

Archiving The Times

Mapping Small Businesses

Professor Pankaj Chandra and Team

Introduction To The Studio

- Archiving the Times Studio was aimed at recording what was happening around us and looking at what the pandemic brought in
- Our group focused on mapping the small businesses - voicing their troubles, looking at responses of various entities and the way forward
- For this, we conducted close to forty interviews, referred to more than two hundred research papers, news articles, blogs and videos to collect as much data as we could and understood the situation

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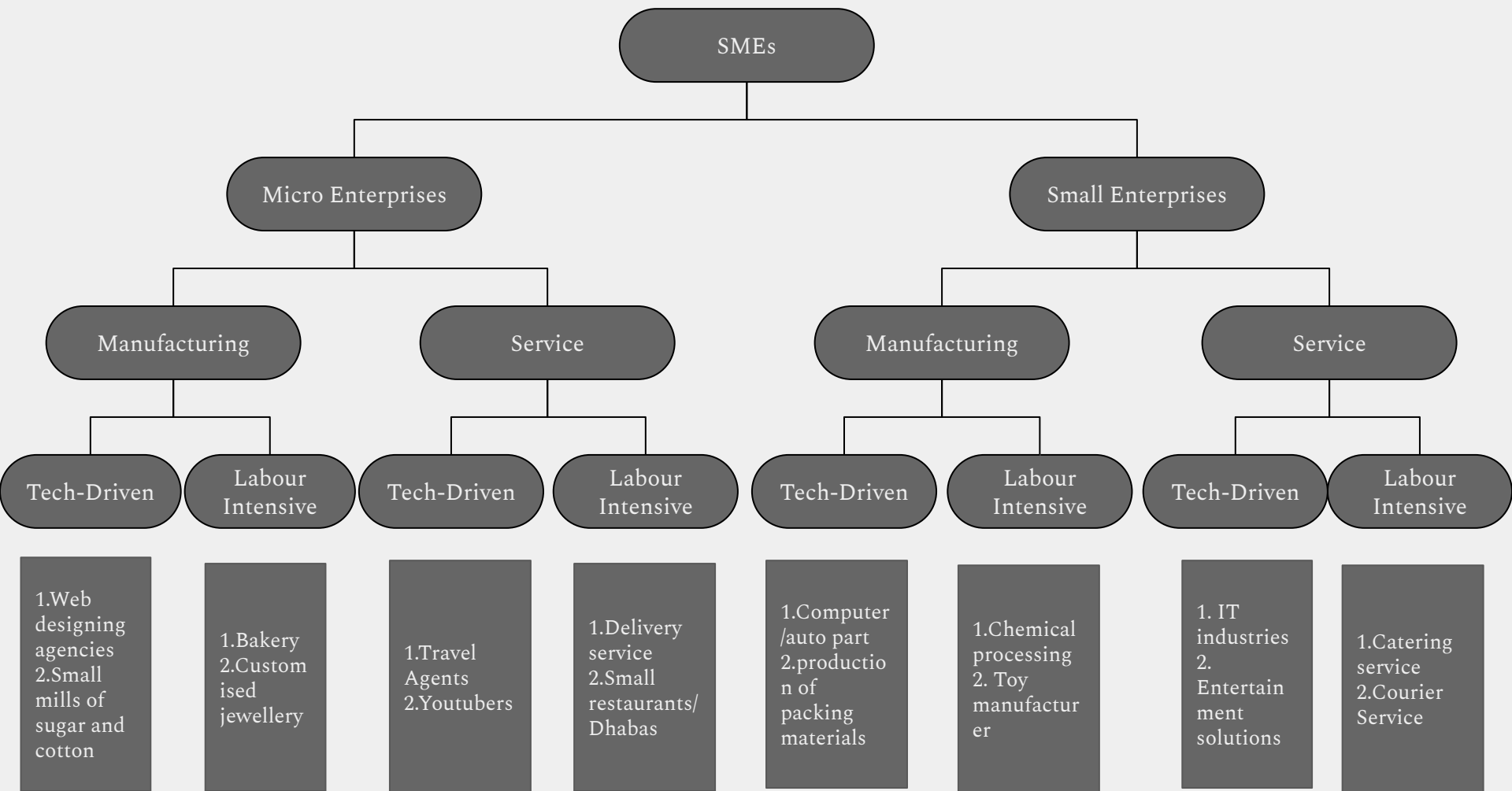


Who is an MSE?

