



Survival and Growth Strategies for MSMEs Post Lockdown

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ABSTRACT

This research paper explains Survival and Growth Strategies for MSMEs Post Lockdown and critically analyses impact of lockdown in various segments of SMEs in the present era. The Study Paper focuses on various challenges of MSMEs and troublesome economic & social Changes due to COVID 19 pandemic and cope up strategies for MSMEs for not only survival but also tapping changing opportunities emerged on account of changed world.

Keywords: MSME, Strategy in COIVID 19

1. Introduction

Present era post series of lockdown by central, state and district administration made several challenges for survival of many types of industries. Many Industries were not allowed to operate and few industries which were allowed to operate were facing many challenges. When we track we may find that Japanese techniques for quality management already covers many solutions capable to address these challenges. Techniques such as Keizen, Quality Control, Inventory Management, Just in time techniques contains many good strategies which may offer solution to present situation. Total Quality Management is a management approach for an organization, involves participation of all its stake holders (including its employees) and aiming for long-term business success through customer satisfaction. This approach is highly beneficial to all stake holders of the organization and to the society as well. The phenomenon of TQM is broadly adopted by large organisations throughout the globe. Many of the large organisations have preformed substantially better after adoption of TQM process standard. In this research paper, All such challenges and strategies are enlisted. Relevant strategies can be applied to micro, small and medium size enterprises in order to make them survive despite of multiple challenges arose on account of dynamic economic environment and challenges because of COVID 19. This is high time for MSME's to adopt change strategies as business philosophy and sure this will help them not only to cope up with current problems but also for holistic and sustainable growth. The impact of COVID 19 pandemic leading to lockdown and restricted life was different on different sectors. The sectors of important in tier two and tier three cities specially those industrially underdeveloped districts such as managing events, marriages & its metamarket, political gatherings, trading, retailing, private coaching classes, auto, van an private buses used for public transports, jewellers and dependents on jewellery business, professionals engaged in sports training, sports goods sellers, transporters, ice cream parlours, restaurants, lodging, hostels, educational institutes, singers and dancers were amongst the worst hit due to lockdown.

2. Micro, Small and Medium Enterprises

- **Micro, Small and Medium enterprises:**

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:⁶

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(a) **Manufacturing Enterprises-** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.

(b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642 (E) dated 29.09.2006 are as under:

- Micro enterprises: Manufacturing companies having investment in plant and machinery up to 25 lacs and services enterprises having investment up to 10 lacs in equipments are categorized under micro enterprises.
- Small Enterprises: Manufacturing companies having investment in plant and machinery up to from 25 lacs to 5 crores and services enterprises having investment from 10 lacs to 2 crores in equipments are categorized as small enterprises
- Medium Enterprises: Manufacturing companies having investment in plant and machinery up to from 5 crores to 10 crores and services enterprises having investment from 2 crores to 5 crores in equipments are categorized as medium enterprises

The above definition of micro, small and medium enterprises is revised with effect from July 1, 2020 on account of impact of COVID 19 Pandemic on MSME and increase number of enterprises for government stimulus package as follows,

- A micro enterprise, where the investment in Plant and Machinery or Equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- A small enterprise, where the investment in Plant and Machinery or Equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees;
- A medium enterprise, where the investment in Plant and Machinery or Equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

3. Challenges for MSMEs

✓ **Overhead costs**

Even though lockdown was applied for economy businesses were continued to pay overhead cost such as electricity bill pay, mobile, internet, water charges, MIDC service charges etc. They didn't get any type of assistance from any type of government or non government organization to make payment against these expenses.

✓ **Salaries of personnel.**

As the employees of business organization depends on salary as a main source of income in family, even if the operations and sales of the business unit was stopped the salaries were paid in full or in partial by almost all organization. This increased financial burden on already stressed business units.

✓ **Rent**

and there revenues are not assured, such situation restricts small units to own many needed assets for business processes. The option chosen by small business units in such situation is renting the assets. The owner of assets continued to charge rent for all such assets rented to small units. Managing funds for such expenses presents big challenge for them.

✓ **Interest**

As discussed earlier, Small business units lack access to professional methods of financing and the interest paid by them on borrowed money is generally in higher rates. The lenders to small units continued to charge interest on borrowed money. Moratorium offered by Banks was little helpful in this case.

✓ **Working Capital**

The small units business model based on giving credit to the customers as the customers of such units are again present such characteristic that to sell produce customer needs some sort financial rearrangement such as small unit payments or larger credit terms, few of the customer delayed their payments towards small units, apart from this, inventory piling and other such issues built pressure on small units.

✓ **Stock Damage**

On account of shutdown and lockdown and slow busess after opening up it is found that much of the stock with many of the business units was spoiled, further few business units involved in fashion retailing found that the stock with them is out of date. Few sellers involved in small shelf life products found that their stock is expired and can't be sold. Many business units suffer from losses in such case.

✓ **Health of Staff and family.**

Due to COVID 19 many of the staff members, family members of staff members, own family members suffered from disease. Such poor health has impact negatively on psychology of these businessmen; this was addition to already multiple problems faced by business units.

4. Strategies for MSMEs

✓ **Diversification:**

Businessmen have good knowledge of commercial aspects of business. Thi knowledge can be used in more relevant business models which are capable to operate in covid era. Businesses must diversify from existing units so as to better use the resources and skills they own and maximize the benefits.

