

## ROLE, ISSUES AND CHALLENGES OF MSME'S SECTOR DURING COVID – 19 AND POLICY IMPLICATIONS IN UP (A CASE STUDY)

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### **ABSTRACT**

*India is a developing country and MSME sector is recognized as the backbone of Indian economy. The position of Indian MSME is the 2nd largest in world after china. It plays a significant role in accelerating the growth of Indian Economy, But in the period of COVID -19 Indian MSME is sector also facing very crucial and unpredictable situations, due to limited resources capacity. Textile and garment industries are an important and integral part of the MSME after Agro based industries of the country, because it provides huge of employment, greater GDP contribution and sufficient large foreign money. But due to pandemic, Indian textile and garment industry has also suffered and faced many challenges such as raw material supply, production, distribution channel and management etc. In this crisis, Face mask is accepted as an essential and safe item for pandemic. So production of face mask has provided a good opportunity for textile and garment industry. The state of Uttar Pradesh has largest number of MSME with share of 14.2% out of total MSMEs in the country. In this situation, UP government has promoted actively the work for MSME sector. This paper is based on a case study of mask production in UP, especially in Allahabad city now called Prayagraj. For the study, primary and secondary both types of data has been used. The main objective of this paper is (i) To study the Impact of Covid – 19 on various sector of Indian Economy and (ii) To study the role of MSME in generation of employment opportunities. The paper has divided into three sections. First section is related to Introduction part, second part discusses role of MSME in mass production and last section is related to conclusion and policy suggestions.*

**KEYWORDS:** MSME, Textile, Employment

### **INTRODUCTION: SECTION: 1**

Since last one year, the entire world is facing tough time; no country is left from the trap of COVID - 19 virus. As a result people's life and global economy have been disturbed. India is a developing country and MSME sector is recognized as the backbone of Indian economy, which is also very much suffered due to Covid – 19. The position of Indian MSME is the 2<sup>nd</sup> largest in world after china. It plays a significant role in accelerating the growth of Indian Economy, But in the period of COVID -19 Indian MSME sector also facing very crucial and unpredictable situations, due to **limited resources capacity as well as labor crisis** Consequences of lockdown have hit all sectors of Indian economy, it can be understood through following points:

- Due to complete lockdown export and Import of raw material and finished products like – organic chemical, mineral, fuel, cotton, etc. has been stopped which leads to a substantial trade deficit for India.

- The entire tourism value chain which includes hotels, restaurant, travel transports and agents has minimum level of action. The service sector loss account for 55% of GDP, It is estimated that the loss to tourism and hospitality industry will be round about \$ 2-1 billion for March and April 2020. The size of loss will be much larger in May-June 2020 and partially less in July – August 2020.
- Production in garment and textile sector is expected to decline by 10 – 12 % in April – June quarters of 2020. This sector is one of the largest employment providing sector in the country. It provides employment over 45million peoples. Due to pandemic, small level textile and garment factories are on the verge of closing situation They are working for one shift in place of two or three shifts. India totally depends on china for textile raw material such as synthetic yarns, trims, cotton, silk etc. It is also a major barrier and challenge for apparel and textile sector. The supply chain of raw material of textile and garments is roughly stopped.
- Most essential FMCG products are in demand.
- Construction work on different sites has been stopped. It is estimated that, job loss in real estate sector may be around 30%
- Education and skilling institutes are fully functioning on implement online learning mode, generally work from home.
- Most of consumers' preferring online shopping, but small businesses are not very much comfortable to adopt digital practices in its business activities.
- Lockdown has stopped the movements of human being, materials, finished and semi-finished products throughout the country, from villages to cities, from cities to mega cities, from urban to rural sectors. During lock down (I, II and III), partially goods and services are carrying essential items (food and groceries) from one place to another. Truth is that, transport have also been partially functioning one with higher freight rates due to **hike in prices of diesel and petrol.**
- Movement of goods from one country to another country has been stopped and major big challenge for MSME sector is, delay in launching of new products.

In totally, MSME sector in India, facing many problems because of low liquidity or cash flow, lack of workforce, Low production, low demand and level of production In this situation, corrective and supportive actions are required. Indian government has started taking some initiative, to maintain the MSME sector flow. India government has released fund of Rs 20 lakh crore (economic package for MSME sector), it is around 10% of country GDP, which will help in becoming **Self Reliant India Scheme (Atm Nirbhar Bharat Abhiyan)** successful may be a strong boost for make in India and vocal for local program. The state of Uttar Pradesh has the largest no. of MSMEs with share of 14.2% of total MSMEs in the country.

## SECTION: II

Textile and garment industries are an important part of the MSMEs after Agro industries, because it provides huge employment, GDP contribution and foreign money. But due to pandemic, Indian textile and garment industry has also suffered many challenges such as shortage of raw material supply, production, distribution etc. In this crisis, **production of**

face mask has made a good opportunity for textile and garment industry. Face mask is **accepted as an essential and safe item for pandemic**. It is compulsory curative & safe item for every individual for crisis covid -19 diseases and making a special place in textile industry. In Fact we may say that, mask manufacturing has provided great opportunity for the industry. Now, it is known as a new product line in fashion industry. Face mask is accepted as an essential and safe item for pandemic and making a special place in textile industry. Big and small, branded and non- branded all types of textile units are preparing variety of mask. Now it is becoming as a part of accessory. Leading Textile and Fashion retail brands such Fabindia, Puma, Raymonds, Aditya Birla, Peter England, Allen Solly, Louis Phillipe, Van Heusen, Madame, Khadi, SHGs, NGOs all are manufacturing creative designer masks to match with their collections. Not only textile manufacturers, even home tailors, lifestyle brands and fashion designers are cashing on the rising demand for fashionable face masks. Today it is available in the market in the price range of Rs. 5 to 1000. According to report of Business times (May August 2020) KVIC received nearly **900,000 Million** orders for production of face masks from across the country during April 2020. 14522 SHGs all over India produced 1,32,06,775 Crore mask.



