



# COVID 19 AND THE MSME SECTOR IN NER

**Adapting to the 'New Normal'**

Project Title: **Capacity  
Building of the MSMEs  
in North East India for  
Export Competitiveness**

Assessing the Impact of COVID-19 among the MSMEs in NER: This document proposes a way forward to support the MSMEs in the wake of challenges faced by the Entrepreneurs due to lockdown and COVID-19 outbreak.

Geographical Coverage:

**Mizoram, Assam &  
Nagaland**

## I. Impact of COVID-19 on the MSMEs and Social Entrepreneurs in the North East

North East Region (NER) comprising of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura has an area of 2.62 lakhs square kilometers, and a population of 46 million (2011 census). The region is bountifully endowed with biodiversity, hydroelectric potential, oil and gas, coal, limestone and other mineral resources. It is also rich in forest resources including rubber, cane and bamboo, timber, hardwood, medicinal plants and herbs.



**MSME occupies an important role** in directing the development process of growth and prosperity in the NE region. While there has been a slow and steady growth of the MSME sector, challenges persist, such as availability of credit, high cost of operation, power supply, lack of infrastructure, inadequate market linkages, etc. Although the region accounts for only 1.5% of the country's MSMEs, that in the industrial output of NER states, there is substantial contribution from the local micro and small enterprises (MSEs). The informal manufacturing sector (IMS), which are essentially MSMEs, is the highest contributing segment (62%) in the industrial output of the region. However the MSME sector in the region has been witnessing a downturn in the last few years due to certain structural challenges.

**Situation has become even worse due to the lockdown as result of COVID-19 pandemic.** Several MSMEs are on the verge of closure

and shutdown, particularly those who were engaged in handloom, handicraft and food processing. Though official estimates are yet to be known, it is envisaged thousands of people working in such units have lost their jobs due to sudden lockdown. In such a situation, MSMEs will be the one who will suffer the most as these units survive on day-to-day business activities with no cash reserves, and fall back options, let alone any protection or support from governments.

MSMEs in NE region account for 1.5% of the country's MSMEs

However they provide employment to around 13.27 lakh workers

MSMEs in the NE Region survive on day to day businesses for their survival.

They do not have cash reserves nor do they have any financial back up in terms of access to credit from Banks

With MSME facing a difficult time due to resource crunch, both financial and human resources, measures for improving welfare of the MSME entrepreneurs and workers during the lockdown and post lock down is required, so that sector that provides employment to around 13.27 lakh (NSSO data) can gradually come back to normalcy.

92.5% of labourers in the urban areas have lost 1-3 weeks of paid work

As per the estimates available the current lockdown has affected as many as 92.5% of labourers in the urban area have lost 1-3 weeks of paid work, while in rural belts thousands of households are facing penury and deprivation as economic activity grinds to a halt due to the lockdown severely affecting key sectors like agriculture, poultry, piggery, construction and other daily wage sites, small-scale business and all government livelihood schemes. The pandemic has stalled work under the rural jobs guarantee scheme (MGNREGA), leaving daily wage workers with little or nothing to fall back on.

In the North East, UNDP is working with more than 150 social entrepreneurs and Farmer producer organizations (FPOs). Most of these entrepreneurs and FPOs are dealing in handloom, handicraft and food processing. As there is no business activity taking place, the entrepreneurs and the artisans are going through extremely difficult time. Even after the lock down, it will be difficult to revive the sector, if they are not assisted financially in terms of assistance in procurement of raw material, working capital and assistance in market linkages.

## II. Survey under EXIM Bank- UNDP Partnership:

In the above context, it is envisioned that partnerships among development organizations and financial institutions may contribute in different ways to address the need of the MSME sector in the current times. In response to the current hit taken by enterprises in COVID 19, UNDP proposes relooking and realigning it's livelihood interventions in North East India. As the first step towards curating the adaptive strategies for MSMEs, a survey was being undertaken to understand the impact of COVID-19 on businesses in NER.

### Objective of the Survey:

In order to assess the situation of the MSME units in NER, a survey of the economic impact on COVID-19 on their business was been carried out. The objective of the survey was:

- To assess the economic status of MSMEs in NER (particularly Mizoram, Assam and Nagaland)
- To curate short term and immediate measures to support the MSMEs in NER

### Methodology Adopted:

A survey questionnaire was created in Google Forms with 12 key questions which aimed to capture the economic status of MSMEs during COVID 19. An in-house team of UNDP from North East conducted the interview over phone and via e-mails.

