Indian Micro, Small and Medium Enterprises Policy Changes During COVID Crisis: Marketing Implications and Way Forward

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Abstract

The COVID -19 pandemic has deeply impacted all the sectors of the Indian economy with MSMEs being the worst affected. MSME is considered as the growth engine of the nation and this sector contributes forty five percent of India's total manufacturing output and also employing close to 11 crore people. MSMEs also contribute towards Indian export and are currently contributing 40 percent of India's exports and also make almost 30 percent contributions towards national GDP. Due to lockdown and stoppage of economic activities it has triggered a panic among the MSMEs staring at a bleak future. In order to tide over the current crisis, government is providing help through funding and other needful support to these MSMEs. Purpose of this paper is to analyse the various Micro, Small and Medium Enterprises (MSME) policy announced and the impact of these policies on MSMEs in current Corona Virus Pandemic scenario. This paper provides an insight about the various MSME policy changes and its impact on the Indian MSME sectors. Also, this paper provides the current MSME landscape and how the current MSME eco system can change due to the revision in the MSME policies of India. Secondary research was used to develop this paper and data used in the study was collected from freely available public domain and have been referenced appropriately. Through analysis of publicly available relevant surveys, reports and research articles was researched to develop this research paper.

Keywords: COVID 19, India MSME, India MSME Policy, MSME, MSME Changes MSME Policy

Introduction

The current Corona virus (COVID 19) pandemic which was first detected in Wuhan, China has infected people and spread across continent except Antarctica. The spread has led to socio and economic down fall and left businesses around the world counting the costs. Due to Government enforced lockdowns, Businesses have temporarily shut down and many more are on verge of permanent closure and job loss. Fearing spread of virus people are staying at home or working remotely to prevent being infected or transmitting infections. As per United Nations (UN) study around 81% of the global workforce of 3.3 billion people had their workplaces partially or fully closed due to the Corona pandemic. Due to global shutdown millions of jobs have vanished and it is expected that global economy might enter into a recession phase. Leading International bodies and organization have warned of severe fallout arising due to the pandemic. As per head of the International Monetary Fund (IMF) Kristalina Georgieva referred to current scenario as worst economic crisis since the 1930s depression. Kristalina forecasts that developing countries and emerging markets will face the maximum impact and will require hundreds of billions of dollars as foreign aid. World economic growth is expected to be sharply negative for this year and is expected to recover partially in 2021 as per Kristalina Georgieva ('Worst economic crisis since 1930s depression', 2020). IMF has forecasted that due to the current pandemic, global economy will shrink sharply by -3 percent in year 2020 which is worse compared to 2008-09 financial crisis (World Economic Outlook, April 2020: The Great Lockdown, 2020).

Similar sentiments were also echoed by Organization for Economic Co-operation and Development (OECD) Secretary General Angel Gurría referring to the current economic trends as worse than the 2008 financial crisis or 9/11 terror attacks of 2001 and warned that the global economic growth recovery can take years together to happen. From employment and labor perspective the International Labor Organization (ILO), a United Nations (UN) agency has warned that the current outbreak can lead to a loss of 6.7% of working hours across the globe during the second quarter of year 2020. This is close to approximately 195 million full-time workers losing their jobs ('Worst economic crisis since 1930s depression', 2020). World Trade Organization predicts that due to current Corona virus pandemic all regions across the world will suffer trade decline in double digit this year. Maximum trade impact is expected for North America and Asian regions (Masters, 2020)

