

Impact of Covid-19 on Different Entrepreneurial Schemes

By

Ankit yadav

Student, Department of Commerce
Indira Gandhi University, Meerpur (Haryana)
Email: ankitdv47@gmail.com

Submitted to the

International e-Conference on Microeconomic Impacts of COVID-19 Pandemic

October 2-3, 2021

Organized by

Center for Academic & Professional Career Development and Research (CAPCDR)

CAPCDR

Abstract

India saw economic downturn in 2018 due to various reasons, slipping from the tag of world fastest economy, moody amended India's outlook to negative, unemployment rate were at 6.1% highest ever since 45 years, also registered electric generation growth at 1.8% lowest since 1990 accompanied by negative export growth rate which was around -1% in 2019. Which means Indian economy was almost at doorsteps of recession when Covid-19 made an appearance. This would probably the worst timing when covid-19 pandemic could have hit the economy. In order to resuscitate the economy from slippery slope of recession, government introduces some serious measures, but they were curtailed by covid-19 pandemic. Most of private firms lay-off their workers in order to save themselves from mounting losses due to lockdown, while other experienced a salary cut. Entrepreneurs are the building blocks of any nation & the same was realized by Indian government due to which some serious measures were taken to facilitate the entrepreneurs such as ATAL Innovation Mission, Startup India Initiative, ASPIRE etc. The main aim of government was to bring youth under the umbrella of self employment in order to tackle various issues to paddle out economy from grip of slowdown & to save entrepreneurial activities of micro business. It would be a descriptive study in which researcher aims to analyze the different schemes undertaken by government prior to covid-19 era & how these were impacted by covid-19. The study is going to provide an apogee that does pandemic may or may not have impacted entrepreneurial activities. Also it will highlight gravity of Government measures for micro businesses in India

Keywords: Government schemes, Covid-19, Pandemic, Entrepreneur

Introduction

The COVID-19 epidemic began in the first half of the year. Almost a year and a half later, the epidemic looks to be waning, thanks to the deployment of a vaccine program. Although the economic impact is far greater than that of the Great Financial Crisis of 2008/09, (OECD 2021). A lot depends on national and regional economic conditions as well as the national policy response (Bailey et al. 2020). As a result, worldwide comparisons can provide valuable information. Without a specific population control programmer, India's population is expected to surpass that of China by 2030 and become the most populous country in the world. Providing excellent work for such a large population is quite challenging. When it comes to the COVID epidemic, India has a major impact on the economy. Untold damage had been done to the employment sector, the GDP growth rate as well as the production and distribution of goods and services as well as start-ups as a result of the recession.

Commensurately, start-ups have emerged as important drivers of economic development and employment creation, and are often the impetus for

radical innovation About 20 percent of jobs are held by young businesses, but they create over half of new jobs on average across OECD nations, and innovation by young firms adds considerably to aggregate productivity growth. The COVID-19 crisis hasn't stopped start-ups from being essential to economies. In response to the epidemic, several creative young businesses have moved swiftly, flexibly, and effectively. They have been instrumental in helping many nations transition to entirely digital employment, education, and health services, as well as providing advances in medical goods.

Many creative companies are at risk as a result of the lockdown procedures implemented in reaction to the emergence of the new coronavirus. Our fast reaction research demonstrates the difficulties that entrepreneurs confront as a result of the crisis. Second, we show how entrepreneurs are dealing with the crisis's impacts and what they are doing to safeguard their businesses. Finally, we suggest policies that governments may use to help entrepreneurs who are encountering difficulties. While entrepreneurs are successfully using their limited resources as an initial response to the crisis,

their development and innovation potential is at danger, according to the report. As a result, policy interventions should include long-term measures entrenched in and supported by the entire entrepreneurial ecosystem to enable quick recovery and growth, not only providing first aid to startups by easing the pressure created by limited cashflow.

Challenges for innovative start-ups created by the COVID-19 lockdown:

