With this scheme, registration is done completely online by using only two forms: Entrepreneur Memorandum-I and Entrepreneur Memorandum-II by using Aadhar & are entitled to various MSME benefits.
2. Zero Defect Zero Effect (ZED): This scheme aims to manufacture goods that have 'zero defect' in an environmentally friendly way.
3. Quality Management Standards & Quality Management Tools: This scheme will help the MSMEs to understand and implement the quality standards along with the new technology.
4. Grievance Monitoring System: This scheme is launched to monitor and cater all types of complaints and suggestions by MSME with an aims to make the system of grievance handling transparent and fast.
5. Incubation: The main objective of this scheme is to promote & support new and innovative ideas such as new designs and new products.
6. Credit Linked Capital Subsidy Scheme (CLCSS): This Scheme aims at facilitating technology up-gradation by providing 15% capital subsidy up to Rs. 15 lakhs to MSE units.
7. Women Entrepreneurship: This scheme takes care of women who may not have adequate educational background for handling entrepreneurship and provides training in such fields. The government providing 25% & 35% subsidies for the project set up in urban and rural areas respectively.

Other Major Support available to MSMEs is: Collateral Free Borrowings, Technology and Quality Up gradation (TEQUP) and Cluster Development & Skill development.

II. LITERATURE REVIEW

Micro, Small and Medium Enterprises have the significant role in the Indian Economy in terms of Contribution to GDP, Employment Generation, Poverty alleviation, and reducing regional disparity (Jain 2019; Anjan Kumar 2022; Amit Kumar 2020; Das 2021; Verma et al 2020; K. Nandeeswaraiah and A.V. Ramana, 2019; Vijay and Sumalatha 2019; Rajni and Rajeev, 2019). Inclusive Growth is an integral part of economic growth for that employment generation is necessary which would absorb unemployment and make Inclusive growth possible (Zeba et al. 2021).

MSMEs provide around 40% of employment to the total workforce, contribute 45% to manufacturing output and 40% of total export and produce around 6000 products from traditional to high-tech items (Das 2021; Amit Kumar 2020; G.K.Nagaraju 2018), favorable Environment, Improvisation in technology, adequate Financial support, training facilities to the workers providing for the MSMEs Sector then Rural Development and Urban Transformation can be Done (Divya and Roopa, 2019).

Ghatak, Shambhu (2010) highlighted that the status of Indian MSMEs is better than its counterpart in Bangladesh & Pakistan. About 36% of Pakistani SMEs have bank accounts whereas about 46% Bangladeshi's SMEs have Bank accounts. In comparison to them about 95% of Indian SMEs have their bank accounts. He further stated that Indian Govt. should accelerate its initiatives to provide further support to these Small scale industries. Subrahmanya Bala (2011) has analysed the effect of globalization on export potential of Small scale enterprises and have concluded that this impact was high in protection period but has shown the increasing trend in Liberalization period too but it seems to be stagnant growth. Therefore the govt. should continue the policy of enhancing the competitiveness of these SSIs through the infusion of technology, finance & marketing support. Srinivas, K. T. (2013) concluded that the MSMEs has been termed as the engine for the growth of the Country. In the last few years, there has been tremendous change in the national & State level for not adequate for the upliftment of the MSMEs in India. Therefore, the entrepreneurs in India & Govt. should take some initiatives for further-development of these MSMEs in India.

