SITUATION ANALYSIS OF THE PANDEMIC CHALLENGES ON SMES AND EFFECTIVENESS OF RELIEF POLICIES

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Abstract

The MSME sector plays a key role in India's economic development and has a substantial impact on the GDP and exports of the country. But MSMEs have faced severe exponential economic implications as a result of the lockdown when the COVID pandemic began spreading throughout the country.Considering the importance of small and medium enterprises in economic growth, employment generation, contribution to GDP and export, the Government of India provided various policy relief packages to manage the shock of COVID-19 pandemic. So, this study aims to assess the level of receptiveness and perception of medium and small enterprises towards those packages and measure the current status of issues aroused during pandemic. And also evaluate there is any relation between those relief measures and the current status of issues related to pandemic. The study reveals that there is a relation between the perception towards the relief measures and the current status of the issues they were facing after pandemic. And also, the perception and status of issues are different among small and medium enterprises as because of difference in receptiveness of relief.

Key words:- COVID Pandemic, Relief Package Perception, Current Status of Issues, Small and Medium Enterprises, Global Economy

*T*he effects of the Covid-19 outbreak, which disrupted economic activities throughout the second quarter of 2020, are still having an influence on the global economy. Governments everywhere introduced lockdown, social distancing, quarantine precautions and a variety of restrictions of commercial and business activities to prevent the spread of virus. Different nations and demographic groups experienced the pandemic differently.

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Particularly disadvantaged socioeconomic and income groups took the burden of the health and economic shocks of the crisis in all nations that were badly impacted by the pandemic. The effects of pandemic on India's economy have primarily been disruptive. Due to the steep decline in both domestic demand and exports, almost all sectors have been negatively impacted.

The Covid-19 pandemic has caused a disruption to the economy and put an enormous amount of pressure on State finances, resulting in a decline in Kerala's Gross State Domestic Product (GSDP) in 2020–21 compared to Budget Estimate for 2020–21. The lockdown also had a negative impact on state finances, particularly in the first quarter of 2020–21. To ensure quick recovery and to create jobs, the government intended to rebuild the economy through encouraging growth in the tourism, MSME, and agricultural sectors. Development and welfare initiatives continued, and capital expenditure were increased. Promotions of profitable and productive services were given priority.

Considering the importance of small and medium enterprises in economic growth, employment generation, contribution to GDP and export, the Government of India provided various policy relief packages to manage the shock of COVID-19 pandemic. This study aims to measure the perception of small and medium enterprises towards those reviving packages and their current status of issues that arose out of pandemic.

Literature Review

(Behera et al., 2020) the study revealed that during COVID-19, the majority of MSMEs will struggle to sell their products and get access to financing. They struggle to pay for costs including wages, power, rent, property and water taxes, phone and internet fees, and bank loans. Therefore, it is necessary to address their basic difficulties on a long-term basis, such as registration challenges, credit restrictions, marketing concerns, technological adoption, insufficient infrastructure, etc. The government must set up an ongoing monitoring mechanism and declare an urgent relief plan in light of the extensive COVID-19 disarray in order to boost trust in the MSMEs sector. It will be more inspiring to "Make in India" and "Digital India." In addition to increasing fiscal stimulus for this industry, e-market connectivity for MSMEs should be encouraged.

(Sipahi, 2020) found that the government must make sure that the measures are delivered to each stakeholder in the MSME sector by using appropriate procedures and tracking systems. It is clear that the MSMEs faced a long and difficult path ahead, but the urgent need is for early and effective policy interventions and actions that address the underlying causes of the crisis and uncertainty. It is crucial to note that COVID-19 is a crisis with an unpredictable ending; the government and businesses in every sector must collaborate and support one another to ensure a quick recovery for both the businesses and the economy.

(Dr. Pushkar Dubey, 2020) in their study concluded that the Indian

government has launched a number of attempts to address the issues facing MSMEs, but according to experts, no action is sufficient to address this calamity.

The study examines the current situation of MSMEs in the midst of the corona virus crisis and the impact that the introduction of a significant economic package has had on MSMEs and the nation as a whole. Experts claim that more actions must be implemented in addition to those made by the central government with the launch of this economic package.

(Bisoyi, 2021) the study found out that the MSMEs sector has suffered significant losses as a result of the extraordinary pandemic caused by Covid-19, and many of them are now devastated, demanding immediate action to help them recover. The MEs sector has been threatened by the Covid-19 pandemic lockdown, and any attempt to restart it will inevitably run into a number of immense issues like a lack of funding, a scattered and transient workforce, communication problems, supply-chain deadlock, stalling of import and export avenues, and so on and to offer some practical advice to help solve the issues.

A few studies on how small and medium-sized businesses perceive the pandemic relief measures that were offered and the current state of such challenges.