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Given the current circumstances the impact is huge not only on the global economy but also on certain groups of populations who are financially weak and the economically backwards classes of the economy who don't have the money and lack basic health amenities to fight the current pandemic. Oxfam an UK based charity organization has warned that more than half a billion people will fall into poverty as a result of economic fallout from the Corona pandemic ('Worst economic crisis since 1930s depression', 2020). Given the current scenario, UN's Framework for the Immediate Socio-Economic Response to the COVID 19 crisis refers to the current pandemic more that than a health crisis. They expect the impact on economies and societies to vary from country to country most likely it will increase poverty and inequalities at a global level. This makes the achievement of Sustainable Development Goals (SDGs) even more urgent. SDGs consist of 17 global goals designed to achieve a more sustainable and better future for all. SDGs were drafted by the United Nations General Assembly in 2015 with a recommendation to achieve these goals by 2030. It is expected that urgent socio and economic action has to be taken to minimize global suffering are reduced. The United Nations is spearheading the risk and mitigation functions through its 131 country teams serving across 162 countries to develop response plans and public health preparedness to the current pandemic (Socio-economic impact of COVID-19 | UNDP, 2020).

In order to tide over the crises multilateral institutions have announced support and bailout packages to its members. A 500-billion-euro bailout package has been agreed by finance ministers of European Union. This package will provide support as emergency lending and also needful assistance. In order to tide over the current and future crisis, European Central Bank (ECB) announced a no limits on ECB. Also, during this downturn, ECB agreed to buy up to 750 billion Euros bonds from the member countries. Giving preferences to emerging economies, International Monetary Fund (IMF) had blocked around $100 billion to provide monetary lending to countries facing financial and monetary crisis. Not left behind, World Bank also committed more than $150 billion to tide over the Corona pandemic scenario. (Masters, 2020)

Literature Review

Current Economic Impact Due To Corona Pandemic

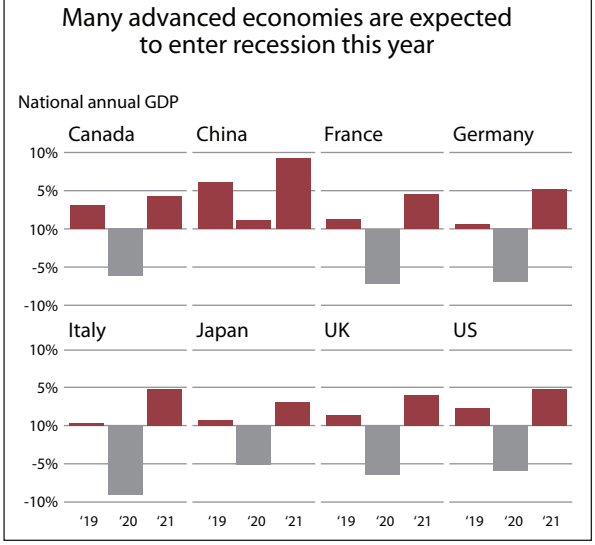
As people are keeping in door to avoid catching infection, it has impacted companies' maximum of which are currently in dormant state. Almost all country economy has taken a hit as a result of which all macroeconomic indicators are showing a decline trend. Due to the uncertainty in global trade and economic activity the financial markets are moving south. The Financial Times Stock Exchange 100 Index (FTSE), Nikkei and Dow Jones Industrial Average have witnessed huge falls ever since the Corona pandemic started around December 2019. Even The Dow and FTSE have seen the largest quarterly drop since 1987 in the first three months of the year. (Jones, Palumbo and Brown, 2020).

Since crude oil is dependent on the economic activity of a country, any down wards trends also impact the crude prices due to demand supply mismatch. Due to lock down across the world and people forced to stay at homes, the demand for oil has drastically come down. All modes of transport including air, train, ship, four wheelers and two wheelers came to a grinding halt due to lockdown. Due to low economic activity the demand for crude oil has come down and is currently at 21-year low. In United States for first time in the history price of a barrel of West Texas Intermediate (WTI) turned negative. Also, Brent crude benchmark used by Europe and rest of the world dipped to below $20 level to touch the lowest since last 18 years. Crude prices were also affected due to the differences between OPEC, oil producing groups and Russia on cutting the oil production. While OPEC and other countries have agreed to cut down the oil supply due to diminishing demands, still the current output is more than the current demand (Jones, Palumbo and Brown, 2020).

