

Press Release - 14% MSMEs permanently exited business during Covid-19 pandemic

November 19, 2022: The Covid-19 pandemic and the ensuing lockdown has hit the micro medium and small enterprises (MSME) the hardest. Now, a survey by the Global Alliance for Mass Entrepreneurship (GAME) shows that almost 14 per cent of the surveyed entities have permanently exited business due to failure of proper cash flow and business.

Back in March 2020, the Centre had issued a strict lockdown to curb the spread of the Covid-19 virus. India was one of the countries where the lockdown was strictest with businesses and services being shut overnight. Mass exodus of migrant workers was witnessed and MSMEs struggled to keep their business afloat. While the central government had come up with a slew of measures to help the sector, micro units complained of pains two years after the lockdown.

The report, a copy of which was shared with The Indian Express, showed that low sales and the overnight stoppage of customer footfalls was the major pain point of the micro units. As much as 14 per cent of the surveyed units have permanently closed down and 38 per cent of them cited lack of savings and customers as the reasons for the exit.

Lack of enough savings had led to 40 per cent of the micro units applying for credit. While the heartening finding was that 85 per cent were able to raise funds, a vast majority of them — 92 per cent — had asked for help from friends and family but later shifted to financial institutions for credit. Around 33-41 per cent of the micro units were denied credit due to a variety of reasons.

Mass lay-offs the survey showed was not the practice in micro units which was against the popular belief. Units tried their level best to retain their workers with some even going the extra mile to pay the employees in advance. As much as 55 per cent of the employees who were laid off were women, the survey found. Overall, 34 per cent of the micro units had downsized and the survey revealed that micro businesses led by women laid off more than the units led by men.

Ravi Venkatesan, co-founder of GAME, said, “There is a dire need for building adequate knowledge of bank managers, field officers and banking correspondents on bank and government schemes. This study shows that of those surveyed, only 31% were aware of schemes launched under the Atma Nirbhar Bharat initiative. As a part of the package, financial institutions introduced a credit product for MSMEs whose loan accounts were categorised as special mention accounts by lending institutions. While this was created to support MSMEs unable to repay loans, similarly, financial solutions can be created to encourage business modifications as a response to external challenges.”