- According to the MSME Development Act (Micro, Small, Medium Enterprises Act) 2006, MSMEs are classified into two sectors i.e. the Manufacturing sector and the Service sector. Below is the definition of Small and Micro Enterprises approved by the government in 2018:

	Manufacturing Units (Investment in Plant and Machinery)	Service Sector (Investment in Equipment)
Micro	Does not exceed 25 Lakhs INR	Does not exceed 10 Lakhs INR
Small	More than 25 Lakhs but does not exceed 5 crores INR	More than 10 Lakhs but, does not exceed 2 Crores INR

Source: [MSME gov report 2018-19](#)
[Micro, Small and Medium Enterprises \(MSME\)](#)



WHY ARE MSEs IMPORTANT?

- This sector has emerged to be very important in the socio-economic development since last five decades
- With around **36.1** Million units, As of 2016-17, the contribution of this sector in the GDP is estimated to be **28%**
- The MSME ministry aims to make the contribution of this sector **50%** in the GDP by the year 2025 as India becomes a **\$5 Trillion** Economy
- It contributes to around **45%** of the total exports of the country
- As of 2015-16, **11.10 Crore** jobs are in the MSME units. Out of the total employment from this sector, **99.84%** comes from Small and Micro-enterprises which is around **1108.14 Lakh** people.

Source: [Annual MSME report 2018-19](#)
[Micro, Small and Medium Enterprises](#)

MSEs' Role in the Society

- MSE's generally can afford to source raw materials and technology locally and thereby they contribute to the development of local entrepreneurship.
- Entrepreneurship/Business initiatives ensure balanced regional development - rural and urban
- It Provides livelihood to the worker or the owner who is not highly skilled or educated.
- They ensure easy and inexpensive availability of goods especially essential commodities

Geospatial Data (India)

Small Enterprises are key producers of products that are unique to India and employ a large number of workers, especially those with local skills.

A **Map** showing examples of such **Micro and Small Industries** in the Indian States:

www.samkitk.com/att/map.html

City Reports focusing on MSME(data can be found on the Map as well as through these links):

[Ahmedabad, Gujarat](#)

[Kolhapur, Maharashtra](#)

[Bhagalpur, Bihar](#)

[Gandhinagar, Gujarat](#)

Motivation to Become an Entrepreneur

- Spirit of Entrepreneurship:
 - Desire to Build a Business
 - Convert an Innovation into a Product/Service and an Enterprise
- Inherit a Business
- Become self-reliant
- To earn a livelihood
- Establishment of a business that is intended to help the community

Motivation to become an Entrepreneur: Real Life Stories

- **Someone who inherited the business**

Mr. Sah lives in Bhagalpur, Bihar. He is married and has three kids. Mr. Sah owns a Pan and cigarette shop in Adampur chowk. His father started the business because of the prestige associated with it. He supported his family - he is married and has three kids with this business. He is connected to the business both financially and emotionally.

- **Started for “extra” help**

Ms. Jayshree Panchal started her business of serving tiffins to support her family and her husband who was the only earning member at that time. Slowly, relations developed with the customers, and what was started as a “side” venture continues as a passion until today.

- **Someone who had no choice:**

Mr. Atul Patel had to join a business because of family responsibility. He could not continue his education because of the sudden demise of the only earning member of the family. He did not get a chance to continue his academics but the business has been the saviour for him and his family.