With company shutdown and economic decline many people have lost their jobs. In US one of the largest economies, 30 million people has filed for unemployment benefits which signals an end of decade of expansion. In United Kingdom approximately one million people have applied for unemployment benefits within a span of two weeks (Jones, Palumbo and Brown, 2020).

The current global economic scenario paints a gloomy picture due to the Corona pandemic. IMF has forecasted that due to the current pandemic, global economy will shrink sharply by -3 percent in year 2020 which is worse compared to 2008-09 financial crisis (IMF World Economic Outlook, April 2020 (World Economic Outlook, April 2020: The Great Lockdown, 2020). IMF has described the current decline as severe since the Great Depression of 1930s. While it is expected that most advanced economies will enter into a recessionary phase. Refer figure 1 for advanced economies GDP forecast. A positive trend as per IMF suggests that the global growth rate can rise to 5.8% next year if the pandemic gets eradicated in the second half of year 2020.

Figure 1: Risk of Recession Looming Large



Source: International Monetary Fund
https://www.bbc.com/news/business-51706225

Figure 2: IMF, World Economic Outlook, April 2020

The COVID-19 pandemic will severely impact growth across all regions.

	PROJECTIONS		
(real GDP. annual percent change	2019	2020	2021
World Output	2.9	**-3**	**5.8**
Advance Ecomomies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies		-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5 .2	4.2
Russia	1.3	-5.S	3.5
Latin America and the Caribbean	0.1	-5 .2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and CentralAsia	1.2	-2.8	4.0
Saudi A rabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020#Growth%20Projections%20Table

Across globe all countries are fighting the COVID pandemic and within few weeks have pushed the global economy to near recession which is expected to be more severe than the 2008 financial crisis. IMF has forecasted that due to the current pandemic, global economy will shrink sharply by -3 percent in year 2020 which is worse compared to 2008-09 financial crisis (IMF World Economic Outlook, April 2020 (World Economic Outlook, April 2020: The Great Lockdown, 2020). Refer to figure 2 for detail. Advanced economies will shrink at a greater rate around 6 percent. Emerging markets are expected to be less impacted and will slow down to 1 percent. India and China are the only two countries which are expected to show a positive growth at around 1 to 2 percent for year 2020. There is a lot of uncertainty, multiple factors like country public health responses, virus behavior and dynamics of infections, availability of vaccines, treatment options, economic and financial responses will decide on the depth and duration of slowdown. While the current corona virus pandemic is slowing down global commercial systems to crawl, however many countries including largest world's largest economies are leaving no stone unturned to escape this crisis. In order to slow down the business and job loss, many countries have started launching various COVID stimulus packages to fire the economic growth engines. In these uncertain times many countries are offering

and moving forward with bailouts which could total around $10 trillion (Masters, 2020).

Second largest economy of the world China started to open up the economic activity in April after suffering a complete lockdown due to coronavirus which originated in Wuhan, Hubei Province in late 2019. The lockdown measures led to steep decline in factory output, construction, retail sales and other economic activity. Due to the lockdown China overall gross domestic product (GDP) dropped to 7 percent in first quarter of 2020 which is the first economic shrink since last forty years. Central Bank of China reduced the reserve requirements for banks allowing them to loan an additional $80 billion to struggling business (Masters, 2020). It is expected that China will take a conservative approach towards since China has high debt levels currently at 60% of percent of gross domestic product and almost similar high trend is noticed for major advanced economies of the world. Japan is fighting out the pandemic slow down with a $ 1 trillion relief package. This package included travel and tourism coupons, deferred tax payments, citizen cash payments, interest free loans and monetary payments to mid-size and small business firms. Also, in late April Japan's central bank announced that it is willing to buy an unlimited government debt and also to double its purchase of corporate debt. As per a BBC report, Japan's stimulus package roughly constitutes around 20 percent of its GDP.