Previous studies

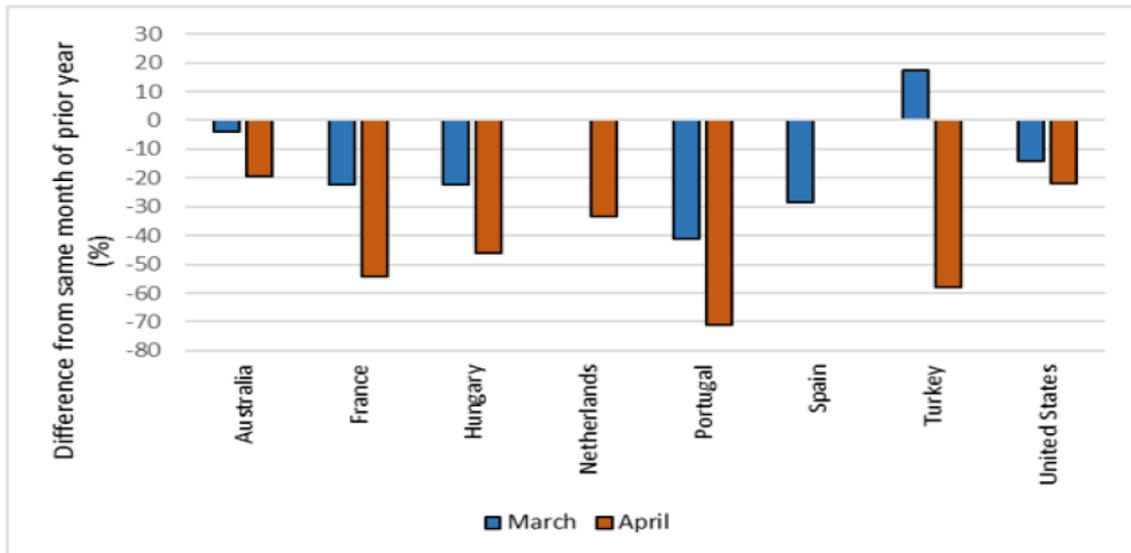
Additionally, COVID-19 is having an increasing influence on local and global economics in addition to the humanitarian disaster. Because to COVID-19's unpredictable consequences, the world's leading economies have already been impacted, and many experts are already predicting recession (GDA, 2020). COVID-19 Pandemic Threatens a Business's Functioning & Performance. Turbulence in a firm may be caused by messed up structures, procedures, and capabilities, among other factors. The COVID-19 epidemic was a catastrophe that few start-ups were prepared for. Less research has been done on resilience in the context of entrepreneurship and crises. In general, creative start-ups should be better prepared to deal with the COVID-19 problem than other types of companies because of their unique qualities. Resistant firms must be creative, since they foresee and react to a wide range of problems. A possible crisis event is often underestimated by enterprises, and most start-ups were unprepared for the events of the previous four months. When it comes to disasters like hurricane Katrina, we know that a lack of preparation may have disastrous repercussions, especially for small firms, which are prone to cash

flow interruptions, lack of access to financing for recovery, and have trouble getting federal aid.

The COVID-19 pandemic has posed major problems for most current start-ups, since they are more susceptible to the shock of the epidemic than older incumbents. When compared to other small and medium-sized businesses (SMEs), they tend to engage in high-risk activities, have difficulty getting traditional finance, and have at best a formative connection with their suppliers and consumers. This can make them even more vulnerable to workforce shortages during pandemics. To survive, start-ups require help for their short-term cash needs during a period of economic uncertainty, when their revenues have been damaged by containment measures as well as a major reduction in demand. Financial fragility is already being targeted by several nations' policy responses to the crisis, notably for small and medium-sized enterprises (SMEs). As an example, loan guarantees, direct loans or grants or subsidies can help meet short-term liquidity demands. Policy responses should consider the differences between start-ups and other SMEs, though (OECD 2020b).

COVID-19 is a challenge for current start-ups as well as new ones:

Business registrations tend to decline during times of crisis. There was a considerable reduction in company formation in several nations between March and April 2020, according to the most current statistics. For example, in Portugal, firm creation fell by 70 percent between March and April 2020 when compared to April of the previous year. Australia, the United States, and Spain are all seeing significant decreases.



Source: (<https://voxeu.org/article/challenges-and-opportunities-start-ups-time-covid-19>)

It shows the change in the number of new businesses in March and April 2020 relative to the same month in 2019.

Covid impact:



Different Entrepreneurial schemes In India:

Atal Incubation Centre (AIC)

Started by the NITI Aayog in 2016, AIC is an innovative funding scheme to promote entrepreneurs by covering their capital operational costs. The selected startups will be granted funding up to Rs 10 crore over a period of five years. Students, researchers or newly formed organizations from fields including transport, health, energy, education, agriculture, water and sanitation can apply. The AICs can be set up either in Public funded institutions or Private sector funded institutions or in Public-Private Partnership

(PPP) mode. The candidate will have to provide at least 10,000 sq. ft of space for the infrastructure such as laboratory and workshop facilities, utilities, support services, pre-incubation services, networking, mentoring and other facilities within a period of six months from the date of release of funds for capital and operational expenditure.

New GEN IEDC

The New Generation Innovation And Entrepreneurship Development Centre (NewGen IEDC) initiative was launched by the Department of Science and Technology (DST) in 2017. The

Entrepreneurship Development Institute of India (EDII) in Ahmedabad is in charge of implementing the programme. It provides mentorship, coaching, and assistance to “knowledge based and technology-driven start-ups.” Students can collaborate on creative projects for five years in the NewGen IEDCs, which are created in academic institutions. The DST was successful in creating 14 NewGen IEDCs in its first year.