✓ **Reducing Inventory Levels:**

Various inventory controls are used in best possible ways by large organizations; few of the organizations have lead to level of just in time inventory management technique. Inventory Management is one of the biggest problems generally faced by MSME's. Many of the units are managed as family owned business generally managed by family members lagging professional techniques of inventory management. Professional inventory helps in two ways to any organization, first and foremost is it makes organizations to produce goods and services in anticipation of market demand leading to rightly tapping market opportunities and fulfilling the market demand. Due to Lockdown and other safety guidelines after lockdown due to COVID-19 many larger organizations demanding the goods from supplier in irregular way due to challenges of transportation, warehousing and handling. This entire situation makes it more difficult for comparatively smaller MSMEs who act as supplier to these large organizations. The managers or owners of MSME business should appreciate the philosophical foundations of TQM already widely available on multiple platforms. Secondly professional inventory management also helps in managing business in lower working capital requirement leading towards better ROI for MSMEs.

• **Demand Focused Manufacturing:**

Post lockdown has presented different requirement of business management of many new challenges. Customer's requirements are largely changes and pattern of purchasing is different. Customers both industrial and consumer market are demanding products capable to satisfy with different requirement pattern. MSME's should anticipate these things in production line in order to innovatively produce goods and services with new patterns. While doing such things MSMEs should focus on keeping the investments at lower level and focus more on Stock keeping units and producing only when requirements. Piling of inventory will lead to additional cost and investments. MSMEs should even keep the factories shut down and run only when the desired load is available. Innovation should be done on new methods of logistics and multiple loading of vehicles from few suppliers or arranging deliveries of few customers together. This will increase the logistics efficiency of the vehicles reducing cost of transportation.

• **Strengthening Relationship with Suppliers**

Micro, small and medium depends on suppliers from agricultural background as well as industrial establishments supplying different items of the inventory. As discussed earlier, production schedule of MSME is disturbed on account of multiple changes. Working capital availability is again a key question to MSMEs due to irregular demand from buyers and irregularities in payment cycle is additional bane for MSMEs. All such system can be addressed from philosophy of TQM. Supplier relationship should be kept on top priority as there many reasons now that supplier relations will be stressed. The passing of information about production schedules and buying from MSME should clearly be communicated to suppliers. Such communication will lead for scheduling operations for suppliers end. Management should also focus on respecting the payments terms with the help new methods of financing.

• **New Methods of financing :**

Government of India has given huge stimulus package for MSMEs in the period of COVID-19 Pandemic. Apart from financial stimulus government has also given new classification for MSMEs enabling many entities to include in the frame work of government definition of MSME. Apart from these things RBI has reduced interest rates and liberalized funding for MSMEs. Many new tools such as Inland Letter of Credit and bill discounting for MSMEs are now available. Such tools enable the MSMEs owners or managers by the way of additional working capital availability. Such tools should be promoted broadly by Banks so that information should be available to everyone.

• **Management Involvement:**

Generally Micro, small and medium organizations are managed by owners by enlarge barring few exceptional cases. The above mentioned philosophical changes can be accommodated in the organization only after involvement from top management. It should be appreciated that stopping the production for shorter run is actually helping them in managing business in better way. Many of the changes needs investment and management should think to these investments in proper way and upgrade to level for fulfilling market demand. These people should also approach to banks and other government mechanism for additional support. Many new methods and schemes are available at government level and bank level. These can be really helpful to these businesses.

• **Short sizing:**

Employees are backbone of every organization. Both manufacturing and services organizations depends on employees for completion of task. If organization is implementing new method of work or new process is being implemented at organization level. The understanding of management philosophy and vision can be imparted to employees by proper method of Training. All employees must be given proper training about inventory management, marketing, query handling, every body's involvement, innovation and managing relationship with external and internal clients of the organization. The trained employees should be involved in decision making of the organization as well. Any organization can't increase productivity, processes, or sales without the total commitment of all employees. Organizations need to understand the vision and goals that have been framed and communicated. They must be well trained and given the proper resources to complete tasks in order to be committed to reaching goals on time. MSMEs should implement this TQM principle by clearly communicate and acknowledge the importance of each individual contribution, Stress that each team or individual accepts ownership and give them the responsibility and opportunity to solve problems when they arise. Encourage employees to self-evaluate performance against personal goals and objectives, and make modifications as necessary to improve workflow. Organizations should also make responsibilities clear, provide adequate training, and make sure your resources are used as efficiently as possible. Create an environment where employees can openly discuss problems and suggest ways to solve them.

• **Continual Improvement**

Continuous improvement is inherent principle of TQM philosophy. Especially MSME should try to adhering to processes is critical in quality management. Processes ensure that the proper steps are taken at the right time to ensure consistency and speed up production. To implement this TQM principle: MSMEs should use Total Quality Management tools such as process flowcharts to define and delineate clear roles and responsibilities so everybody knows who does what at certain times. Create a visual action plan so everybody can easily see the specific activities that need to be completed to achieve the desired result and focus on continued improvements and success

5. Conclusion

- ✓ The present environment is very difficult to already stressed micro, small and medium enterprises. Effect of COVID 19, lockdown and safety measures add to difficulty for these small organizations. It is high time for MSMEs to adopt philosophical foundation of total quality management. They should focus on TQM strategies such as reducing Inventory Levels; customer focused manufacturing, management involvement, strengthening relationship with suppliers, employee training & involvement, continual Improvement. These techniques are already proved their impact in larger organisations. Government must take efforts to educate small MSME owners about these TQM philosophies and help them not only to survive in business but also to grow by tapping new emerging opportunities in market.

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