- Area of Study: Assam, Mizoram, Nagaland, Manipur, Arunachal
- Sample size: 90 MSMEs/FPOs/FPCs/SHGs
- Targeted Sectors: Agriculture and Allied Sectors, Handloom, Handicraft

### Demography:



Female: **49%**  
Male: **51%**



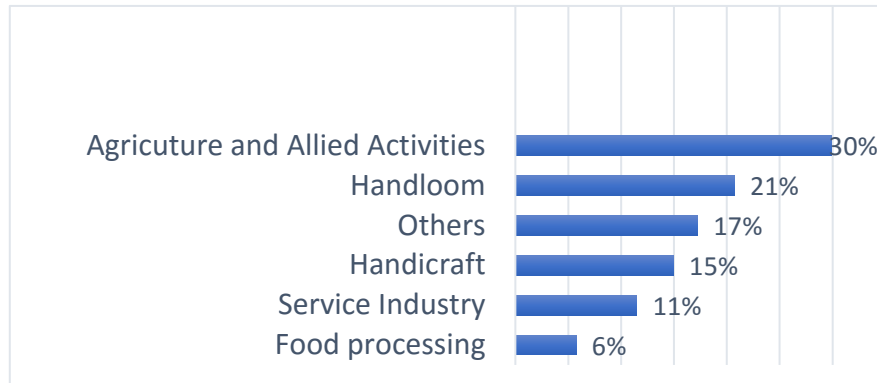
Nagaland: **38%**  
Mizoram: **33%**  
Assam: **24%**  
Manipur & Arunachal: **5%**



25-35: **38%**  
35-45: **30%**  
45-55: **20%**  
55-65: **8%**  
65 and Above: **2%**

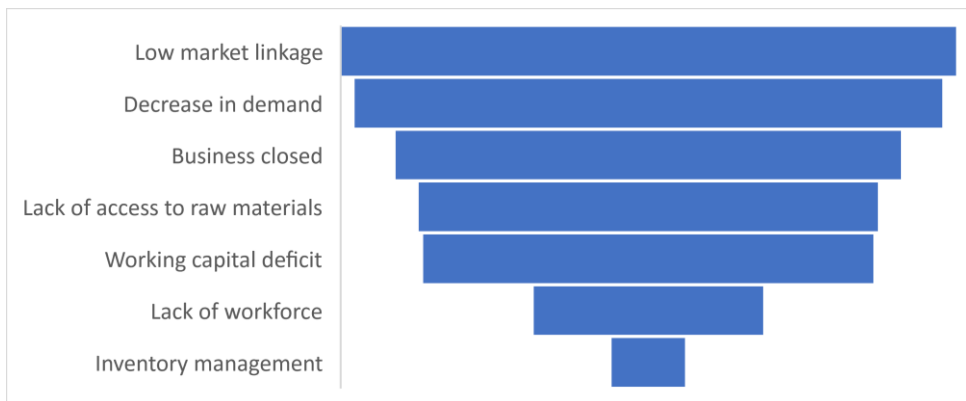
### Key Findings:

- Sectoral Composition:** The highest percentage of the respondents group was from the Agriculture and Allied sectors. The allied activities include poultry, mushroom cultivation, piggery and other livestock. Others, which holds 17% of the total respondent