Statement of the Problem

The MSME sector plays a key role in India's economic development and has a substantial impact on the GDP and exports of the country. Additionally, it plays a big part in the growth of entrepreneurship, particularly in India's rural and semi-urban areas. The MSME sector is the second largest employer after agriculture. The sector supports large businesses and their value chain. The country's economy greatly benefits from MSME. But they do lack financial resources and crisis management expertise. MSMEs have faced severe exponential economic implications as a result of the lockdown when the COVID pandemic began spreading throughout the country.

Industries have been significantly impacted by the pandemic; resulting in a significant decline in revenue and fall in their profit margins. The shortage of raw materials, skilled labor, and adequate funding were only few of the difficulties Indian MSMEs faced. Due to a severe lack of Working capital and decline in demand, the industry was severely affected in terms of maintaining business continuity.   The   government's consideration for the distressed sector throughout the crisis has given the MSMEs a lot of encouragement. Government initiated various relief packages as policy measures to overcome the shocks of pandemic.

It is important to know the perception of small and medium enterprises towards those bounce back packages provided by the Government and the current status of issues aroused at the time of pandemic. It implies that those enterprises that were able to resolve the issues might have a positive opinion about relief packages and policy measures.

Objectives of the study

1. To measure the perception of Small and Medium Enterprises towards the COVID-19 relief measures by Government.

2. To find out the current situation of issues aroused during pandemic.

3. To find correlation between relief measures and current status.

Methodology

The study aims to find the perception of entrepreneurs of small and medium enterprises towards the COVID pandemic relief measures provided by the Government and the current status of issues that aroused out due to pandemic. A sample size of 50 respondents was selected based on convenience sampling. Out of 50, ten are small enterprises and

Table 1

Group Statistics

	Type of enterprise	N	Mean	Std. Deviation	Std. Error Mean
Relief measures with respect to electricity, relaxation in interest rates and tax rates, moratorium on repayment of loans, extension of tax due dates etc.	Medium	40	3.525	1.53569	0.24281
	Small	10	2.3	1.41814	0.44845
Provision of short-term credit to meet delayed payments temporarily	Medium	40	3.55	1.39505	0.22058
	Small	10	2.4	1.57762	0.49889
Relaxation in GST rates on raw materials to partially compensate for the price escalation	Medium	40	3.6	1.31656	0.20817
	Small	10	2.3	1.41814	0.44845
Provision of incentivizing digital adoption within the sector, promotion of digital literacy and e-commerce	Medium	40	3.5	1.4676	0.23205
	Small	10	2.6	1.42984	0.45216
Relaxation in statutory compliances like filing of GST returns in time and timely refunds of GST payments	Medium	40	3.45	1.4841	0.23466
	Small	10	2.4	1.07497	0.33993
Prioritize lending, provision of collateral free and subordinate debt at the time of equity problem	Medium	40	3.6	1.42864	0.22589
	Small	10	2.1	1.19722	0.37859
Utilization of Atmanirbhar Bharat Abhiyan	Medium	40	3.6	1.37375	0.21721
	Small	10	2.1	1.19722	0.37859

Source: Primary Data

forty are medium enterprises. A questionnaire using 5-point Likert scale has been designed to measure the perception and current status of issues among entrepreneurs. The Statistical Tools– Two sample T-test is used to measure the perception of relief measures among medium and small enterprises and Pearson's Correlation is used for measuring the relation between the relief measures perception and current status of issues.

Results and Discussions

Hypothesis Testing

H0: There is no significant difference between the perception towards relief measures and current status of issues between small and medium enterprises.

Table 2
Group Statistics (T-test)

	Type of enterprise	N	Mean	Std. Deviation	Std. Error Mean
Difficulties to meet the fixed expenses	Medium	40	3.55	1.44914	0.22913
	Small	10	2.4	1.64655	0.52068
Operational difficulties due to shortage of working capital	Medium	40	3.55	1.41331	0.22346
	Small	10	2.4	1.42984	0.45216
Shortage of raw materials and high prices of materials	Medium	40	3.5	1.37747	0.2178
	Small	10	2.5	1.43372	0.45338
Bring digitalisation in business activities and compliance procedures	Medium	40	3.625	1.44449	0.22839
	Small	10	2.4	1.42984	0.45216
Ease of financial and statutory compliances	Medium	40	3.425	1.43021	0.22614
	Small	10	2.3	1.70294	0.53852
availability of credit and ease of raising fund	Medium	40	3.525	1.39574	0.22069
	Small	9	2.5556	1.50923	0.50308

