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## Challenges and threats faced by MSME'S post lockdown due to migration of labours

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### Abstract

As we all are aware of the migration of labourers just as the lockdown was announced, the factories and the industries including MSME's were shut down as there was no raw material for the production nor the labours could work due to the spread of Corona virus COVID-19. The reason was social distancing. Though the government had requested the industry at large to maintain labour wage payment during the lockdown thought there was no work for the labourers and there was no revenue generation for most of the industries resulting in non-payment of wages leading to heavy migration of the starving labourer as they had no income to buy food. And if we say they would have been paid then also due to lockdown the necessary items supply was not available in sufficient quantity for the survival of the people. Due to lack of income and lack of proper food supply especially in case of economic weaker section of the society, the labour decided to migrate back to their home town which was again not an easy task because of the absence of transportation facility. The people had to walk for miles hungry and thirsty along with small kids and old people.

Now when the lockdown gets over it's a big question "whether the migrant labour will come back to work?" And even if they do come then what shall be the cost of their coming back? And if they don't then how will MSME's up with the production of goods?

**Keywords:** MSME, Migrants, lockdown, COVID-19, post lockdown

### Introduction

The outbreak of the COVID-19 pandemic is an unprecedented shock to the Indian Economy. The economy was already in parious state before COVID-19 struck. With the prolonged country wide lock down, global economic downturn and associated disruption of demand and supply chains, economy is likely to face a protracted period of slowdown. The magnitude of the economic impact will depend upon the duration and severity of the health crisis, the length of the lockdown, and the way the situation unfolds once the lockdown is lifted.

The Micro, Small and Medium Enterprises (MSMEs) sector has emerged as a highly vibrant and dynamic sector in the Indian economy over the last five decades. MSME sector had saved India's economy from great recession in 2008 and still contributing like the backbone of the economy.

### As per MSME Act-2006, The MSMEs are classified into two categories

**1. Manufacturing Enterprises**-The enterprises engaged in the manufacture or production of goods (as per Development and Regulation) Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.

**2. Service Enterprises**:-The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

In the month of February 2018, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a change in the definition of the MSMEs.

Presently there are 63 million MSME's in India and the employment is about 90% labour. MSME's contribute about 28% in GDP and 45% in the total exports. After agriculture sector, MSME's is the second biggest source of employment. But, MSME's are severely affected by the lockdown as the labour has migrated to their home town.

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Amid uncertainty as to when the situation will normalize, a sharp downturn is expected in various indicators of the manufacturing and services sectors. The high impact sectors in terms of risk on account of COVID-19 are aviation, hotels, restaurants, jewellery, retail, shipping, non-essential items; exports; and supporting sectors like electricity, and port services. The impact of lockdown on the social sector, concerning daily wage workers and poor and vulnerable sections of the society has been immense. It is undoubtedly the need of the hour to prepare for a future that is sustainable, structurally more viable for living and working. Even as some categories of units are taking steps to recommence operations, availability of finance, labour and raw material, and payment of wages remain major concerns for MSMEs (micro, small and medium enterprises) in the country.

These were the findings from a survey conducted by All India Manufacturers Organisation (AIMO) across India.

"AIMO has taken the role of the coordinated voice of the MSME sector in highlighting the issues faced by more than 58 million units employing over 120 million people. While numerous requests have been made to the Central and State governments for financial packages and support, the survey reveals that MSMEs would face multiple challenges in the post-lockdown period," according to Sudharsan Sareen, National President of AIMO.

#### **Problems faced by MSME's due to lockdown**

1. As per the findings of AIMO about 66 per cent of the entrepreneurs cited cash flow as a major issue due to their inability to make wage payments for April, which normally happens between 1st and 5th of the month, as the receipts from the customers have dropped to zero and there has been no advance received during March and April for fresh orders.
2. As per KE Raghunathan, Past President, AIMO, over 91 per cent of entrepreneurs have not fully paid the wages and salaries for April.
3. About 92 per cent of entrepreneurs indicated raw material unavailability as another major concern when the lockdown ends. Units may reopen with a possible higher price, lower credit from vendors, settlement of previous dues and higher minimum quantity being the key concerns that are likely to crop up.
4. About 72 per cent of the entrepreneurs felt that labour issue was a concern area, as getting migrant workers back will be difficult. Such workers may not be traceable if they get their March and April salaries paid in full and are allowed to return back to their native places during this period.
5. Cities like Delhi, Chandigarh, Mumbai, Surat, Ahmedabad, Bangalore, Pune, Hyderabad and Goa will see substantial impact due to loss of migrant workers in next 6-9 months further endangering the business prospects of MSME Sector.
6. Most MSMEs are finding it very difficult to assess and determine how much to pay as some of them may have worked from home like their sales staff whereas the production staffs has been idle at home.
7. Procedural delay- About 82 per cent of the respondents felt their banks did not pass on any reduction in the interest rates on existing loans taken even though the RBI Governor had announced it during the course of the lockdown. "Procedural delays and fine print were

worrisome challenges faced by MSMEs today," said Raghunathan.