Some other included studies discussed various challenges faced by Micro, Small and Medium Enterprises which are lack of finance, non-availability of sophisticated technology, poor infrastructure, lack of adequate credit facilities, lack of skilled workforce, and Lack of access to a global market, (Kumar 2018; K. Nandeeswaraiah and A.V. Ramana, 2019; T. Sezhiyan and D. Gnanadeiveegam, 2022) Some studies refer to the COVID-19 Pandemic's impact on MSMEs. Due to Covid 19, MSMEs had faced various problems including working capital shortage, supply chain inefficiencies, suboptimal scale of operation, lack of skilled workforce, and change in manufacturing strategy (Aniruddha 2020). Sanitizing material cost and cleaning premises additional expenditure, low productivity due to less working capital, reduced in working time etc. (Nagarajan Muthukrishnan 2020; Raghunathan et al., 2022) in their study discussed the sectoral impact of COVID 19 for this total 80 responses received from Handloom, Handicraft, Dairy farm and Kudumbashrees in which 64 respondents agreed that hiring additional staff was the major challenges faced by various units whereas in other challenges working hours, unable of family reconcile, termination of employee and conflict among workers. Despite these additional challenges due to Covid 19, the MSME sector stands as a shield for the Indian Economy for preventing the employees' livelihood, Ministry of Technology Center, KVIC, and Coir board took various initiatives like the distribution of PPE kits, Sanitizers etc and both quantitative and qualitative measures taken by the Government (Shaikh and Saxena, 2020). There is also an opportunity for MSMEs to flourish. India possesses diversity in agricultural produce and presenting this farm innovatively agro-based MSMEs will be advantageous for both the farmers and rural entrepreneurs, providing training and technology to artisans and craftsmen will enhance their business prospects. With the 'Make in India' Agenda and creating a good infrastructure to support the MSME, by assuring quality manpower, easy availability of credit, branding support, and reduction in input cost MSME can be part of Atmanirbhar Bharat in a more significant way (Joshi et al., 2020). Various Schemes are there for promoting MSMEs like UdhyamiMitraPortal to improve the accessibility of credit, MSME Sambhandh to monitor the implementation of the public procurement from MSMEs, Revamped Scheme of Fund for Regeneration of Traditional Industries, Micro & Small and Enterprises Cluster Development Program for enhancing the productivity and competitiveness, Credit Linked Capital Subsidy Scheme for upgradation of technology for MSMEs (G.Vincent 2020).

III. DATABASE AND METHODOLOGY

As the topic of the COVID -19 Outbreak is still current, there is currently a lack of studies about it and its relation to MSMES, the present study "IMPACT OF COVID-19 ON MSME SECTOR IN INDIA: AN

OVERVIEW" has been undertaken with the under mentioned objectives:

1. To overview the meaning, and features of MSMEs
2. To overview various Government Schemes for the development of MSMEs
3. To study the Significance of MSMEs in the progress of the Economy
4. To analyze the impact of COVID-19 on MSME Sector
5. To overview the Remedial Measures taken by the Indian Government for the Revival of the sector.

In order to accomplish the objectives, secondary data has been used that has been obtained from various journals, magazines, blogs and websites etc. The study is of qualitative in nature.

IV. ANALYSIS

The MSME segment has proven to be a highly dynamic Indian economy sector. MSMEs produce and manufacture a variety of products for both domestic as well as international markets. They have helped promote the growth and development of Khadi, village, and coir industries. They have collaborated and worked with the concerned ministries, state governments, and stakeholders towards the upbringing of rural areas.

MSMEs have played an essential role in providing employment opportunities in rural areas. They have helped in the industrialization of these areas with a low capital cost compared to the large industries. Acting as a complementary unit to large sectors, the MSME sector has enormously contributed to its socio-economic development. MSMEs also contribute and play an essential role in the country's development in different areas like the requirement of low investment, flexibility in operations, mobility through the locations, low rate of imports, and a high contribution to domestic production.

Table 2: Revised Classification applicable with effect from 1st July 2020

Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover ; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment:Not more than Rs.10 crore and Annual Turnover ; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover ; not more than Rs. 250 crore

Source: msme.gov.in

'Atma Nirbhar Bharat Abhiyan' or the Self-Reliant India Scheme of 2020 by the Government of India has highlighted the features of new MSMEs;

1. A provision of Collateral Free Loans to MSMEs
2. An arrangement of loans to MSMEs worth of Rs. 3 lakh crores
3. An offer for MSMEs to get a Moratorium period of 12 months
4. Consideration of Manufacturing and Service MSMEs as the same entities
5. MSM is a granted a repayment Tenure of 48 months
6. MSMEs are assured a 100% Credit Guarantee
7. Reclassification of MSMEs will benefit approximately 45 Lac units.

With the capability and capacity to develop appropriate local technology, provide fierce competition in domestic and international markets, technology-savvy industries, a contribution towards creating defense materials, and generating new entrepreneurs by providing knowledge, training, and skill up-gradation through specialized training centers.

4.1. Importance of MSMEs for the Indian Economy

Across the globe, MSMEs are accepted as a means of economic growth and for promoting equitable development. They are known to generate the highest rate of growth in the economy. MSMEs have driven India to new heights through requirements of low investment, flexible operations, and the capacity to develop appropriate native technology.

