



The impact of Covid-19 pandemic on MSMEs in the Uttarakhand State

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Abstract: Micro, small and medium enterprises (MSMEs) have significant potential of job opportunities. It reduces the earning imbalances between locations and enables people to be financially secure and to earn money from jobs, especially in scattered places, like in Uttarakhand, which comes with its own geographical challenges, being a hilly state. The livelihood becomes more challenging when it confronts some natural disaster or pandemic like Covid-19, as was globally observed in 2020. This work is an attempt to examine the impact on small and medium-sized businesses, due to the Covid-19 pandemic, in the state. The impact of the pandemic is studied on the employment, number of units and investments in the MSMEs of the state. The study was carried out using SPSS 20 software, and the pre- and post- pandemic data, from 2015 to 2024, was analyzed by computing CAGR (compound average growth rate). A severely ill impact of the Covid-19 pandemic was observed in the number of units, employment and investment in the MSMEs in Uttarakhand, during the period of study.

Keywords- MSMEs, employment, number of units, investment, Covid-19.

Introduction

Uttarakhand, extended from hilly terrains to plains, is a state in the northern part of India. Agriculture, forests and tourism are the major contributors in the state economy. The MSME is a dynamically developing sector in promoting the growth and development of the economy of this state. The MSME sector is a creator of great amount of jobs at very low costs and thus contributes to the development of economically weaker regions to reduce regional imbalances (Surendar Gade 2018). MSMEs play a very important role in the economic development of a developing nation, in creating jobs and so in rural development. Seeing the economic and social potentiality of the in MSMEs, the local governments also encourage and play an active role in the development of these enterprises and make efforts to improve them in brand ownership and endorsement (Rosyid Arifin et al (2021). Though the size, investments and sales of these enterprises do not exceed certain thresholds, they survive at the low costs and their collective impact is huge. As a driver of economic growth, they have been recognized to promote equitable development in different regions. The job opportunities in the MSMEs is significantly higher than large industries, that they generate high levels of employment, industrial production and exports. The MSME sector has also demonstrated innovation and adaptability to survive (Subina Sial 2015). In general, micro-enterprises employ fewer than 10 people, small businesses employ between 10 and 50 employees and medium-sized companies employ 50 to 250 people, however, the exact eligibility criteria for MSMEs may vary from country to country. MSMEs create most of the jobs in most economies and they play a key role in the industry production and export. In recent years, small and medium-sized businesses in India have recorded a higher growth rate than other industrial sectors. The socio-economic importance of MSMEs is evident from the fact that half of them belong to the deficient group (Abhijeet Biswas 2015). The problems faced by MSMEs in India are lack of finance, technology, skilled manpower and inefficient marketing, but they still contribute significantly to production, employment and exports (Sanjeeb Kumar Dey 2014). They are often seen as engines of growth, innovation and entrepreneurship. MSMEs contribute to the fight against poverty, in reducing the percentage of poor and also the poverty gap (Nurini 2020). Recognizing the economic importance, the government regulations often support and encourage the growth of MSME businesses. This enterprise sector has attracted policy attention as it offers enormous employment opportunities for the general public and reduces regional



imbalances through the creation of jobs and financial opportunities to contribute in rural independence and development (Simranjeet Kaur Virk and Pinnacci Negi 2019). Common challenges faced by this sector include the constraints to access finance, market, technology, regulatory adaptation and skill development. It is critical to address these challenges effectively to support the growth and sustainable development of these enterprises.

The coronavirus disease 2019 (Covid-19), caused by the new coronavirus, was first identified in Wuhan, China, in December 2019, and had since spread around the world, causing a pandemic. Some key aspects and impacts of Covid-19 have resulted in significant illness and death worldwide. It caused mild to severe respiratory problems and in some cases even it was fatal, especially for older people and those with underlying health problems. The pandemic was global, economies were disrupted, causing widespread job losses, business closures, supply chain disruptions, and economic recessions. During Covid-19, there was a negative growth rate of the Indian economy, the most affected sectors were mining, followed by manufacturing, construction, trade, hotels and transportation services. The impact of the Covid-19 pandemic on the world's economies was enormous, the decline in exports in India was estimated at 25%. The Indian government after analyzing the situation announced the economic package to boost the economy (Pravakar Sahoo and Ashwani 2020). An economic crisis may not affect all MSMEs in all sectors but depends on the nature of the crisis. Covid-19 was a crisis of market demand and market supply. The MSMEs that supply finished products and those depending on onsite marketing were affected significantly (Tulas Tambunan 2020). Covid-19 impacted daily life and social interactions, which forced to widespread closures, social distancing measures and behavioral changes to prevent the spread of the virus. These measures have an impact on mental health, education and social relationships and dynamics. This affected many industries, and sectors such as tourism, hospitality, education and retail business.

International organizations, governments, health workers and communities responded through various measures such as testing, contact tracing, vaccination, public health guidelines, and support for affected people and companies. Covid-19 had a profound impact on public health, the economy and society around the world. Coronavirus devastated the world and affected the economic situation in equal measure. Like many other sectors, the MSMEs were also severely prone to be affected by Covid-19. In some regions decrease in economic growth, increased unemployed and increase in poverty has been reportedly observed (Yeni Absah, et al 2023). Presently, the impact of the Covid-19 on the growth, employability and investment pattern of MSMEs in Uttarakhand state has been analyzed using the pre- and post- pandemic secondary data.

Objectives of the study

The primary goal of the present study is to investigate how the Covid-19 pandemic affected MSMEs in the Uttarakhand state of India. It examines the effect of the pandemic on the MSME sector in the state, in terms of the number of units, employment, and investments made thereon, using the secondary data, from 2015 to 2024.

