

# Chapter 14

## The Socio–Economic Impact of the Pandemic on the Micro–, Small–, and Medium–Scale Enterprises

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### ABSTRACT

*The micro small and medium scale industry in India is an important sector, as it has contributed tremendously to the economic as well as social development. It has not only encouraged entrepreneurship but has also been instrumental in generating employment. The sector supports large-scale industries as it offers a wide range of products and services. The Covid 19 pandemic is having an impact on the sector such as loss of profit and revenue, loss of employment, and working capital problems. The chapter covers the impact in three stages: pre-pandemic, during the lock down, post-lock down and post-pandemic. It studies the remedial measures undertaken to revive and sustain the sector. It traces the risks, challenges, and opportunities for the sector. The chapter focuses on the journey of the MSMEs Sector from before the pandemic to the current situation and tries to analyse what lies ahead.*

### INTRODUCTION

The micro small and medium scale industry in India is a key sector as it has contributed tremendously to the economic as well as social development. It has not only encouraged entrepreneurship but has also been instrumental in generating employment. The sector supports the large scale industries as it offers a wide range of products and services. (Annual Report 2019-2020).Micro, Small and Medium Scale Enterprises is one of the key sectors contributing to the Gross Domestic product and exports.

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Micro, Small and Medium Enterprises (MSMEs) manufacture steel products, chemicals, spare parts, auto components, and products supplied to the Original Equipment Manufacturers for OEMs, ceramic tiles, brass metal industry. The Micro Small and Medium Scale Enterprises sector not only manufactures engineering products it is also involved in the manufacture of Agro based products such as honey and beekeeping, bamboo and cane, processing of fruit, vegetable, pulses, cereals. Not only manufacturing the Micro Small and Medium Scale Enterprises sector is in the service sector as well such as maintenance of electrical goods. It has an urban as well as rural presence. Products such as coir, khadi, auto components are manufactured by the Micro, Small and Medium Enterprises

The Micro Medium and Small scale industries act was passed in the year 2006 to address various legal issues of the sector and also promote their development. The act defined the Micro, Medium and small Scale industry. The Micro Small and Medium Scale Enterprises Act, classified the Micro Small and Medium Scale Enterprises as the Manufacturing Sector and Service sector. The act was passed in 2006 and covers definition of the micro small and medium scale units, payment to the Micro Small and Medium Scale Enterprises. The objective of the Micro Small and Medium Scale Enterprises act is to protect the interests of the entrepreneurs and encourage the Micro Small and Medium Scale Enterprises

The Definition of Micro Small and Medium Scale enterprises before 2020 were as follows, the parameters were changed in the Pandemic. However the grievous definition was based on the Investment in Plant and Machinery.

*Table 1. Manufacturing sector*

Enterprise Category	Investment in Plant and Machinery
Micro Enterprise	Not Exceeding Rs 25 Lakhs
Small Enterprise	More than Rs 25 Lakhs but less thanRs 5 Crore
Medium Enterprise	More than Rs 5 Crore but less than Rs 10 crore

Source: Micro Small and Medium Scale Enterprises ACT 2006

*Table 2. Service sector*

Enterprise Category	Investment in Plant and Machinery
Micro Enterprise	Not Exceeding Rs 10 Lakhs
Small Enterprise	More than Rs 10 Lakhs but less thanRs 2 Crore
Medium Enterprise	More than Rs 2 Crore but less than Rs 5 crore

Source: Micro Small and Medium Scale Enterprises ACT 2006

There are various schemes and portals created for encouraging and supporting the micro small and medium scale enterprises sector such as the MSME Samadhaan which is a Portal created by Office of DC (MSME), Ministry of Micro, Small and Medium Enterprises (MSME) Micro and Small Enterprises (MSEs) can file their applications online regarding delayed payment on this portal. There are a number of schemes, packages and training programs offered through government agencies. Loan, funds and resources are made available to support the sector.

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