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PESTEL Analysis of Micro, Small and Medium Enterprises after Covid-19 in India

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Abstract

Micro, Small and Medium Enterprises are major sector in Indian economy in relation with GDP (Gross Domestic Product), Export and Employment generation for the country. According to Ministry of Statistic and Programme Implementation (MOSPI), the share of MSME for Gross Value Added (GVA) in total GVA during the year 2016-17 was 31.8% which is considered as significant contribution to economy. As per Directorate General of Commercial Intelligence and Statistics (DGCIS) the portion of MSME related products in total export from India during 2018-19 was 48.10% with this it is indicated most important sector for economy but after declaration of lockdown due to Covid-19 that lead to major impact on MSME sector. In this study researcher try to identify the PESTEL Environment after Covid-19 and ATMA-NIRBHAR BHARAT Abhiyan initiated by Indian Government on 12th May 2020. The major finding of the study indicated major decision are taken by government of India and Atma-Nirbhar Bharta Abhiyan give boost to MSMEs in future and widely increases number of MSMEs. In India movement also started Vocal for Local that lead to strengthen MSMEs in future.

Introduction

The worldwide accepted that MSME as the engine of economic growth and enhancing development of the country (Syal, 2015; Tambunan, 2008). MSME have been significant impacted on employment growth rate in which 90% of total enterprises are credited with generating higher employment growth rate. MSME sector consider as the second largest employment generating sector after agriculture sector in India and it is facilitate employment approx. (Biswas et al., 2018; Aremu & Adeyemi, 2011). 120 million people in India. In overall

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near about 47% of export are done by MSME. In inclusive growth MSME provided employment opportunities especially in rural areas for people belonging to weaker section of the society.

Literature Review

Agyapong (2010) analysed micro, small and medium enterprise's activities, income level and poverty reduction in Ghana- a synthesis of related literature. In this paper researcher reviews the literature on the important of MSME to economic development and poverty alleviation. In this study there were MSME identified named as pro-MSMEs believe in the significant role played by small business in the economic prosperity of a country and another one is the anti-MSMEs are of the view that large organisation played relatively role in compare to MSMEs. From literatures researcher identified that small business play significant role in economy and creating jobs (especially for female workers), tax contribution, exports of goods and services, facilitate to distribution of goods and contribution to human resource management are done by it.

Şentürk & Keskin (2010) have analysed the importance of small and medium sized enterprises in economies; SWOT analysis of the SME sector in Turkey and Albania. In this paper researcher reveals that in developing countries SMEs play main sources of national income and create significant areas for the employment and entrepreneurship. This study was based on Turkey and Albania aims to become a full member of the European Union and make their economy strengthen in mutual and political relationships. In this study researcher identify that chronic economic problems of developing countries have affected for these enterprises.

Raney (2020) has analysed covid-19 pandemic: impact on MSMEs. In this paper researcher analysed that around 120 million people in India are working in MSMEs and huge contribution to GDP. There are various aspect effects on MSMEs, like shortage of raw materials, skilled manpower, other materials, absence of FDI, advancement of technology and many more. In this paper researcher suggested that the core areas of impact were finance, manufacturing, logistic, people and premises for that government measure deal with lockdown to survive the slap of pandemic.

Dev & Sengupta (2020) have analysed the outbreak of covid-19 pandemic is unpredictable stock to the Indian economy. With the lockdown economy faces downturn and associated disruption of demand and supply chains, slowdown of economic activities. The situation is based on lockdown period and after the lockdown period. In this paper impact of shock on various segments of the economy and analyse the policies that have been announced by central government and reserve bank of India for recommendations for specific sectors.

Importance of Study

This study analyses the post Covid-19 Micro, Small and Medium Enterprises with the help of PESTEL analysis in which what will be condition in concern with Political, Economic, Social, Technological, Environmental and Legal situation prevailing in India would be studied.

Research Gap

The literature reviews are most important aspect of the identification of gap between present study and old study in concern with selected problem. As per researcher knowledge selected problem is uncovered so, there is gap for conducting research.

Research Methods

Research methodology indicated path way of conducting research and it is also said that the road map of research plan for findings the conclusions and indicate suggestions as per conclusions.

Period of the Study

The period of the study should be considered as after Covid-19 epidemic in India or it can be said that after 25th march which first lockdown date is in India and onward time for the study period.

Scope of the Study

Functional Scope: Functional scope of the study is PESTEL (Political, Economic, Social, Technological, Environmental and Legal) Conditions in MSMEs.

Geographical Scope: The study is restricted to MSMEs in India so, Whole India should be considered as Geographical scope for the study.

Data Collection

For the PESTEL analysis various data are required in which Political, Economic, Social, Technological, Environmental and Legal data are obtained from government websites, research papers and newspapers.