MSME Market Development Assistance

Startups, Micro, Small and Medium Enterprises (MSME), and merchants that are registered with the Directorate of Industries/District Industries Centre can use this plan to develop their companies globally through international trade fairs and exhibits. Companies that are registered with the Directorate of Industries/District Industries Centre can get up to 100% reimbursement on air fares and the cost of exhibiting at such fairs/exhibitions all over the world. The Office of the Development Commissioner's programme reimburses 75% of the one-time registration cost, 50% of the venue rental charge, and 75% of the economy class flight.

The Women Entrepreneurship Programme

The WEP, which was launched by the NITI Aayog, is for aspiring and established women entrepreneurs in India. It's broken down into three sections:

Ichha Shakti : A programme that encourages women to create their own businesses.

Gyaan Shakti: Educates and protects the environment.

Karma Shakti: Offers hands-on assistance to entrepreneurs looking to start or expand their businesses. The programme is open to women in the early stages of their business ideas as well as existing businesses. Corporates, non-governmental organisations, and incubators are all eligible to apply if they help women in some way. WEP also provides incubation and acceleration services to female-founded or co-founded businesses.

Self-Employment Lending Schemes Credit Line 2 – Micro Financing Scheme

The National Minorities Development & Finance Corporation (NMDFC) initiative offers loans to minorities at their doorstep. Only Non-Governmental Organizations (NGOs) and Self-Help Groups (SHGs) are allowed to apply. People from lower socioeconomic backgrounds and women from minority groups will be given priority. Applicants must come from families with an annual income of Rs 6 lakh or more. Small loans of up to 1.50 lakhs would be given to each member of the organisation, with a total of 30 lakhs available each group of 20 women. The loans will have to be repaid over a 36-month period. Men's interest rates will not exceed 10% p.a., while women's interest rates will not exceed 8% p.a.

Impact of covid 19 on different schemes

The Women Entrepreneurship Knowledge Hub has been sharing information with its network on the new programs launched by the Government of Canada and collecting feedback on what is working and what could be improved to meet the needs of diverse women entrepreneurs. This report reflects the feedback from more than 200 organizations in the ecosystem supporting entrepreneurs as well as more than 100 individual entrepreneurs. The principal issues are The focus on SMEs with employees excludes many women entrepreneurs who are more likely to be solo entrepreneurs or self-employed without employees but often with sub-contractors; The focus on loans is challenging given women entrepreneurs' attitudes and experience of debt; The focus on technological innovation excludes the majority of women-led businesses; Women need different forms of support and advice, and more intensive one-on-one supports.

With some adaptations, current programs, investments in the Women Entrepreneurship Strategy (WES) and innovations across the ecosystem, can be leveraged, replicated and scaled to better meet the needs of women entrepreneurs.

Ensure gender and diversity analysis is applied not only to data being collected and shared on COVID 19, programs being developed, their uptake and

impact, but how funding is being allocated across newly announced supports. Continue to advance Gender and Diversity playbook, training and transparency for funding agencies. We want to ensure that the support resources are being allocated fairly across the women entrepreneurship ecosystem.

The government's crisis response has mitigated damage, with a fiscal stimulus of 20 trillion rupees, almost 10 percent of GDP. Also, the Reserve Bank of India enacted decisive expansionary monetary policy. Yet, banks accessed only 520 billion rupees out of the emergency guaranteed credit window of 3 trillion rupees. In fact, corporate credit in June is lower than June last year by a wide margin after bank lending's fall. S&P has estimated the nonperforming loans would increase by 14 percent this fiscal year. Corporations have deleveraged retiring old debts and hoarding cash, as have households. Recovery through investment and consumption has stalled. These trends are exacerbated due to the pandemic. The manufacturing Purchasing Managers Index (PMI) recovered 50 percent since May but at 47.2 it remains in negative territory. Services contribute over half of GDP but its PMI, even after bouncing back, remains low at 33.7 in June. Consumption of electricity, petrol, and diesel have regained from the lockdown lows but are still 10-18 percent below June 2019 levels. Agriculture has been the bright spot, with 50 percent higher monsoon crop sowing and fertilizer consumption up 100 percent. Unemployment levels had spiked to 23.5 percent but with a mid-June recovery to 8.5 percent—and then crept up again marginally.