Germany economy is expected to shrink in range of 3 to 10 percent for the first time since 2009 due to Corona crisis. The government itself have forecasted a contraction of around 6 percent worst since last decade. Germany has allocated 350 billion Euros which is approximately 10 percent of the country GDP to fight the corona pandemic challenges. This bailout funds will be spent on struggling businesses, by making unlimited loans and taking over equity stakes. United Kingdom (UK) faces an economic slowdown while their leaders are still negotiating with European Union on post-Brexit relationship. Some of the emergency measures include providing treasury pledge in order to pay 80% of worker's salaries across months so that companies can avoid layoffs. Key measures also included reimbursing self-employed for lost wages, deferred tax payments, proving aid to charities, unemployment benefits and loan assistance program for mid-size and small companies. UK central bank, the Bank of England has lowered the benchmark interest rates to a record low at 0.5 percent. Bank of England also greed in early April to directly finance the government spending during the COVID crisis avoiding issuing debt in bond market by the government. The total bail out efforts is more than 400 billion pounds which is roughly around 15 percent of the GDP.

United States has been proactive to announce bailout packages. The Federal Reserve has been cutting down the interest rates to zero levels and also reducing the bank reserve requirements to zero. Also, central bank has been purchasing almost $ 2 trillion mortgage-backed securities, municipal debts, treasury bonds, corporates debt and extending the emergency credit lines to non-banking companies. In March the US Congress approved approx. $2.3 trillion bailout package. This includes direct payment of up to $1200 to individuals who earn less than $99,000 annual income. This group constitutes around 90 percent of the US total population. A second bailout package was announced almost a month later where US congress signed bill to provide close to half billion dollars in order to provide relief to small business and provide additional aid to hospitals fighting Corona virus infections (Masters, 2020).

Methodology

Secondary research was used to develop this research paper. Various key words which were directly or indirectly related to the research topic was searched though Google and other search engines to get relevant information related to the topic. Information which was publicly and freely available was considered. Authenticity of the data was validated from multiple sources and only those data which were relevant and to the topic of interest was considered in the current research paper. Quality checks for the data included but not limited to: Time frame (Latest available data was considered), data consistency from multiple sources, data from government sources and leading public bodies were considered when compared to private bodies. However, data limitation does exist which are commonly found while conducting secondary research. Given the current dynamic situation, the data provided is considered current. The views and opinions expressed are from the author and have no relations to the organization the authors are associated with. Data used in the study was collected from freely available public domain using secondary research and have been referenced appropriately.

Data analysis & Interpretation

Impact of Lockdown in India

India a nation of 1.3 billion people is facing one of the biggest crises in decades triggered by the corona virus pandemic. It is expected that the Corona pandemic induced lockdown is likely to result in millions of job losses, recession, economic de growth and possible starvation among the poor (Nag and Sircar, 2020). As per the Centre for Monitoring Indian Economy (CMIE), an independent private sector group estimated that in April, 122 million Indians

lost their jobs. Also, the hardest hits were daily wage workers, roadside vendors, hawkers, workers engaged in construction industry and those making a living by pushing handcarts and rickshaws. Also, as per World Bank estimates approx. 49 million people are expected to plunge into extreme poverty (earning less than $1.90 per day). In India, World Bank estimates that 12 million of its citizens will be pushed to the poverty level due to the current pandemic crisis. Further research in the CMIE data by The Rustandy Centre for Social Sector Innovation at the University Of Chicago Booth School Of Business found that the rural areas were hardest hit not due to the Corona virus infection but rather due to the economic misery due to the lockdown. As per the report more than 80% of Indian households had experienced a drop in income and many won't survive longer without aid (NEWS, 2020).