1. MSMEs employ around 120 million persons, becoming the second-largest employment generating sector after agriculture.

2. With approximately 45 lakhs units throughout the country, it contributes about 6.11% of GDP from manufacturing and 24.63% of the GDP from service activities.
3. MSME ministry targets to increase its contribution towards GDP by up to 50% by 2025 as India moves ahead to become a $5 trillion economy.
4. Contributing around 45% of overall Indian exports.
5. MSMEs promote all-inclusive growth by providing employment opportunities, especially to people belonging to weaker sections of the society in rural areas.
6. MSMEs in tier-2 and tier-3 cities help in creating opportunities for people to use banking services and products, which can amount to the final inclusion of the contribution of MSMEs for the economy.
7. MSMEs promote innovation by providing an opportunity to budding entrepreneurs to help them build creative products hey and thereby boost competition in business and fuel the growth.

The Indian MSME sector provides silent support to the national economy and acts as a defense against global economic shock and adversities. Hence, we can say that India is propelling towards a robust global economy through a silent revolution powered by MSMEs.

Table 3: Contribution of MSMEs in Country's Economy at Current Price

Year	MSME-Addition of Gross Value	Growth (%)	Total Addition of Gross Value	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2622574	–	8106946	32.35	8736329	30
2012-13	3020528	15.17	9202692	32.82	9944013	30.40
2013-14	3389922	12.23	10363153	32.71	11233522	30.20
2014-15	3704956	9.29	11504279	32.21	12467959	29.70
2015-16	4025595	8.65	12566646	32.03	13764037	29.20
2016-17	4405753	9.44	13841591	31.83	15253714	28.90

Source: Central Statistics Office (CSO), Ministry of Statistics & Program Implementation

The devastating Corona virus which is declared by the WHO as the pandemic has taken over almost 195 countries in its grip. This virus is mounting a very serious threat to the global economy as well, which is already in grave peril. There is no doubt that the Indian economy, which is already sputtering, is growing at one of the lowest rates in the last six years. And now, a new set of economic challenges unleashed by this virus is leaving many sectors in tatters.

According to the Confederation of All India Traders (CAIT) which represents 70 million traders in India and the majority of them are MSME. The trade impact for India is estimated to be around Rs 380 lakh and the chemical sector is expected to take a big hit of Rs 12 crore 90 lakh. MSME is the sector which was already reeling under huge distress firstly because of demonetization, then because of poorly implemented GST followed by the prolonged economic slowdown and finally, the biggest of all - the COVID-19 which is going to aggravate the crisis in this specific sector further. As the pandemic in India hit MSME badly and that the distressed sector will render many people jobless and will lead to the closure of thousands of industrial outlets forever.

According to a study commissioned by All India Manufacturers Organization (AIMO), India is currently home to over 75 million MSMEs and close to 25 per cent of these firms will face closure, if the lockdown imposed due to the COVID-19 goes beyond four weeks while a whopping 43 per cent will shut shop if panic extends beyond eight weeks. MSME forms the backbone of the Indian economy and is one of the most crucial segments that let the economy grow by leap and bounds. The sector which provides employment to over 114 million people and contributes to more than 30 per cent of the GDP is

going through one of the tough phases, thus actions are required immediately.

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of India's industrial economy, says the Economic Survey 2025-26 tabled in Parliament by Union Minister for Finance and Corporate Affairs Minister, Smt. Nirmala Sitharaman today. The Survey mentions that it accounts for approximately 35.4 per cent of manufacturing, around 48.58 per cent of exports, and 31.1 per cent of GDP in the country. With over 7.47 crore enterprises employing over 32.82 crore persons, the sector holds its position as the second-largest employer after agriculture. Globally, MSMEs make up about 90 per cent of businesses and are responsible for over 50 per cent of the total global employment. With India's manufacturing sector positioned for greater global integration, MSME sector's role is critical in enabling effective supply-chain participation, fostering local value addition, and supporting inclusive regional growth, the Survey states.

The Survey pertinently adds that MSME credit has maintained a positive trajectory in recent times, bolstered by several government interventions aimed at enhancing credit flow to the sector.