Methodology

The current study uses secondary data from a range of sources, such as journals, newspapers, the All-India Census Report, the MSME Annual Reports, the Economic Survey of Uttarakhand, the Economic Survey of India, etc. The three variables in the data, employment, number of units, and investment were collected between 2015 and 2020, and between 2020 and 2024. Applying the compound average growth rate (CAGR) statistic tools, data was analysed using SPSS 20.

Results and discussion

The only secondary data sources included in this study are those that might not always fit perfectly. Only three variables—number of units, employment, and investment—were taken into account to analyse the impact of Covid-19



on the MSMEs in the state of Uttarakhand. Additional variables were excluded owing to lack of adequate data; otherwise, these variables would have been taken into account in the current study.

The secondary data used is obtained from the Directorate of Industries, Government of Uttarakhand. In Table 1, we compare the number of MSME units in the periods before and after the Covid-19 pandemic. In the periods before the Covid-19 pandemic, the growth rate of the number of units reached its peak at 52.51%, in 2016-17, and the growth rate of the number of units was the lowest -25.3%, in 2018-19. In post Covid-19 pandemic periods, the unit growth rate was lowest -85.18%, in 2022-23, and peaked in 2023-24, at 51.75%. The survey reveals that the number of units has increased over the years, but the percentage change varies from year to year. Comparing the number of MSMEs in the pre-Covid-19 pandemic period and the post-Covid-19 pandemic period, based on CAGR, it is evident that the growth in the number of units in the pre-Covid-19 pandemic period was faster than the post Covid-19 -pandemic period, and the Covid-19 badly impacted on the number growth of the MSME units in the state.

Table 1. Comparison of the number of MSME units in Uttarakhand, in the Pre- and Post- Covid-19 pandemic periods

Year	Pre Covid-19 period		Year	Post Covid-19 period	
	Number of Units	Growth rate %		Number of Units	Growth rate %
2015-16	2077	--	2020-21	2869	--
2016-17	3230	52.51%	2021-22	2113	-26.35%
2017-18	3747	16.00%	2022-23	313	-85.18%
2018-19	2799	-25.3%	2023-24	475	51.75%
2019-20	2646	-5.4%			
CAGR		4.96%	CAGR		-36.36%

Source: <https://doiuk.org/>.

Table 2. Comparison of the employment in MSMEs in Uttarakhand, in the Pre- and Post- Covid-19 pandemic periods

Year	Pre Covid-19 period		Year	Post Covid-19 period	
	Employment	Growth rate %		Employment	Growth rate %
2015-16	9732	--	2020-21	23377	--
2016-17	23104	137.40%	2021-22	15630	-33.14%
2017-18	21029	-8.98%	2022-23	911	-94.17%
2018-19	17274	-17.85%	2023-24	2655	191.43%
2019-20	17205	-0.39%			
CAGR		12.07%	CAGR		-41.95%

Source: <https://doiuk.org/>.



It was observed that in the periods before the Covid-19 pandemic, employment growth was 137.40%, at its peak in 2016-17, and lowest -17.85%, in 2018-19. In the post- Covid-19 pandemic periods, the employment growth rate was lowest -94.17%, in 2022-2023, and peaked to 191.43%, in 2023-24. The study shows that employment increased over the years, but the percentage change varies from year to year. Comparing the employment contribution of MSMEs in the pre- and post- Covid-19 pandemic periods, based on CAGR, it is found that the employment was higher in pre-Covid-19 pandemic period than in the post- Covid-19 period, which shows that the employment in the MSMEs was hampered by the impact of Covid-19.

Table 3. Comparison of the investment in MSMEs in Uttarakhand, in the Pre- and Post- Covid-19 pandemic periods

Year	Pre Covid-19 period		Year	Post Covid-19 period	
	Investment (in Lakh Rupees)	Growth rate %		Investment (in Lakh Rupees)	Growth rate %
2015-16	46107.79	--	2020-21	40464.12	--
2016-17	74522.02	61.62%	2021-22	33692.84	-16.73%
2017-18	62788.07	-15.74%	2022-23	2067.56	-93.86%
2018-19	80726.91	28.57%	2023-24	5007.08	142.17
2019-20	50294.37	-37.69%			
CAGR		1.75%	CAGR		-40.69%

Source: <https://doiuk.org/>.

In Table 3 it is observed that in the periods before the Covid-19 pandemic, the investment growth rate peaked 61.62%, in 2016-17, and was lowest -37.69%, in 2019-20. In the periods after the Covid-19 pandemic, the investment growth rate was lowest -93.86%, in 2022-23, and peaked to 142.17%, in 2023-24. It shows that investment has increased over the years, but the percentage change varied from year to year. Comparing the investment in MSMEs, before and after the Covid-19 pandemic, based on CAGR, it was found that the investment on the MSMEs was higher in the pre- than that in the post- Covid-19 pandemic period, indicating the negative impact of the pandemic on the investment pattern, in the state.

Conclusion

The pre- and post- pandemic data on the MSMEs in Uttarakhand state was analyzed by computing CAGR. The CAGR of number of units, employment and investment was found 4.96%, 12.07% and 1.75%, respectively, in the pre- Covid-19 period. It was found -36.36%, -41.95% and -40.69%, respectively, for the number of units, employment and investment in the post- Covid-19 period. In the pre- pandemic period the CAGR of the studied variables was found positive, indicating a positive growth in the sector in the state, whereas the CAGR was found negative, with very high magnitude, showing a severely ill impact of the Covid-19 pandemic, in the number of units, employment and investment in the MSMEs in Uttarakhand.

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