In response to the COVID 19 pandemic, the Indian government in March announced a $26.4 billion stimulus package. This stimulus package included direct cash transfers and food security to millions of poor people across the country. This package would help the poorer communities to tide over the economic crisis. However, this package was considered as too little by various economists and analyst as the total fund outlay was only 1 percent of the country's GDP and this was considered low when compared to 10 percent of the GDP with other countries like United States and Singapore (Billah, 2020)

Indian Small and Medium Enterprises MSME Policy Changes Announced During Covid Pandemic

Over the last five decades Indian Micro, Small and Medium Enterprises (MSME) has emerged as dynamic and vibrant sector of the Indian economy. MSME contributes significantly to the Indian economic and social development by promoting entrepreneurship and generating huge employment opportunities at lowest capital cost next only to agriculture. MSME as ancillary units supports large industries directly or indirectly offering mutual benefits contributing to the inclusive development of the country as whole. Off late MSMEs have spread across domains and sectors offering diverse range of products and services to meet both domestic as well as global market's needs (MSME, 2020). As per the latest MSME ministry FY19 annual report available, micro enterprises dominate the MSME sector. India has approx. 6.33 crore MSMEs out of which 6.30 crore are micro enterprises representing around 99.4 percent. Medium MSME are 3.31 lakh representing around 0.52 percent while small MSME represented at 5,000 unites capturing 0.0007 percent. According to the annual report the number of registered MSME in FY20 has grown by 18.49 percent to 25.13 lakh units from 21.21 lakh in FY19. The total number of registered MSME is the past five years stood at 90.19 lakh (Soni, 2020)

The COVID -19 pandemic has deeply impacted all the sectors of the Indian economy with MSMEs being the worst affected. MSME is considered as the growth engine of the nation and this sector employs around 11 crore people and accounts for 45 percent of India's manufacturing output. MSMEs also contribute towards Indian export and are currently contributing 40 percent of India's exports and also make almost 30 percent contributions towards national GDP (India, 2020). Majority of the MSME sector depends on day-to-day business to stay active and remains most vulnerable due to the extended lockdown and decrease in demand. Due to lockdown and stoppage of economic activities it has triggered a panic among the MSMEs staring at a bleak future. According to a survey conducted covering 5000 MSMEs by All India Manufacturers' Organization (AIMO), 71 percent were unable to pay wages for March month. This survey also further pointed to a glaring fact that around 43 percent will face closure if the current lockdown gets extended beyond eight weeks (Team, 2020). Realizing the seriousness of the situation, Union Finance Minister Nirmala Sitharaman announced a set of stimulus package amounting to nearly 5.94 trillion rupees (Rs) to provide relief to various sectors of the Indian economy including MSMEs. These measures were a part of a big umbrella of economic package announced by Prime Minister Narendra Modi. Total package was whopping 20 trillion rupees under scheme called "Atmanirbhar Bharat" package which means "Self Reliance" (Roychoudhury, 2020). Specific MSMEs policies announced in these packages are below.

MSME Policy Changes and Measures Announced by Ministry of Finance:

- **New Definition Of Msmes And Changes In Investment Structure**: Changing the definition of MSMEs upwardly has been on the government priority list since long time and Indian government has revised the definition which now takes into account both investment and annual turnover where earlier definition did not include turnover. The turnover-based classification is seen as better means of identifying MSMEs such as in services sectors like diagnostic labs and mid hospitals. These groups will now be able to qualify for the various benefits offered under MSME policy. Another major definition change was removal of distinction between manufacturing and service sector. Under new definition this is now a combined entity and no such difference exist. The revised definition changes have been accepted under the new policy and the changes are shown in table 1 and table 2. This new classification will come into effect from July this year.

Table 1: Existing MSME Classification

Criteria: Investment in Plant & Machinery or Equipment			
Classification	**Micro**	**Small**	**Medium**
Manufacturing Enterprises	Investment <Rs. 25 lacs	Investment <Rs. 5 crores	Investment <Rs.10 crores
Services Enterprise	Investment <Rs. 10 lacs	Investment < Rs. 2 crores	Investment <Rs. 5 crores

Table 2: Revised MSME Classification

Composite Criteria: Investment And Annual Turnover			
Classification	**Micro**	**Small**	**Medium**
Manufacturing & Services Enterprises	Investment < Rs. 1 crore. And Turnover < Rs.5 crore.	Investment < Rs. 10 crores. And Turnover < Rs.50 crore.	Investment < Rs. 50 crore and Turnover < Rs.250 crore.