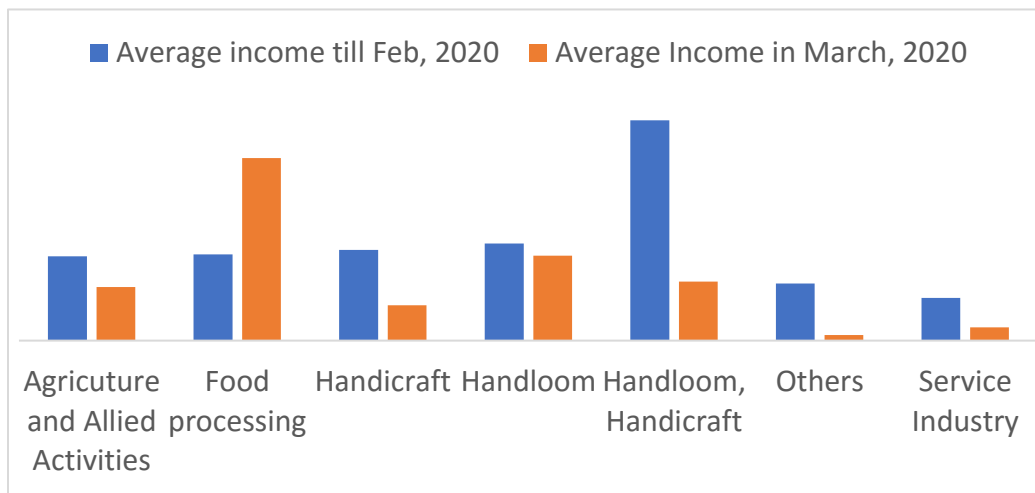
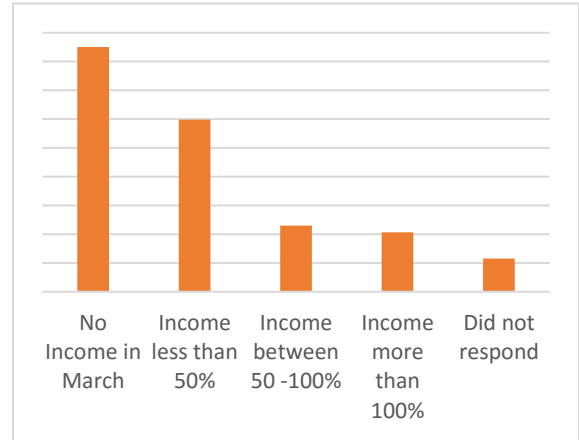
percentage, consists of trading and other similar activities. However, this remain relevant as these trade enterprises are being managed by SHGs in Nagaland.

- Economic Impact of COVID 19 in the business:** Lack of opportunity to meet new customers emerged as the highest factor affecting the business of the entrepreneurs.

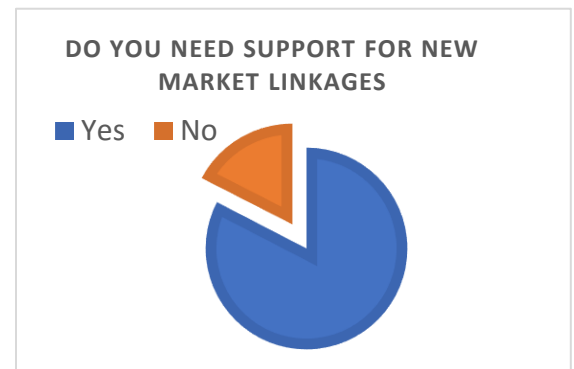


Restrictions in the mobility of commercial vehicles was stated as a prime reason for a drop in market linkages for the agriculture and allied sectors. However, handloom & handicraft enterprises are unable to find a market for the non-essential items. A shift in pattern of consumption is being expected, from luxury based products to utility based products.

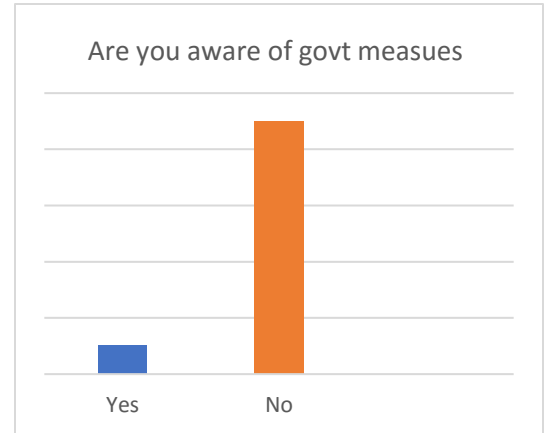
- Income Analysis:** Respondents were asked about their average income till February, 2020 & that of March, 2020. Thereby, income comparison was done between March, 2020 and average income till Feb, 2020. 84% respondents reported a decrease in income in March, out of which 43% reported Zero income. An increase in income in the month of March was noticed in the Food processing industry. This trend was reported due to the hoarding/stocking up of consumables before & during the lockdown. While the food processing enterprises reported keeping their operations closed, they stated that their already existing stock was a quick buy in the market.



- Support to create new market linkages:** 83% of the respondents reported a need for creating new market linkages. While digital marketing was preferred by the entrepreneurs from Assam, most of the entrepreneurs from Mizoram, Manipur and Nagaland feel that offline market linkages (trade fairs, B2Bs etc) are more effective, given the low internet connectivity in the aforementioned states.