Source: Primary Data

Table 3
Independent Samples Test

Levene's Test for Equality of Variances				t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Difficulties to meet the fixed expenses	Equal variances assumed	0.224	0.638	2.186	48	0.034	1.15	0.52614	0.09213	2.20787
	Equal variances not assumed			2.022	12.713	0.065	1.15	0.56887	-0.08179	2.38179
Operational difficulties due to shortage of working capital	Equal variances assumed	0.044	0.835	2.296	48	0.026	1.15	0.50078	0.14311	2.15689
	Equal variances not assumed			2.28	13.744	0.039	1.15	0.50436	0.06636	2.23364
Shortage of raw materials and high prices of materials	Equal variances assumed	0.01	0.919	2.037	48	0.047	1	0.4908	0.01318	1.98682
	Equal variances not assumed			1.988	13.468	0.068	1	0.50298	-0.0828	2.0828
Bring digitalisation in business activities and compliance procedures	Equal variances assumed	0.092	0.763	2.403	48	0.02	1.225	0.50974	0.20011	2.24989
	Equal variances not assumed			2.418	13.969	0.03	1.225	0.50656	0.1383	2.3117
Ease of financial and statutory compliances	Equal variances assumed	0.591	0.446	2.143	48	0.037	1.125	0.52509	0.06924	2.18076
	Equal variances not assumed			1.926	12.365	0.077	1.125	0.58407	-0.14342	2.39342
availability of credit and ease of raising fund	Equal variances assumed	0.189	0.666	1.856	47	0.07	0.96944	0.5223	-0.08128	2.02017
	Equal variances not assumed			1.765	11.289	0.105	0.96944	0.54935	-0.2359	2.17479

Source: Primary Data

Table 4
Group Statistics

	Type of enterprise	N	Mean	Std. Deviation	Std. Error Mean
OVERALL RELIEF	Medium	40	3.5464	1.37019	0.21665
	Small	10	2.3143	1.27917	0.40451
OVERALL ISSUE	Medium	40	3.5292	1.34392	0.21249
	Small	10	2.4067	1.4374	0.45455

Table 5
Independent Samples Test

Levene's Test for Equality of Variances				t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
OVERALL RELIEF	Equal variances assumed	0.536	0.468	2.575	48	0.013	1.23214	0.47857	0.26992	2.19437
	Equal variances not assumed			2.685	14.626	0.017	1.23214	0.45887	0.2519	2.21239
OVERALL ISSUE	Equal variances assumed	0.017	0.897	2.331	48	0.024	1.1225	0.48152	0.15435	2.09065
	Equal variances not assumed			2.237	13.218	0.043	1.1225	0.50176	0.04032	2.20468

Source: Primary Data

Here in the case of perception of relief measures, with equal variance not assumed, t value is 2.685 and p value (sig) is 0.017; which is less than 0.05. Therefore, the average perception towards the relief measures of medium and small enterprises are significantly different from each other.

In the case of current status of issues, with equal variance not assumed, t value is 2.237 and p value is 0.043; which is less than 0.05. Therefore, the current status of issues of medium and small enterprises is significantly different from each other.

Hence, reject the null hypothesis at 5% level of significance and accept the alternative hypothesis of there is a significant difference in the perception of relief measures and the current status of issues between medium and small enterprises.

Only 30 per cent of small business owners believe these relief measures are helpful, with the remaining 70 per cent disagreeing. 70 per cent of people still experience all of the issues brought on by the pandemic and are dissatisfied with the relief efforts.

In the case of medium-sized businesses, 70 per cent appropriately embrace the relief measures and resolve their problems.

H0: There is statistically significant relationship between perception of medium and small enterprises towards the relief measures and current status.

From the above table 7, we can see that the Correlation between Relief measures and Status of Issues are statistically significant.

Hence, we reject the null hypothesis.

The test was undertaken to evaluate the correlation between perception of entrepreneurs towards Relief Measures

Table 6

Correlation between Relief and Current Status

Descriptive Statistics			
	Mean	Std. Deviation	N
Overall relief	3.3000	1.42923	50
Overall Issues	2.6933	1.41315	50

Source: Primary Data

Table 7

Correlations

		Overall Relief	Overall Issues
Overall Relief	Pearson Correlation	1	-.957**
	Sig. (2-tailed)		.000
	N	50	50
Overall Issues	Pearson Correlation	-.957**	1
	Sig. (2-tailed)	.000	
	N	50	50
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data

and the current status of the issues they were facing after pandemic. It is assumed that those who were having a positive perception towards relief measures will have lower issues in their business and vice versa. The correlation between these two has proved to be significant and both are inversely correlated.

Conclusion

This study attempted to measure the perception among medium and small enterprises towards the COVID relief measures and to assess the current status of issues aroused due to COVID pandemic. And is also tried to measure if there exists any association between the relief measures and the current status of issues.

It was shown that there is significant difference in the perception of relief measures and current status of issues related to pandemic among medium and

small enterprises. The medium enterprises received the relief packages and overcome their issues more than the small enterprises. And there is a statistically significant correlation between relief measures and status of issues. Those who were having a positive perception towards Relief measures will have lower issues in their business and vice versa. The correlation between these two has proved to be significant and both are inversely correlated.

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