Uncertainties and Challenges faced by MSE

- Inability to raise capital and grow the business
- Brand-conscious Consumers and talent tend to avoid MSEs
- It is difficult to enter and exit the market because of relations
- Inability adapt to Change of trends and technology quickly
- Inability to meet environmental standards
- Unable to invest in Technology
- Delayed Payments affect the Businesses significantly

The Pandemic of 2020



(Source- Internet)

The Crisis Unfolds

- **30 January 2020:**
First Case of COVID-19 detected
- **19 March 2020:**
All restaurants in Delhi and Lucknow Closed.
- **20 March 2020:**
Malls closed, grocery, vegetable and medicine shops remaining open.
- **22 March 2020:**
A 14 hour Janta curfew was imposed
- **24 March 2020:**
21 days long lockdown was imposed



(Source - Internet)

- **31 March:**
Tablighi Jamaat took place and Delhi was declared as a new virus hotspot
- **14th April:**
Fake news of special trains to Bihar and west Bengal brought unrest to migrant workers
- **14th April:**
Lockdown was extended
- **3rd May:**
India got split into three zones
- **5th May:**
Reports confirm 46433 positive cases of COVID-19.

Sources: [Covid 19 Pandemic in India](#)
[ABP Majha reporter arrested for fake news](#)



(Source - Internet)

MSE Insights from the Interviews

- For Micro and Small Businesses,
 - Supply Chain has been disrupted
 - Consumer demand has been disrupted
 - Cash flows have been disrupted
 - Workforce has left
 - Plants and shops remain idle

Will Small Businesses and Related Livelihoods be at Risk?

What is Happening to MSEs?

- Small industries are most vulnerable because of size, the scale of operation, and limited financial managerial resources. MSMEs find themselves most underprepared for meeting the challenges, said Suresh Prabhu, India's G20 Sherpa.
- Only **24%** of the MSEs are operational now, out of which **18%** are operating at less than **50%** capacity because the movement of materials, fuel, and people has come to an abrupt standstill
- Manufacturing MSMEs are facing reduced demands and cancellation of orders
- Due to this disruption, the manufacturing units are not able to fulfill the demand for essential industries.

- Production has dropped by **50%** in the rice milling sector
- Automotive components saw a **decline** in sales even before lockdown in India due to the disruption in **international supply chains** because of Covid-19 effect in China
- Limited communications, administrative, and sales activities are undertaken from home.
- The disruption of the flow of materials and goods has led to an abrupt end to incoming cash and the migration of the workforce across all skill levels
- **9 out of 100** businesses are also expected to lose 100 percent of their revenue during the next two weeks. (Kantar,2020)
- **80%** of the MSEs have less than **3 months** of working capital - **five out of ten** businesses will run out of working capital within two months