Figure 1

Uttar Pradesh is one of the largest states of India. The state of Uttar Pradesh has the largest number of MSME with share of 14.2% of total MSMEs in the country. The UP government started khadi mask production through SHGs **with the aim of promotion of State Rural Livelihood Mission**. Now the UP government is ensuring widespread availability of these low-cost masks while generating employment for women in rural areas. With mask use consumption is becoming essential across the world; the industry is expecting big opportunity in the exports of mask at global level. Not only from Government side, many garment manufacturing units, tailors, boutiques, vocational centre and institutes and lot of peoples are producing masks at their homes after losing their regular jobs which have resulted in a large-scale availability of masks in the market. According to Census list, Allahabad district has emerged as most populous district in Uttar Pradesh. From the beginning of pandemic days, many institutions, vocational centers, manufacturing units, SHGs NGOs, Boutiques, Tailors, Entrepreneurs and many people (male and female) has started work on mask production and supply. In this crisis, they awaited a good opportunity for earning and employment through mask production such as entrepreneur development cell of Centre of Fashion design, National skill training institute, Jan seva Sansthan, Happy Culture and many more have earned money between Rs. 2000 to 5000 per month.



**Figure 2**

Every common man is using mask in daily life. In fact we can say that, it has become as essential and compulsory part of daily life & routine of everyone. It is easily available in retail and online stores in affordable price range and designs. Due to Covid pandemic, use of increased face masks in every time and everywhere is a must. As a result, the increased fast demand of face masks in the country and construction of face masks has started on a large scale in every part of the country. Lot of peoples has awaited this profitable opportunity and produced masks at their homes and earned money and generated employment, especially those peoples who had lost their regular jobs in crucial pandemic period.

In this situation, UP government has promoted activity for MSME sector such as: Financial Assistance and training program, Additional loans packages through SIDBI for those manufacturers who started manufacturing of medical kits (related to COVID such as mask, body suits, ventilators, testing lab, sanitizers etc.), Under Vishwakarma Shram Samman Scheme, govt. has arranged tool kits and special training programs for migrated artisans and workers who came from various states and places of the country to UP. Promoted self help groups (especially females) and arranged potential employment opportunity through the production of mask, sanitizer and home-made essential food items.

### **SECTION - III**

From every incident of life we should learn something new. It may be either positive or negative or both. It's time to **'Be Vocal for the Local'** and then **Local to the Global'**. To become **VISHVA GURU** we have to transform India "from Local to Global. MSME will encourage Indian economy for leading to top rank in economic arena. Thus MSMEs will play vital role for achieving dream for "Self Reliant India", therefore policy dimensions should also change for brighter future of Indian economy to the top rank. In order to materialize the policy objectives of MSMEs sector, all kinds of hindrances & hurdles should be minimized such as financial facilities, ease of doing business, administrative inefficiencies and red tapism.

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Figure 3

## Annexure – 1

**Table 1: State-Wise Showing Mask Production through No. of SHGs (April 2020)**

| No | State            | No of Districts | No of SHGs | Total Masks Produced (Nos) |
|----|------------------|-----------------|------------|----------------------------|
| 1  | Andhra Pradesh   | 5               | 4,281      | 25,41,440                  |
| 2  | Bihar            | 34              | 271        | 3,49,517                   |
| 3  | Chhattisgarh     | 24              | 932        | 5,49,712                   |
| 4  | Gujarat          | 33              | 367        | 10,49,319                  |
| 5  | Haryana          | 6               | 48         | 1,46,800                   |
| 6  | Himachal Pradesh | 8               | 150        | 1,00,000                   |
| 7  | Jharkhand        | 21              | 131        | 3,00,215                   |
| 8  | Karnataka        | 12              | 139        | 1,56,155                   |
| 9  | Kerala           | 14              | 306        | 15,77,770                  |
| 10 | Madhya Pradesh   | 52              | 1,511      | 10,04,419                  |
| 11 | Maharashtra      | 25              | 602        | 3,62,332                   |
| 12 | Mizoram          | 1               | 1          | 100                        |
| 13 | Nagaland         | 5               | 48         | 6819                       |
| 14 | Odisha           | 12              | 202        | 2,78,076                   |
| 15 | Puducherry       | 2               | 143        | 1,20,380                   |
| 16 | Punjab           | 15              | 575        | 2,43,268                   |
| 17 | Rajasthan        | 6               | 1,206      | 92,890                     |
| 18 | Sikkim           | 1               | 25         | 10,000                     |
| 19 | Tamil Nadu       | 32              | 1,927      | 26,01,735                  |
| 20 | Telangana        | 11              | 248        | 5,80,000                   |
| 21 | Tripura          | 4               | 45         | 4,650                      |
| 22 | Uttar Pradesh    | 49              | 968        | 3,64,894                   |
| 23 | Uttarakhand      | 10              | 112        | 4,74,490                   |
| 24 | West Bengal      | 17              | 284        | 2,91,794                   |
|    | <b>Total</b>     | 399             | 14,522     | 1,32,06,775                |

Source: Ministry of Rural Development, April, 4, 2020