The National Rural Employment Guarantee Scheme (MNREGA) and supply of subsidized food grains have acted as useful buffers keeping unemployment down and ensuring social stability. Thirty-six million people sought work in May 2020 (25 million in May 2019). This went up to 40 million in June 2020 (average of 23.6 million during 2013-2019 period). The government has ramped up allocation to the highest level ever, totaling 1 trillion rupees. Similarly, in addition to a heavily subsidized supply of rice and wheat, a

special scheme of free supply of 5 kilograms of wheat/rice per person for three months was started and since extended by another three months, covering 800 million people. There have also been cash transfers of 500 billion rupees to women and farmers.

However, MNREGA has an upper bound of 100 days guaranteed employment and it also does not cover urban areas. Agriculture cannot absorb more labor, with massive underlying disguised unemployment. A post-pandemic survey shows that the MSME sector expects earnings to fall up to 50 percent this year. Critically, the larger firms are perceived healthier. However, small and micro enterprises, who have minimal access to formal credit, constitute 99.2 percent of all MSMEs. These are the largest source of employment outside agriculture. Their inability to bounce back could see India face further economic and also social tensions. The economy is withstanding both supply and demand shocks, with the wholesale prices index declining sharply.

Government measures for micro businesses in India

The Micro, Small and Medium Enterprise (MSME) sector plays an important role in India's economy by making significant contribution to manufacturing output, creating employment, exports and especially by providing inclusive growth in the country. MSMEs are considered as the backbone of India, because when they flourish, the economy of the country also grows.

Having recognised the MSME sector as the engine of a growing India, the Government of India has effected several policies and support measures since independence to strengthen the sector.

Some of the important policies and support measures are listed below –

- The Micro, Small and Medium Enterprises Development Organisation (earlier known as Small Industries Development Organization (SIDO)) was set up in 1954 as an apex body for sustained and organised growth of MSMEs. Within next two years,

the National Small Industries Corporation, the Khadi and Village Industries Commission and the Coir Board were also set up.

- The new Policy for Small, Tiny and Village Enterprises of August, 1991 laid the framework for Government support in the context of liberalisation, which sought to replace protection with competitiveness to infuse more vitality and growth to MSEs in the face of foreign competition and open market.
- The Ministry of MSME (earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI)) came into being from 1999 to provide focused attention to the development and promotion of the sector.
- In 2014, the Government of India launched a swadeshi movement called “Make in India” to encourage companies to manufacture their products in India. Ever since, several measures such as Solar Chakra Mission, Udyam Snagam, MSME Sampark, MSME Sambandh, etc have been launched to enthuse the MSME sector to become a vibrant and dynamic sector of the Indian economy.
- The Micro, Small and Medium Enterprises Development Act was enacted in 2006 and aims at facilitating the promotion, development and enhancing the competitiveness of micro, small and medium enterprises and for matters connected therewith or incidental thereto. This Act provides for specific funds for promotion and development of these enterprises, progressive credit policies, economic and technical support and eased doing of business.
- In 2020, the COVID 19 pandemic has threatened the Indian economy resulting in the possibility of a breakdown of the MSME sector. However, the Government of India has been quick to respond with measures to safeguard the MSME sector

and announced the ‘Atmanirbhar Bharat’ scheme on 13 May 2020.

Conclusion:

COVID-19 will have a huge economic impact regardless of whether it reaches our shores on a significant scale. Nevertheless, the path back to development relies on a variety of factors, including: COVID-19 will have a huge economic impact regardless of whether it reaches our shores on a significant scale. Nevertheless, the path back to development relies on a variety of factors, including, Due to COVID-19 in 2020 and 2021, the danger of a worldwide recession will be exceedingly significant, since all economic activity, production, consumption and commerce - to control the spread of COVID-19 have been detected internationally to be closing down soon.

References:

- Oswal, M. (2020, March 26). With 75% economy under lockdown, analysts see sharp fall in GDP. Business Standard. https://www.business-standard.com/article/economypolicy/with-75-economy-under-lockdown-analysts-see-sharp-fall-in-gdp120032600231_1.html
- Radhika Pandey, A. P. (2020). Covid-19 and MSMEs: The ‘identification’ problem. Ideas for India for More Evidence Based Policy. <https://www.ideasforindia.in/topics/macro-economics/covid-19-and-the-msme-sector-theidentification-problem.html>
- The Hindu. (2019). Unemployment rate at 45-year high, confirms Labour Ministry data.
- United Nations . (2020). Economic and social survey of Asia and the Pacific. Economic and Social Commission for Asia and the Pacific Decade of Action (ESCAP).
- Narayanaswamy, K. & Joseph, J. (2017). Study on the Government Role In Promotion of Apparel Exports From India. National Monthly Refereed Journal Of Research In Commerce & Management, 2(7), 62-68

- Tandon, N. & Reddy, N.E. (2013). A Study On Emerging Trends In Textile Industry In India, AMET International Journal of Management, 2(7), 81-88.
- <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

DRAFT