The Survey mentions, MSME credit remained the primary driver of industrial credit growth during H1FY26. The overall MSME credit growth year-on-year (Y-o-Y) has significantly outpaced the Y-o-Y growth observed in large industry credit.

Table 4: Growth in the Deployment of Gross bank Credit to MSMEs

Segment	March 2024	August 2024	March 2025	August 2025
Micro & Small Enterprises	14.7	13.4	8.8	20.9
Medium Enterprises	13.3	19.2	18.6	13.1
Total MSME Credit	**14.3**	**15.1**	**11.7**	**18.5**
Large Industry (comparison)	6.4	7.7	6.2	1.8

Source: Monetary Policy Report, RBI Bulletin (October 2025)

Taking into consideration the widespread havoc wreaked by the COVID-19, the government needs to come up with a constant tracking mechanism and should announce immediate relief measures to shore up the confidence in this very important sector which has taken a beating due to a flurry of disruptions introduced by the government. A stimulus financial package is required to re-energize the market economy. Many countries like the USA and China have rolled out many new measures to save MSMEs from the COVID-19 threat. It is high time the government should do its bit otherwise it would be too late to undo the mistake.

The SME public markets have also witnessed a dramatic expansion over the past two years, driven by buoyant market conditions and digital retail participation.

The Self-Reliant India (SRI) Fund, launched to infuse ₹50,000 crore as equity funding in MSMEs, has assisted 682 MSMEs by way of investment worth ₹15,442 crore, as of 30th November 2025. Innovation is also being institutionalised through the MSME-Innovative component, which facilitates incubation, design interventions, and the protection of IPR

India accounted for an estimated 2.9 per cent of the global manufacturing GVA and 1.8 per cent of global merchandise exports in 2024, indicating considerable potential for expanding its global manufacturing footprint.

For India, a calibrated deepening of participation in global supply chains — particularly in labour-intensive and assembly-linked sectors — represents a potential avenue for advancing job-rich industrialisation within the broader Viksit Bharat@2047 growth trajectory.

4.2. Employment in the MSME Sector

MSME sector in India creates largest employment opportunities, both in terms of self-employment and wage-employment, for the Indian labour force, next only to agriculture. MSMEs are thought to have lower capital-output and capital-labour ratios than large-scale industries, and therefore, better serve growth and employment objectives. The sector in India has grown significantly since 1960 – with an average annual growth rate of 4.4 per cent in the number of units and 4.62 per cent in employment (currently employing 110 million). Not only do MSMEs generate the highest employment per capita investment, they also go a long way in checking rural-urban migration by providing people living in isolated areas with a sustainable source of employment. Apart from this, MSMEs also help in industrialization of rural and backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

As per the National Sample Survey (NSS) 73rd round conducted during the period 2015-16, MSME sector

has been creating 111 million jobs in the rural and the urban areas across the country. Micro sector enterprises provided employment to 107.7 million persons that in turn accounts for around 97 per cent of total employment in the sector. For the Small and the Medium sectors, the employment shares were around 2.88 per cent and 0.16 per cent, respectively. As far as the employment in the MSME sector based on broad activity category-wise is concerned, the respective shares are given in the following Table 5:

Table 5: Estimated Employment in MSME sector (Broad Activity Category Wise)

Broad Activity Category	Employment (in Lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

Source: National Sample Survey (NSS) 73rd round 2015-16

4.3. Impact of Demonetization and GST on the MSME Sector

Micro, small and medium enterprises (MSMEs) in India and abroad have demonstrated considerable strength and resilience in maintaining a consistent rate of growth and employment generation during the global recession and economics lowdown. However, at times, the sector faces operational problems due to its size and nature of business, and is, therefore, relatively more vulnerable in the face of shocks to the economy. MSMEs largely operate in the informal sector and comprise a large number of micro enterprises and daily wage earners. As a result, the sector could not escape the consequences of two major shocks, viz., demonetization and introduction of goods and services tax (GST). For instance, as per on RBI report (2017), contractual labour in both the wearing apparel and gems and jewellery sectors reportedly suffered as payments from employers became constrained after demonetization. Similarly, the introduction of GST led to increase in compliance costs and other operating costs for MSMEs as most of them were brought into the tax net.

The structural reforms might have disrupted the performance of MSMEs in the short run. Nevertheless, Demonetization and GST are expected to be positive in the long run with growth in digitization, enhanced ease of doing business and creation of database of transactions which would facilitate better access to finance and improve the medium- and long-term growth prospects of the sector.