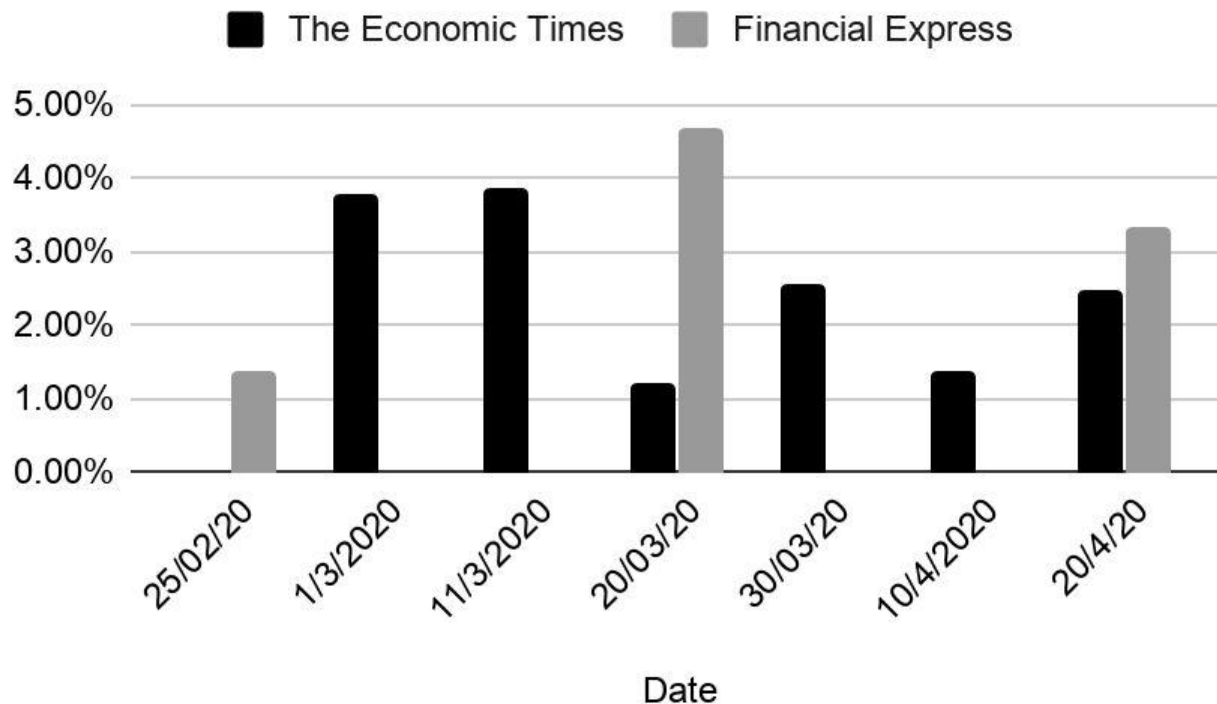
Media Representation of MSEs and labourers

- On **17th April**, CM of Gujarat stated that “Opening up of business” will help workers overcome anxiety and talked about the arrangements being made for **1.25 Lakh** labourers in Surat so that they stay back
- On **27th April**, in the meeting with the Prime Minister, the CM of Gujarat suggested gradual lifting of the lockdown for daily wage labourers and self-employed
- However, on **26th April**, in a meeting with the CM of Odisha regarding the return of workers from Odisha, Gujarat government suggested a 3-day bus ride across the width of the nation for workers’ safety
- Arrangements were made in Surat for accommodation and the CM of Gujarat insisted that the workers stay back, but on the other hand, transportation for the workers was also being decided.

- Chief minister Uddhav Thackeray warns rumour mongers: A crowd of labourers gathered at the railway station thinking they would go home because of a fake news report
- "Modi wants to make Muslims second-class citizens," said Siddiqui, who was ordered to be quarantined after a neighbor tested positive for the virus. "There is no one who is sick — it's all a lie." (Dharavi case study)
- Dharavi Health workers are looked at in suspicion - residents and community leaders think that they are collecting data aimed at identifying illegal immigrants
- Mr. Vijay Nehra (Municipal Commissioner Ahmedabad) states that the number of Covid-19 cases in Ahmedabad may rise to 8 Lakh by May 31 if the doubling rate of 4 days continues
- Only if the doubling rate of positive cases is brought to 8 days, it would be possible to bring down the cases to 10,000 on 15th May instead of an estimated 50,000

Source: [Ahmedabad may have 8 lakh COVID-19 cases by May end: Official](#) | [Opening Up of business to help workers overcome anxiety:Rupani](#)
[Naveen Patnaik discusses return of Odia workers with Uddhav Thackeray and Vijay Rupani](#) | [Bandra station rumour](#) | [Dharavi Case study](#)