- **Global tender disallowed up to rs 200 crores:** In order to safeguard the interests and to be more competitive, the government removed the clause of global tender for value up to 200 crores rupees. This will help the MSMEs of the country to participate in the tender process earlier were unable to do so due to stiff and unfair competition from foreign players. This will also help MSME to increase their business and growth to newer heights.
- **Rs 3 lakh crores collateral free automatic loans for business, including msme:** MSMEs and business have been badly hit due to the lockdown enforcement to contain the COVID 19 infection. In order to meet the additional funding needs 3 lakh crores rupees collateral free automatic loans have been approved. This will help MSMEs and businesses to meet operational liabilities, restart business and buy raw materials. Borrowers with up to 25 crore rupees outstanding and 100 crore rupees turnovers are eligible to opt for this scheme. While the interest rate is capped, loans will have tenure of four years with a 12-month moratorium on Principal repayment. Under this scheme 100 percent credit guarantee cover to Banks and NBFCs on principal and interest can be availed. To avail this loan facility no guarantee fee or any fresh collateral is required. It is expected that around 45 lakh units will be able to take the benefits from this scheme and resume business activity and also at same time safeguard the interest and employment of people. This scheme is open till 31st Oct 2020 (Ministry, 2020).
- **Announcement of subordinate debt scheme for MSMEs:** Reserve Bank of India and U.K. Sinha Committee had recommended setting up of a Subordinate Debt Fund, with partial guarantee support. Government announced making a provision of 20000 crores rupees and to provide a support of 4000 crores rupees under this scheme (MSME Package Final, 2020). This scheme is for MSMEs which are under stress or under Non-Performing Assets (NPA). While 20000 crores rupees will be provided as subordinate debt, 4000 crores rupees will be provided through Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It is assumed that CGTMSE will provide partial Credit Guarantee support to banks. Banks will provide support to the promoters of the MSME through debt, which will then be infused by promoter as equity in the Unit
- **Equity infusion through MSME fund of funds (fof):** Since MSMEs are facing a severe shortage of equity, Indian government decided to set up a Fund of Fund (FoF) with a corpus of 10,000 crores rupees. FoF will be operated through mother and daughter fund concept. The fund structure will help leverage 50,000 crores rupees at mother and daughter fund level. This will help MSMEs to grow in size and be viable but also will help them to get listed in stock exchanges.
- **Extension of employee provident fund (epf) till August 2020:** Employee Provident Fund is a statutory government fund which allows eligible companies to deduct up to 12 percent of basic from employees to provident fund corpus. Similar amount is also contributed to employee account by employers. Due to lockdown and some companies closed both companies and employees were unable to contribute to the scheme thus facing a payment default. In order to tide over the crises, the government announced to make 12 percent contribution for both employee and employee side for month March, April and May under Pradhan Mantri Garib Kalyan Package (PMGKP) scheme. This support is now extended to three months till August 2020. It is expected that will provide liquidity relief of 2500 crore rupees to 3.67 lakh establishments and provide benefit to 72.22 lakh employees.
- **Employee provident fund contribution reduced by 2 percent for business & workers for 3 months:** When business revenues are down and companies are shut down due to Corona pandemic, both companies and employees require fund. In order to have more funds in hand, government of India decided to reduce the statutory provision of 12 percent basic deduction to 10 percent of the basic deduction for all establishments covered by Employee Provident Fund Organization (EPFO) for

next 3 months. This reduction by 2 percent will provide more take home salary wages to employees and also will give relief to employers in payment of Provident Fund dues. This scheme is applicable to those workers who are not eligible for 24% EPF support under PM Garib Kalyan Package and its extension. This scheme will provide liquidity of 6750 Crore rupees to both employers and employees. It is expected that this will provide relief to about 6.5 lakh establishments covered under EPFO and about 4.3 crore such employees.