4.4. Impact of the Covid-19 Pandemic on the MSME Sector

COVID-19 pandemic brought in country-wide lockdown and impacted the MSME sector severely mainly due to liquidity crunch. Extended lockdown had negative impact on supply of finished goods, procurement of raw material, cash flow and availability of employees to work in production and supply processes. During April to June 2020, sector faced challenges related to debt repayments, wages/ salaries, statutory dues, etc. As per some survey reports, disruptions caused by the Covid-19 pandemic have impacted MSMEs earnings by 20-50 per cent.

Furthermore, the sudden collapse of trade during the lockdown time affected the MSME sector. India's top exports including labour intensive products starting from gems and jewellery to garments/apparel or sea food are mainly supplied by MSME sector. Similarly, the lockdown affected the imports of raw materials and intermediates which disrupted the supply chain of MSME sector. MSMEs presence in remote areas also faced lots of difficulties due to interrupted supply chain systems and intrastate lockdown provisions. However, enterprises working in essential commodity business were better off in terms of interrupted but predictable cash flows. Some enterprises innovated their ways by shifting focus from non-essential commodities towards essential commodities; like production of hand sanitizer and toiletries, PPE kits, reusable masks, etc. and were able to survive in tough times. The pandemic time has also enhanced digitization of the MSME sector, with most businesses going digital by either starting a website or expanding their offering on to e-commerce.

4.5. Measures to be Initiated:

The RBI has been trying to pump money into the MSME sector but given the structural constraints, it has had limited impact. The government can provide Tax Relief (GST and Corporate Tax), give Swifter Refunds, and provide Liquidity to rural India (through PM-Kisan) to boost demand for MSME products. A

credit guarantee by the government helps as it assures the bank that its loan will be repaid by the government in case the MSME falters. The stimulus package announced is a mix of Fiscal Support, Monetary Support, Ease of Conducting Business Processes, as well as some fundamental reforms. Policies cannot be left to individual inference when a critical step in economic progress like quality sourcing is being sought from domestic players, especially the MSME sector which is gearing to be a major supply chain player for domestic and global markets.

The GOI proposed amendments in the Customs Act which gives it the power to ban import and export of certain items, "Under Exceptional Circumstances". These measures are intended to make our supply chains more self-reliant and less dependent on imports and will take significant policy interventions and drastic structural changes to match their scale, expertise and skills, to be globally competitive. Here are some of the essential steps needed to get the manufacturing MSMEs back on track.

- Financial Incentives: RBI needs to immediately issue guidelines for higher provisioning revisions to banks, in the absence of which liquidity injection into the system is getting delayed. Instant availability of subsidies, with simplified processes for getting them without hindrance. Speedy cash flow issue resolution through GST refunds and short-term collateral free, low-interest loans to both large corporates and MSMEs. 95% + of MSMEs are not in the formal finance fold currently; an urgent review of alternate lending mechanisms and credit scoring criteria needs to be undertaken. Incentivizing export-heavy manufacturing industries like textile & apparel with new capacity addition subsidization
- Stable Power Supply: Impact of the power sector on the manufacturing sector and consequently India's growth can't be underplayed. Capacity under-utilization in the manufacturing sector is also a function of the quality of power.
- Protection of Labour: The exodus of migrant workers from cities and towns has become a worrying scenario for small manufacturing units, as workers are key to their survival. Steps need to be taken urgently to counter the reverse migration trend. Special transport for workers to facilitate their return to work. Unlocking government funds parked in Employees State Insurance Corporation (ESIC) as medical insurance cover and using part of them to impart training in occupation health and safety for MSME manufacturers. Providing assurance to laborers that if they fall ill, their hospitalization costs would be covered or subsidized, through Ayushman Bharat hospital insurance cards, if needed.
- Waivers for Raw Material: The extended lockdown has severely impacted the import of raw materials (sports goods, silk, rubber, etc.). Transport of these select imported materials should be allowed if they are stuck at ports or airports and Waiver of rents levied on MSMEs for raw material stuck at ports and container deports