Percentage of Headlines about MSME out of total headlines



Businesses' View on Labour

- “Insufficient labour strength could severely impact the construction operations in the weeks to come.” - Spokesperson, Shapoorji Pallonji Engineering & Construction
- “Reverse migration will create a shortage of trained labour in industrial centers and put stress on logistics and local distribution.” - George Angelo (CEO, Bisleri)
- “Local labour will make up for the absence of the migrants.” - Mayank Shah (Head Parle Products)
- “workers won't return soon because of the welfare scheme. They will not want to come back to cities anytime soon unless they are making a lot of money.” - Anil Bhardwaj, Secretary-general of the federation of Indian MSMEs
- “For the labour still present in the cities, lack of public transport is a deterrent for movement to factories.” - Mukesh Mohan Gupta, President of the Chamber of Indian MSMEs

WHAT IS HAPPENING AROUND THE WORLD?



<u>JAPAN</u>	<ol style="list-style-type: none"> 1. March saw an increased spread of coronavirus in Japan, causing concern among smaller businesses faced with impending payments for laborer and other necessities 2. According to the credit-reporting agency Tokyo Shōkō Research, many small firms only have cash and savings equivalent to around 1.5 times monthly sales. 3. For many Japanese businesses, March is the end of the fiscal year, increasing their need for funding, while tightening supply
<u>USA</u>	<ol style="list-style-type: none"> 1. One analyst predicted that the disruption to businesses from coronavirus could lead to 15,000 permanent retail store closures in 2020 2. The disease outbreak could potentially wipe out three million jobs from the U.S. economy before this summer. 3. A recent Goldman Sachs survey of more than 1,500 small businesses found that more than 50% of them said they didn't think they could continue operating their businesses for more than three months
<u>ITALY</u>	<ol style="list-style-type: none"> 1. Italy's small and medium enterprises (SMEs) sector has a considerable proportion of firms that contribute approximately one-third of value to the economy and half of total employment in the country. 2. As Italy's economic structure is heavily dependent on SMEs, the spread of coronavirus is significantly affecting the economy of Italy. 3. SMEs rely on loans and finances to meet their business requirements. Due to the vulnerabilities facing by the Italian financial sector amid COVID-19, SMEs operations are negatively affected
<u>ISRAEL</u>	<ol style="list-style-type: none"> 1. Israel allowed some businesses to reopen on Sunday as it begins to ease down lockdown measures. 2. Delivery services were allowed to resume work as restaurants were also given the greenlight to provide take-away meals. 3. With unemployment hitting 27% last week, the government also approved stipends for small businesses and other emergency grants on Sunday.

Small Businesses: New Complications

	Manufacturing	Service
Labour intensive	<ul style="list-style-type: none">• Required to pay wages to labourers even in the days of no work• Transportation of raw material is not possible due to restrictions of lockdown• Required to gain the trust of labors before they get back• Cash reserves depleted and no savings are• Scarcity of supply	<ul style="list-style-type: none">• Schools and coaching are closed in this lockdown• Packers and movers can not find customers since no one can migrate from one city or state to another• Since no functions/events are taking place so there is no scope of catering services to operate
Tech Driven	<ul style="list-style-type: none">• Investment in new technology is not possible due to reduced income• Machinery and equipment haven't been put into work for a long and thus they are depleting• Cash reserves depleted and no savings left• The risk of Delayed payments from the market has increased.• Scarcity of supply	<ul style="list-style-type: none">• Delivery services cannot ask delivery boys to work in a pandemic• E-shopping services are facing trouble due to restriction on shipments• Taxi Rentals have no Customers• Not possible for all MSEs to Work from Home- Eg. Data Processing Center or Hardware Related Enterprises