Results and Discussion

PESTEL Analysis and Interpretation

PESTEL Analysis stands for the Political, Economic, Social, Technological, Environmental and Legal conditions in particular sector or company. There are various environments in particular things which are affected to its operations like internal environment, micro environment and macro environment. PESTEL Analysis is considered as Macro environment which are affected to current and future operations and activities of particular sector. Here, attempt has been made for analyse after Covid-19 situation of MSMEs (Micro, Small and Medium Enterprises) with the help of PESTEL analysis.

Political Conditions

Ministry of Micro, Small and Medium Enterprises is run by government of India for the development and upbringing of units which are registered under MSME act 2006. In concern with political environment in India NDA (National Democratic Alliance) accounted 12 major reforms in the year November 2018 in which some highlight are (1) Ease of Access of Credit: for this website named www.psbloanin59miniture.com is working for approving loans in just 59 minutes with limit of 1 Crore rupee. (2) Easing of cash cycle: Cash cycle is most important factor for any business organisation and deal with cash cycle government took decision as companies having a turnover 500 crore that should be compulsory register on the TreDS Platform. (3) Access to market: Market is most essential place for buying and selling goods and services. For this government took decision that all central government enterprises available on GeM portal for helping MSMEs supply directly for the purpose of elimination of middleman culture.

Economic Conditions

Reduce cost of Credit: for this government take decision regarding cut interest rate for GST registered Micro, Small and Medium Enterprises to be 2% lower with compare to market rate

and it is applicable for loan up to 1 crore and for Exporters get 3 to 5% subvention on loans. 3 lakh crore collateral free loans: The banks and NBFCs will provide 20% of entire outstanding credit as on February 2020. MSMEs with up to Rs. 25 Crore outstanding and Rs. 1 Crore turnover are eligible for taking loans from government. NPAs: Those MSMEs are declared as NPAs are facilitate by government with provision of Rs.20,000 Crore as subordinate debts. Global tenders' restrictions: Global competitors are procuring tenders due to the size and strength. Now government declared that it will not allow global tenders in such scheme up to Rs. 200 Crore. That leads to increasing part of MSMEs in domestic economy.

Social Conditions

The social conditions are consist with cultural dimension of the environment like customers, life style and values characterised the society in which organisations are operate. The culture consist of religion, languages, education, ethical beliefs and social class so it following points support for India as unity in diversity. (1) India possesses various religion in one nation but India believes diversity in unity. (2) India believes in living in joint family so demand also increase by that type of family.

Technological Conditions

Ease of processes and compliances; for technological upbringing 12 new bugs and 100 toll rooms are created at the cost of 6000 crore help technological up gradation of MSMES. The end of inspector raj; inspectors would be allocate the establishment digitally for inspection of MSMEs and the report of inspection would be file within 48 hours with appropriate reasons.

Environmental/Ethical Conditions

For environmental changes government decided that Air and water consents for MSME to now together and routine environmental inspection also ends for the environmental conditions.

Legal Conditions:

Atma-Nirbhar Bharat Abhiyan leads to various changes in various aspects and from that changes one of the major change is change the definition of MSMEs sector. This change initiate to wider cover of MSMEs and give then all the benefits regarding MSME sector. In this regard there is existing definition before 12thMay 2020.

Existing MSME classification			
Criteria: Investment in plant and machinery equipment			
Classification	Micro	Small	Medium
Manufacturing	Investment < Rs. 25 lac	Investment < Rs. 5 cr.	Investment < Rs.10cr.
Services Enterprise	Investment < Rs.10 lac	Investment < Rs.2 cr.	Investment < Rs.5 cr

Source: Ministry of Micro, Small and Medium Enterprises

In this definition, for manufacturing and services sector is differentiated with investment in particular MSMEs but after that new definition leads to two criteria that are investment and turnover for manufacturing and services are combined in single definition.

Revised MSME classification			
Composite Criteria: Investment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing and services	Investment < Rs. 1 cr. and Turnover <Rs. 5 cr.	Investment < Rs. 10 cr. and Turnover <Rs. 50 cr.	Investment < Rs. 2 cr. and Turnover <Rs. 100cr.

Source: Ministry of Micro, Small and Medium Enterprises

The PESTEL Analysis for MSMEs indicated that there is wider opportunities for this sector in India and that is also take not by government that this sector after agriculture most important and second highest earning as well as employment generation in India.

Conclusion

Due to PESTEL Analysis that is concluded that the study indicated major decision are taken by government of India and Atma-Nirbhar Bharta Abhiyan also gives boost to MSMEs in future and widely increases number of MSMEs. In India movement also started Vocal for Local that lead to strengthen MSMEs in future. The separate Ministry of Micro, Small and Medium Enterprises give importance to MSMEs for separate operational activities are done by government.

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