According to McKinsey, a program of targeted reforms can significantly shore up economic fundamentals by enabling greater productivity in several sectors, and creating the 90 million nonfarm jobs India needs to create by 2030. The Atmanirbhar Bharat Mission was launched to face two burning issues simultaneously; one being boost to MSMEs and other being less dependent upon foreign nations. Out of 15 relief measures declared under this package, 6 were entirely focused to empower MSMEs that are:

1. Definition level change for MSME
2. Credit and Finance Scheme
3. Allocating Fund of Funds for Equity Participation
4. Relief in Non-Performing Asset
5. Clearing off dues to MSMEs
6. Disallowing Global Tenders

Steps taken under "Atmanirbhar Bharat Scheme" are; Collateral Free Loans to Businesses including MSMEs, Subordinate Debt for Stressed MSMEs, Equity Infusion through Fund of Funds and Global tenders to be disallowed

Proposed Action Plan of the Ministry for Next 3 Months to Combat the COVID Crisis is: Meeting Delivery Schedule, Delayed Payments, Meeting Fixed Cost, Escalation of Raw Material Prices and Credit Support for MSMEs

CHAMPIONS (Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength) - The Single Window System for the MSMEs:

CHAMPION is set up to promote a unified, empowered, robust, bundled and technology driven platform for helping and promoting the MSMEs of the country. It aims at Creation and Harmonious Application of Modern Processes for Increasing the

Output and National Strength. This is basically for making the smaller units big by helping and handholding, in particular, by solving their problems and grievances.

Figure 1: Image of CHAMPIONS



Source: https://champions.gov.in/Government-India/Ministry-MSME-Portal

Three basic objectives of the CHAMPIONS:

1. To help the MSMEs in this difficult situation in terms of finance, raw materials, labour, permissions, etc.
2. To help the MSMEs capture new opportunities in manufacturing and services sectors.
3. To identify the sparks, i.e., the bright MSMEs who can withstand at present and become national and international champions.

Ministry of MSME is taking steps towards making these enterprises global and improves the overall business environment, by making it more conducive and transparent for all stakeholders. The sector also holds answer to critical questions like Unemployment, Local Economy Development, Fiscal Deficit, Trade Balance, Financial Sector Development, SDG Alignment and so on. New steps taken by government are expected to act as a catalyst for the sector, not only to come out of pandemic related shocks but also to get ready for brighter future.

V. CONCLUSIONS

Micro, Small and Medium Enterprises contribute to economic development of India in various ways such as employment generation, providing goods and services at affordable costs. The current Market value of Indian MSMEs is $1 trillion which is expected to double by the end of year 2022. MSMEs contribute around 30% of the national GDP & 45% of the overall exports from India. The Government of India has taken various initiatives to make this sector a more vibrant and significant player in development of the Indian economy. The financial incentives introduced under Atmanirbhar Bharat Scheme will rescue MSMEs under the impact of lockdown & provide much needed liquidity to this sector but all this will may fall flat because the nation is facing issue of migration of laborers and companies have been stripped of its workforce.

MSMEs play an important role in reducing poverty by absorbing the unemployed workforce. Despite this importance MSMEs face several challenges – difficulty to receive timely finance for working capital, lack of sophisticated technology, non-availability of skilled workforce, and poor infrastructure facility. Marketing functions are also a challenge for MSMEs in which they face poor bargaining power, low-quality products, inefficient logistics etc. These problems must be addressed properly and special attention should be given to Micro Enterprises. The Government of India has taken several steps to improve the condition of the MSMEs. Through government interventions in the form of financial, infrastructural and technology support, MSME would be strengthened which will create more employment opportunities. The Government should continuously monitor such schemes and should concentrate on the smooth implementation of the schemes.

The MSME sector in India is growing at good pace & even is providing employment opportunities to masses of the people. The contribution of Manufacturing Sector as well as Service Sector of MSMEs in significant to the total GDP of the Country. The Govt. of India has taken number of initiatives & is in the process of gearing up the growth of these Micro, Small & Medium Enterprises in the country. The Govt. of India is also making number of tie-ups & agreements with the NGOs, Governmental agencies as well as with the Universities for making it sure that proper implementation of Governmental policies for setting up of MSMEs and entrepreneurs are properly guided for starting their ventures.

Despite the corona virus-led setback, there are immense opportunities for the Indian MSME sector to grow and thrive. All they need to do is to adopt changing trends and plan for the future.

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