Micro Enterprises: New Complications

	Manufacturing	Service
Labour intensive	<ul style="list-style-type: none">• Required to win the trust of laborers once they get back• Demand for products like jewelry and garments have decreased and thus the production has decreased• Required to pay Salaries to workers even in days of no work• Revenue has reduced and no savings left.	<ul style="list-style-type: none">• Small Delivery services also cannot ask delivery boys to work in pandemic due to the fear of getting infected• Due to disruption in supply chain(restriction in transportation), raw materials are not reaching to grocery stores• Small restaurants dhabas are closed
Tech Driven	<ul style="list-style-type: none">• Transportation of raw materials is not possible due to restrictions of lockdown• Marketing and promotions of products are postponed- Advertising sector affected badly• Machinery and equipment haven't been put into work for a long and thus they are depleting	<ul style="list-style-type: none">• Services providers like travel & tourism are affected badly.• Online funding platforms are not getting investors as they find it risky to invest in the Current Situation

Response of Various Stakeholders to Uncertainties faced by MSEs

➤ **Government:**

● **Announcements by Finance Minister:**

1. The default threshold limit for triggering insolvency proceedings under the Insolvency and Bankruptcy Code 2016 (IBC) for MSME has been increased from the previous **Rs 1 lakh to Rs 1 crore.**
2. The due date for completing pending payments of central and excise duties **increased to June 30, 2020**
3. The due date for filing GST extended till June 30, 2020, and no late fee or penalty to be charged for companies with turnover less than Rs 5 crore for late filing.
4. Last dates with respect to income tax returns and filings have been moved to June 30.
5. Ministry may consider suspending sections 7,9 and 10 of IBC which relate to the insolvency of proceedings, for 10 months.

➤ **SIDBI:**

1. 3 schemes to provide 5% Interest Loans within 48 hours and especially relating to health and COVID Ventures: SAFE (**SIDBI Assistance to Facilitate Emergency response against coronavirus**), SAFE PLUS, and SMILE.

➤ How is Society Responding

1. **SWAN:** They connect donors directly with the workers to transfer money. Most of the calls are from states that receive migrant labourers such as Maharashtra, Delhi, Karnataka—Uttar Pradesh, for example, has a mix because it includes regions like Noida.
2. **National Network of Sex Workers** is helping provide food to families of sex workers in Tamil Nadu, Karnataka, Maharashtra, Andhra Pradesh, Telangana, and Jharkhand.
3. **Goonj** is providing on-ground relief as well as preparing to help day-labourers deal with the aftermath of the pandemic.

Improving the chances of safe return of workers to their businesses



➤ How Small Businesses are Responding

1. Laying off employees
2. Closure of Businesses
3. Looking for new opportunities - products and services valuable during the Pandemic
4. Safeguarding the interests of workers by providing housing and healthcare benefits
5. Resumption of business with reduced wages, for now, promise to pay later
6. Giving a new and fresh start to their business from next year. (mostly the owners, who recently started the business before COVID-19)

How are other Countries Responding?

- TURKEY:

- to protect employees, banned companies from terminating employment or service contracts for three months.
- "Short work allowance" was provided to companies that were forced to halt business due to the outbreak.
- Those workers whose contracts were terminated ahead of these policies -- before March 15 -- were provided with 1,177 Turkish liras (roughly \$170), monthly.
- for the retired seniors, their Bayram (festival) allowance was paid a month earlier. Turkey took economic measures in a bid to limit the impact of the virus, easing tax and loan burdens of the businesses

- TAIWAN:

- For small businesses that do not need to issue invoices but which are severely affected by COVID-19, the government will lower their corporate tax rates to as low as zero.
- The Small Business Relief Package will apply to more than \$250 billion of existing business loans and cover 98 percent of all businesses with a loan from an Australian bank.