8. For over 94 per cent of the entrepreneurs, survival was the biggest challenge and profitability was the least of their worry. Respondents felt they are unable to plan or budget due to the uncertainty of the impact of this pandemic.
9. Union Minister for Micro, Medium and Small scale Enterprises (MSME) Nitin Gadkari said the flight of migrant labour from cities was a serious issue in any post lockdown plan for economic revival but added that it would be up to the State governments to evolve guidelines to allow their return.

#### **Challenges faced by MSME's due to migration of labour**

1. Manpower will be a constraint, with MSMEs indicating that 30 to 70% of their pre-COVID workforce might have migrated back to their hometowns due to uncertainties and loss of income due to lock-down. It will be a challenge to convince staff to return or acquire new staff, and the staff changeover is expected to impact negatively on productivity, quality and defect rates, adding further to financial concerns.
  2. Machinery and stocks of raw materials, work in progress and final product will have degraded due to lockdown. MSMEs will need to undertake outstanding maintenance and service and clean out wasted stocks, before they can resume operations, at a significant cost and with likely write offs to stocks currently trapped on-site.
  3. Ensuring timely supplies of essential inputs without price hike, is a concern. Particularly those MSMEs that are critically dependent on specialized parts from other states or internationally express concern on their vulnerability to supply shortages.
- Forward planning has started
4. Even though MSMEs have started to think through potential solutions to the many and diverse startup challenges, forward planning still appeared to be in its early stages. Many trust that their problem-solving skills will help them succeed to address the issues one at a time on the go, whereas others put emphasis on their systematic problem-solving capabilities.
  5. MSMEs have started to consider work force related solutions, through ongoing communication with workforce (including those who returned to their home state), setting up of buddy systems (potentially with retired employees and/or client technical staff), engagement with Industrial Training Institutes (ITIs) and hiring of temporary workers on walk-in basis. To ease their financial crunch, MSMEs have started to look at options to reduce or defer less-essential expenses (including reduction of stock, deferment of investments, etc.), to secure income (including outstanding dues from buyers, particularly government and Public Sector Undertakings (PSUs)), to access additional working capital (through low interest loans and/or from retained earnings) and/or to appeal for government fiscal and/or financial support.

#### **Consequences of behaviour changes forced by lockdown on migrant labours**

- Labour will not be available soon after lockdown.

- Rehabilitation of migrant labour is going to be an urgent need to mobilise resources to stimulate the economy for increased employment which in turn stimulate demand.
- After lockdown it should be ensured that the migrant labour is available for the revival of MSME and construction sectors.
- Lockdown will put pressure on MSME's and farm sector.
- Social crisis created by COVID-19 pandemic increased inequality, exclusion and discrimination in unemployment in the medium and long run.
- Apart from providing robust safety nets for the vulnerable, a focus on ensuring job continuity and job creation in non agriculture sector will be imperative.

### **Keeping safe with COVID19**

Several MSMEs had already started pre-lockdown with some COVID19 measures for infection prevention and control, particularly through awareness and communication (on hygiene, social distancing, etc.) and in some cases provision of hand sanitizers, masks and gloves. This forms the basis for stepping up preventive measures post lockdown, for which MSMEs are looking at government for specific guidance. Common measures under consideration are health checks at factory entrance, provision of Personal Protective Equipment (PPEs), staggering of shift and break times to minimize congestion of people, maintain social distancing during work and compulsory use of Aarogya Setu application. One shelter in east Delhi, located in a school building, run by the city government is home to 380 migrants where all migrants have one question "When can I go home?"

### **Conclusion**

The soon-expected end of corona virus-led lockdown may not be the end of troubles for many, especially labourers, migrant workers and MSME sector at large. The end of lockdown is likely to start a new phase of problems. India must take steps during the corona virus lockdown to protect its Micro, Small and Medium Enterprises or MSMEs and guarantee a revival plan. Post-lockdown, there is already an anticipation of the shortage of labour that enterprises are likely to face, whether small or large. The moratorium taken by MSME's should be extended from 3 months to 6 months with nominal or no interest during lockdown and for 3 months post lockdown. Electricity bill with minimum charges should be waived off as the industry is under lockdown.

Liquidity is the key to the revival of MSMEs. The micro and household enterprises will suffer the most and therefore public support must be extended to microfinance institutions (MFIs) and Non-Banking Financial Companies (NBFCs) that provide loans to MSMEs. They, in turn, must pass on the benefit to their borrowers. The credit guarantee trust may need buttressing so they can further guarantee lend to MSMEs. Payments stuck with large public and private sector units must be released as soon as possible. Raw materials that are sourced from distant places are not coming in due to the lockdown. Transport of these select imported materials can be allowed if it is stuck at ports or airports. The rent of the ports as their material is stuck should be waived off. Promotion of e-marketplace for

artisans whose marketing channels as *melas* and trade fairs will not take place for quite some time now.

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