- **Other direct tax measures:** All pending government refunds to professions including proprietorship, partnership, LLP and Co-operatives, charitable trusts and non-corporate businesses will be made immediately. This will help these units to have more funds available to pay wages and to grow. Date of filing for Income Tax Returns have been extended from July 31st to November 30th, 2020, and tax audit from September 30th, 2020, to October 31st, 2020. This will help small MSMEs to focus on work and productivity rather than worrying about taxes for next few months.
- **Other interventions for MSMES:** All government and Central Public Sector Enterprises (CPSEs) pending receivables to MSMEs will be cleared within 45 days. Due to the current shutdown MSMEs are facing marketing and liquidity issues. Due to lock down it is difficult to arrange trade fairs and exhibitions which were used to promote and market MSMEs products and services to prospective customers. Government is proposing to set up an e-market linkage to replace trade fairs and exhibitions. Transaction based lending using the data generated by the e-marketplace will be done through Fintech (Ministry, 2020). In order to further strengthen the technological infrastructure for the MSME and provide a single platform, Prime Minister launched the technology platform 'Champions'. It is technology packed control room as well as management information center for MSME. The objective of Champions is:
    - o As option for Grievance redressal: To solve MSMEs problems related to labor, raw materials, finance, regulatory permission during COVID pandemic.
    - o Help in providing new opportunities like manufacturing of masks, ventilators and PPE kits and supply them to both domestic and international markets.
    - o Identify the stars MSMEs: The platform will be used to identify those MSMEs who are able to face the current COVID pandemic and can become future national and international champions (News, 2020)
- **Agro MSME Policy In Offering:** As per an announcement by Union minister Nitin Gadkari (Minister for MSME and Road Transport and Highway) announced that the government is working on developing an Agro MSME policy with an aim to focus on entrepreneurship development in rural, tribal, agricultural and forest areas for manufacturing products using local raw material (Trust of India, 2020)
- **Increase of minimum insolvency threshold:** Another major policy change having a positive impact on MSME was the increase of minimum insolvency threshold from 1 lakh rupees to 1 crore rupees as per announcement made by Union Finance Minister Nirmala Sitharaman. Also, she said that no fresh insolvency case will be initiated for next one year under the Insolvency and Bankruptcy Code. This will provide a big relief to the companies who might be under capital stress and default on loans due to COVID pandemic (Outlook, 2020).

Discussions and Suggestions

Indian MSME has been contributing significantly towards both economic and social development by promoting entrepreneurship. Indian MSMEs are also generating huge employment opportunities at lowest capital cost and is only next to agriculture. As per the latest MSME ministry FY19 annual report available, micro enterprises dominate the MSME sector. India has approx. 6.33 crore MSMEs out of which 6.30 crore are micro enterprises representing around 99.4 percent. Medium MSME are 3.31 lakh representing around 0.52 percent while small MSME represented at 5,000 units capturing 0.0007 percent. According to the annual report the number of registered MSME in FY20 has grown by 18.49 percent to 25.13 lakh units from 21.21 lakh units in FY19. The total number of registered MSME is the past five years stood at 90.19 lakh (Soni, 2020). The current lockdown due to Corona virus pandemic have impacted the MSMEs to such an extent that maximum is on verge of closure. Due to lockdown business operations is stalled and there is no capital generated from the business cycle. MSMEs are largely depended on day-to-day cycle for capital generation. Also, many MSMEs are unable to pay the salaries of their employees. Since most of the MSMEs are dependent on labour for manufacturing and productions, the lockdown and further restriction on the people movement have also impacted the MSMEs to re start operations as maximum labors have already left for their hometowns with a fair chance of their return once operations return to normalcy. The lockdown has also led to disruption in supply chain, export credit and warehousing operations. Also, MSMEs are suffering from credit crunch. Adding to the existing woes are the unpaid dues for the goods and services delivered to private and