- USA:
 - Lawmakers and the Trump administration were closing in on a more than \$450 billion agreement that would replenish a program for small businesses battered by the coronavirus and related shutdowns.
 - The U.S. even came with a new act i.e. CARES ACT (Coronavirus Air, Relief, Economic Security Act) to address the 2020 pandemic in the U.S. Originally the bill proposal included \$500 billion direct payments to Americans, \$208 billion loans to major industry and \$300 billion in Small Business Administration loans

- AUSTRALIA:
 - The Government has passed legislation for the \$130 billion JobKeeper Payment to keep more Australians in jobs and support businesses affected by the Coronavirus.
 - The Small Business Relief Package will apply to more than \$250 billion of existing business loans and cover 98 percent of all businesses with a loan from an Australian bank.
- JAPAN:
 - On April 7, the Government of Japan adopted the Emergency Economic Package Against COVID-19 of ¥117.1 trillion (21.1 percent of GDP).
 - The government expanded the volume of concessional loan facilities (interest-free without collateral) primarily for micro, small and medium-sized businesses affected by COVID-19 through the Japan Finance Corporation and other institutions.
 - The government will also enhance access to loans with the same conditions from local financial institutions, such as local banks.

Excerpts from The Interviews:

STORY-1

"I own a pan and cigarette shop in Bhagalpur, Bihar. The current pandemic has affected my business badly. The products that I sell do not fall under essential goods. My savings are going to get over very soon. After that, I can only rely on the money my two children working in Bangalore send. Once the lockdown gets over it will take time for my business to get back on track as in my shop people to gather a lot, so I would face difficulty for some time as people would avoid coming on my shop." - **Mr. Vijay Sah**

STORY-2

"I own a steel business in Kolhapur and after the first lockdown was over I was waiting for permission to start my business it was in Green Zone. I got the permission from collector with some instructions on it. After reading the instructions I chose to not start the business as the instructions were:

1. If any employee is affected by the diseases the shop will be sealed.
2. The owner will be isolated under government's instruction. etc. It was obvious they did not want the businesses to open."

Mr. Britam Oswal

STORY-3

"I own a small textile manufacturing and trading unit. The lockdown has increased my expenditure as the machines in unit sit idle demanding maintenance and workers have to get paid without working. It's an overall loss situation for me. The government wants us to work from home, but in our line it is not possible. The workers have also returned back to their home and it does not seem that they will return anytime soon. I have also asked for extension from my son's school to pay his fees."

-Mr. Rajkumar Agarwal

So, What Happens to Small Businesses?

- Nitin Gadkari, the Union Minister for MSMEs, has announced the possibility of **Rs10,000 crore** 'Fund of Funds' for MSMEs with high credit rating. It may help only those who are operating professionally. The proposed Rs10,000 crore Fund of Funds can realistically pay salaries of only **5%** of the total employees if we consider **Rs 20,000 average monthly salary**.
- In export-dependent sectors such as apparel (SME share **25-30 percent**), leather (SME share **80-85 percent**), and ceramic tiles (SME share **50-55 percent**), exporters are hopeful of an increase in orders, including from new geographies, because of manufacturing disruptions and **trust issues** on China.
- Businesses are most likely to defer or even cancel planned capital expenditure. This will have a direct impact on the development of the future.
- Since consumer spending is going to be scarce, small businesses that produce and sell essential goods are likely to survive.

And, some more directions...

- Small businesses should become suppliers and customers of each other. It enhances their productivity as well as innovative capabilities to develop new products and processes.
- Small business owners have to win the trust of labourers to retain them. A way to do this is by providing them facilities like medical health insurance, provide shelters and food during the time of crisis, arrange transport facilities in case labour wants to leave for his village during the crisis.
- Need to create resource buffers to survive such uncertainties in future
- Small Businesses must seriously explore the possibility of operating as a cluster.
- Society must help retain the motivation in young people to become entrepreneurs and take risks. A shock like pandemic may affect such a perspective.

Will this Uncertain Experience make Small Businesses more Innovative and Resilient in the future?

THE END



https://drive.google.com/file/d/1AG3LZ2wA_TK1PpB6Xwq1FF9Vrv-sgLGi/view

Bibliography

<https://docs.google.com/document/d/1PLaYKS6dmRvVmBG7O1dTUX6zHdoqOpHPТУOvvnXg0zk/edit?usp=drivesdk>