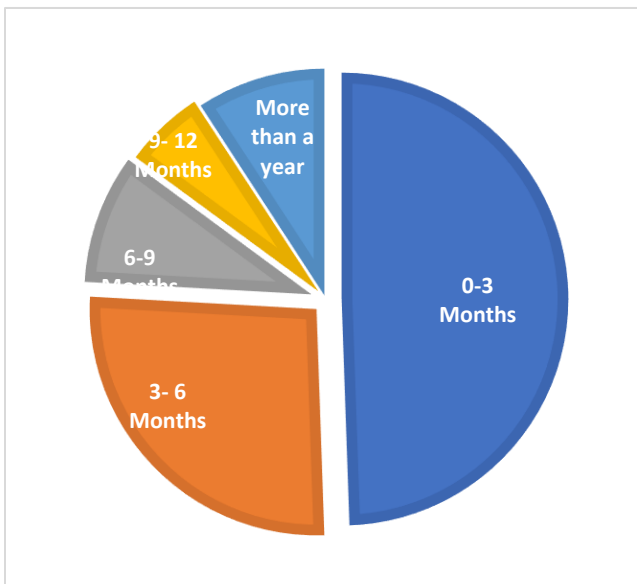
- Awareness on Financial Measures by Govt. agencies:** A whopping 90% respondents stated having no knowledge or information about the govt measures in response to COVID 19. A small percentage of 10% stated that they are aware about the policies and relaxations for MSMEs, however, they don't feel confident approaching the financial institutions or the govt. agencies for aid.



- Need for online Skill training:** When asked if there is a need for online skill training, 62% respondents said 'No'. The reason stated was that online skill training does not fulfill the hands-on training what is needed to understand the technical aspect of any craft. However, 38% respondents stated that training is required in terms to business management or business model development.



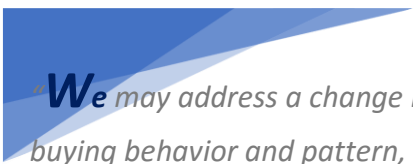
- Expected Duration for the bussiness to return to normal:** 50% of the interviewed



respondents believe that the business will return to normal within 3 months of lockdown relaxations. Most of the respondents stating this belonged to the Agriculture and allied sectors. However, the entrepreneurs from the handloom and handicraft sectors feel that it might take between 6-9 months for them to streamline their business again. This section is also open to realigning their business models based on the upcoming market patterns.

### Conclusions & Recommendations:

- Agriculture and allied sectors sound comparatively more positive than handloom and handicraft industry in terms of bouncing back from the economic damage caused by COVID 19 and lockdowns. This also indicates a change in the pattern of consumption- from luxury or non- essential to essential and consumable products.
- Inability to access govt measures aimed at supporting MSMEs is a phenomenon which cuts across the region, sector and the scale of the enterprises. This stands true for a small SHG as well as an enterprise with a monthly income of more than 2,00,000. Information dissemination as well as a systematic handholding of the MSMEs, in order to better equip them to access the existing schemes and policies can be a way forward to building more resilient MSMEs.
- A need for online market linkages showed a growing trend amongst the enterprises from Assam. However, the chunk of enterprises from the remote geographical locations of Nagaland, Manipur feel that offline market linkages are still more effective, given the unstable internet connection in the region.
- A need was observed for trainings on how to run a business during a crisis/partial lockdown, especially for the handloom and handicraft entrepreneurs. Its recommended that development of innovative and dynamic business models will help these enterprises to realign their work and vision in times of current crisis.



*“We may address a change in buying behavior and pattern, so we need to create products based on consumer essentials. There is a need to do lots of R & D for this, and therefore financial assistance would be more crucial.”*

*- Handicraft Entrepreneur*

### III. Link to the Questionnaire

The link for the survey in Google Form is:

[https://docs.google.com/forms/d/e/1FAIpQLSfBETY1XBgLcs0q1YwWf5ojF6V7KhHTMxaAFnV9qhRMIX-PTw/viewform?usp=sf\\_link](https://docs.google.com/forms/d/e/1FAIpQLSfBETY1XBgLcs0q1YwWf5ojF6V7KhHTMxaAFnV9qhRMIX-PTw/viewform?usp=sf_link)

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