

# Effect Of Covid19 on Small Scale Industries in Ernakulam District, Kerala

Jiby Babu P<sup>1</sup>, Dr Kalpana<sup>2</sup>

<sup>1</sup>Doctoral Scholar, PG & Research Department of Management, Sree Narayana Guru College Palakkad-Coimbatore National Highway, K G Chavadi, Coimbatore, Tamil Nadu- 641105

<sup>2</sup>Principal, Sree Narayana Guru College, Palakkad-Coimbatore National Highway, K G Chavadi, Coimbatore, Tamil Nadu- 641105

## Abstract:

Pandemics are not new to our world it has occurred many times in our history. But covid-19 is more destructive than other pandemics which affect the whole world. The covid-19 pandemic has massive destruction across the globe. The novel coronavirus has been officially named COVID-19 by the WHO on Feb 12, 2020. “CO” stands for “Corona”, “VI” for “Virus” and “D” for “Disease”, while “19” stands for the year when the outbreak was first identified (on December 31, 2019). It causes widespread loss and destruction. The covid-19 pandemic has created an unprecedented recession in all sectors of the economy, a huge loss in production, and increased unemployment and poverty. This paper aims to find out the effect of covid19 on small-scale industries in Ernakulam District, Kerala

**Keywords:** Covid19, Small scale Industry, Pandemic, Lockdown, MSME

## INTRODUCTION

Small scale industries are referred to as those industries in which the process of manufacturing, production and servicing are done on a small scale. The investment on such industries is one time and these investments are mostly done on plant and machinery, the total investment on such industries do not exceed 1 crore. Small scale industries or SSIs are known as the lifeline of an economy, which is very important for a country like India. Being a labour intensive industry, it is very helpful in creating employment opportunities for the population of the country. They are also a crucial part of an economy from a financial standpoint, as they help in stabilising the per capita income of the country. The economic impact of COVID-19 is on every sector and the most affected sectors among these are hotel, textiles, furniture, food processing, export-oriented units etc. and impacted in unemployment, income, poverty and many more variables. The impact of the virus spread led to a huge loss as global trade is severely affected. Tripathi (2020) found that the announcement of country wide lockdown dragged MSME owners, employers and external stakeholder in unexpected times, where no one had experience to handle this kind of situation. Some of the companies shifted from non-essentials to essential commodities like the production of PPE kits, reusable masks etc. Many of them cut shortened their workers due to lack of funds for paying salaries to the employees. The new steps taken by the government to protect these MSMEs from unemployment, economy development didn't reach that much as expected. The MSME's are the largest employers in India. Kerala is the first state that started micro financed projects such as Kudumbasree.

### Problems of Micro Enterprises Sector

Micro enterprises growth has a direct impact on the growth of an economy on a global level. In India, micro enterprises are one of the backbone sectors of the economy. This sector, however, is facing a lot of internal and external problems. Although the causes of problems differ between different industries, they are generally caused by poor management practices, marketing strategies, technological advancements, financial challenges, government policies, globalization and outside competition. Micro enterprises are struggling with the following concerns:

- Lack on marketing strategies
- Lack of raw material
- Inadequate labour
- Lack of proficiency in management
- High cost of production
- Lack of finance
- Out dated technology

As micro enterprise is imperative for the economic development of the country, utmost care must be taken for proper handling the sector in Kerala in the era of globalisation

### KERALA'S ECONOMIC PACKAGE DURING THE LOCKDOWN: AN ASSESSMENT

Kerala was one of the first governments in India to announce an economic revival package in March 2020. The total size of the package announced in March was of the size of RS 20,000 crore. The disaggregation of the package was as following:

- Seven months of welfare pensions was to be paid in lump sum to the pension-beneficiaries.
- For those BPL households not eligible for welfare pensions, RS 150 crore was to be set aside for a relief payment of RS 1,000 per family.
- RS 100 crore was set aside for providing free food grains to families in need.
- RS 500 crore was set aside for a comprehensive health package, where focus was to be on improving public health infrastructure and equipping the state to face the pandemic.
- RS 2,000 crore was set aside for the expansion of the employment guarantee program.
- The government has launched a Rs 3,000 crore no-collateral loan scheme that will benefit 45 lakh MSMEs
- Entertainment taxes for cinema halls were reduced.
- There was relaxation in the deadlines of water and electricity bill payment for affected Sectors.
- Loans worth RS 2,000 crore to be distributed through the Kudumbasree Mission to female She Help Groups(SHG's)
- Autos and taxis were given relaxation on payment of fitness charges. Passengers vehicles were also given tax relief.
- The Kerala State Industrial Development Corporation (KSIDC) offered a three-month moratorium period with no penalty interest and a loan amount of up to 50 lakhs.
- Introduction of the "VYAVASAYA BHADRATHA" interest subvention scheme for new/additional term loans/working capital loans for a period of six months.
- The Atmanirbhar Bharat Abhiyaan package prioritises the MSME sector in reviving the economy.

## CONCLUSION

Micro Enterprises have become more vulnerable due to the negative impacts of covid-19. Challenges with respect to inadequate labour, delay in orders, financial liabilities and decrease in the sales were the ill effects from the pandemic. The study was more focused on micro enterprises in Ernakulam district in Kerala. From the study, it was found that all the sectors were negatively affected by the pandemic like facing payment delay, lack of technology, legal compliance issues and shortage of raw materials. Majority of the units faced each of these challenges as well as there were even other firms that had no challenges, due to the support from wealthy investors. Most of the enterprises agreed that hiring additional staff was the major challenge. There were layoffs in some of the enterprises during the pandemic, for which the main problem of the enterprises was financial requirement. Hence, the study was based on several problems faced in terms of production, employment, sales and finance. However, the circumstances be, the micro enterprises will sustain after the pandemic due to all forms of support from the government and other banking firms.

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