government agencies. Even Indian government realized that MSMEs will collapse if sooner no stimulus packages are announced. Union Finance Minister Nirmala Sitharaman announced a set of stimulus package amounting to nearly 5.94 trillion rupees to provide relief to various sectors of the Indian economy including MSMEs. These measures were a part of a big umbrella of economic package announced by Prime Minister Narendra Modi. Total package was whopping rupees 20 trillion under scheme called "Atmanirbhar Bharat" package which means Self Reliance (Roychoudhury, 2020).

As per the stimulus package announced by Union Finance Minister Nirmala Sitharaman, out of the total 15 measures announced, 7 measures were directly focused on MSMEs only. Rest measures had indirect impact on the MSMEs. Some of these measures included the game changer re defining the MSMEs which was due for long time. Redefining the MSMEs based on both turnover and investment will help the MSMEs to grow which was earlier hindered due to fear of losing the MSME status once they cross the investment benchmark. With the revised definition, MSMEs will have lots of potential to grow. Since MSMEs were facing huge capital crunch they were under risk of getting insolvent and going bankrupt. As per the current norms, government of India can initiate insolvency proceeding with a threshold at 1 lakh rupees under the Insolvency and Bankruptcy Code. Due to the current COVID pandemic lots of MSMEs were on the verge of being insolvent. Finance ministry announced the insolvency limit enhanced to 1 crore rupees and also government will not file insolvency case till 1 year. This move comes as a huge relief to the struggling MSMEs who are on the brink of closure. Since MSMEs were facing a severe capital crunch the announcement of 3 lakh crores rupees collateral free automatic loans provides a big relief to sustain day to day operations. In order to be more self-reliant and for more growth opportunities, government removed global tender for orders up to 200 crore rupees. This move will help MSMEs to get more business and grow which was earlier lost due to stiff competitions from foreign vendors. To focus on the stressed MSMEs, government announced an additional funding support of 20,000 crore rupees subordinate debt to stressed MSMEs. It is expected that this will benefit around 2 lakh MSMEs. Providing MSMEs will additionally funding for their growth and viability was through a creation of fund of funds. 50,000 crore rupees is allocated to this fund which will help the MSMEs to grow. Also, it was announced that government will pay all the dues pending to MSMEs within 45 days. This will help the cash crunch MSMEs in getting the dues which otherwise would have taken days or even months to get the money during normal course of time.

Conclusion

Global and domestic rating agencies were unanimous that the current corona virus pandemic will be an economic tsunami for India. It is expected that India might not slip into recession due to stronger trade ties with China when compared to US or Euro zone, however analyst belief that the GDP growth impact will be significant (Mathew, 2020). It is expected that without any fiscal stimulus, both domestic industries and MSMEs are likely to enter a slowdown phase with MSMEs being impacted a lot. Considering the current situation, the need of the hour is arrive at a decisive plan to revive the MSME sector by the government. The much-awaited relief package for the MSMEs will definitely provide a sigh of relief to this sector which is struggling with labor, capital and supply chain crunch due to the economic slowdown and lock down induced due to the COVID 19 pandemic. Key measures introduced like subordinate debts, clearing of government dues, change in MSMEs definition, credit guarantees and creation of fund of funds would provide the needful cushion to stop de growth and escape from closure.

While the current stimulus package announced by the Finance Ministry will provide temporary relief by addressing the short-term liquidity, also important is to address medium and long terms requirements of the MSMEs. Post pandemic MSMEs will continue to struggle with working capital and labor and will need the support of financial institutions and government to lend a helping hand to the MSME sector. MSMEs will need to rework on their budgetary requirements and restructure accordingly as per need and requirement of the business to navigate the COVID pandemic challenges successfully.

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