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IMPACT OF THE COVID-19 PANDEMIC ON THE LIVELIHOODS OF MSME WORKERS IN CHHATTISGARH

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ABSTRACT

The COVID-19 pandemic and the nationwide lockdown severely disrupted the livelihoods of workers employed in Micro, Small and Medium Enterprises (MSMEs), particularly in economically vulnerable states such as Chhattisgarh. MSMEs, which constitute a major source of employment and income generation, experienced significant challenges due to production stoppages, supply chain disruptions, reduced market demand, and financial constraints. The present study examines the impact of the COVID-19 pandemic on the livelihoods of MSME workers in Chhattisgarh, with a focus on employment, income, consumption, savings, access to social protection, and coping strategies adopted during and after the pandemic. The study is based on primary data collected from MSME workers across selected districts of Chhattisgarh using a structured questionnaire, supplemented by secondary information from government reports, MSME publications, and relevant literature. Descriptive statistics and appropriate statistical techniques were employed to analyse the data. The findings reveal that a substantial proportion of workers experienced prolonged unemployment, significant income losses, and increased indebtedness during the pandemic. Informal and contractual workers were disproportionately affected due to the absence of job security and limited access to social security benefits. Many households relied on borrowing, depletion of savings, and government welfare schemes to sustain their livelihoods. The findings contribute to the understanding of pandemic-induced livelihood vulnerabilities and provide policy recommendations for fostering inclusive and sustainable recovery of MSME workers in Chhattisgarh. Existing evidence from Chhattisgarh and India similarly indicates *substantial livelihood, employment, and wage losses among vulnerable workers and MSMEs during the pandemic, reinforcing the importance of targeted policy support.*

KEYWORDS: COVID-19, MSMEs, Livelihood, Employment, Income, Workers, Economic Recovery, Chhattisgarh, Informal Sector, Social Protection.

1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) constitute the backbone of the Indian economy by contributing significantly to employment generation, industrial production, exports, and regional economic development. The sector accounts for nearly one-third of India's Gross Domestic Product (GDP) and provides employment to more than 20 crore people, making it the second-largest source of employment after agriculture. In states such as Chhattisgarh, MSMEs play a pivotal role in promoting balanced regional development by creating livelihood opportunities for skilled, semi-skilled, and unskilled workers in both urban and rural areas. The sector encompasses manufacturing, services, food processing, handicrafts, forest-based industries, engineering, textiles, and agro-processing units, which are essential for sustaining local economies and reducing poverty.

The outbreak of the Coronavirus Disease (COVID-19) in early 2020 triggered an unprecedented global health crisis with severe economic consequences. To contain the spread of the virus, the Government of India imposed a nationwide lockdown on 25 March 2020. While the lockdown was necessary from a public health perspective, it significantly disrupted economic activities across all sectors. MSMEs were among the worst affected because of their limited financial reserves, dependence on daily cash flows, labour-intensive production processes, and restricted access to formal credit. The closure of industrial establishments, interruption of supply chains, shortage of raw materials, transportation restrictions, and decline in consumer demand resulted in a sharp contraction in production and business operations.

The impact of the pandemic was particularly severe on MSME workers, many of whom are employed on contractual, casual, or informal terms without adequate social security or employment protection. As production units shut down or operated at reduced capacity, workers experienced job losses, wage cuts, reduced working hours, delayed salary payments, and increased economic uncertainty. A considerable number of migrant workers returned to their native villages following the closure of industries, further intensifying rural unemployment and livelihood insecurity. The pandemic exposed the vulnerability of workers employed in the informal economy, highlighting the absence of comprehensive social protection mechanisms and emergency support systems.

Chhattisgarh presents a unique context for examining the livelihood impacts of the COVID-19 pandemic. The state has witnessed steady growth in MSMEs, particularly in sectors such as rice milling, forest produce processing, steel fabrication, handicrafts, engineering products, food processing, and service enterprises. These enterprises provide employment to thousands of workers across districts including Raipur, Durg, Bilaspur, Rajnandgaon, Korba, Raigarh, Surguja, and Bastar. However, the pandemic severely affected production, sales, transportation, labour availability, and market access, thereby reducing employment opportunities and household incomes. Workers employed in micro and small enterprises were especially vulnerable because of limited savings, lack of written employment contracts, and inadequate access to insurance or social security benefits.

Against this backdrop, the present study examines the impact of the COVID-19 pandemic on the livelihoods of MSME workers in Chhattisgarh. It analyses the changes in employment, income, working conditions, consumption patterns, savings, indebtedness, migration, and access to government welfare schemes before, during, and after the pandemic. The study further identifies the coping strategies adopted by workers and assesses the effectiveness of policy interventions aimed at supporting MSMEs and their workforce. The findings are expected to contribute to the existing literature on labour economics, livelihood security, and MSME development while providing evidence-based recommendations for policymakers, researchers, and development practitioners to strengthen the resilience and sustainability of the MSME sector in Chhattisgarh.

2. Review of Literature

The COVID-19 pandemic has attracted considerable scholarly attention due to its unprecedented impact on economic activities, employment, and livelihoods across the world. Micro, Small and Medium Enterprises (MSMEs), which constitute a significant source of employment in developing economies, were among the sectors most adversely affected. Several national and international studies have examined the consequences of the pandemic on MSMEs, labour markets, income security, and policy responses. The following review highlights the major empirical and theoretical contributions relevant to the present study.

International Labour Organization (ILO) (2020) reported that the COVID-19 pandemic caused the largest disruption to labour markets in modern history. The study observed widespread business closures, reductions in working hours, job losses, and declining incomes, particularly among workers employed in informal and small-scale enterprises. The report emphasized that workers without formal employment contracts or social security coverage were the most vulnerable to economic shocks.

Bartik et al. (2020) conducted a survey of small businesses in the United States and found that the majority experienced severe financial distress immediately after the outbreak of COVID-19. Many enterprises faced temporary or permanent closure because of declining demand, disrupted supply chains, and liquidity shortages. The study highlighted the importance of government financial assistance in sustaining small businesses and protecting employment.

Fairlie (2020) examined the impact of the pandemic on small business ownership in the United States and reported a historic decline in active business owners during the initial months of the lockdown. Minority-owned and low-income enterprises were disproportionately affected due to limited access to financial resources and higher business vulnerability.

Organisation for Economic Co-operation and Development (OECD) (2020) observed that MSMEs across member countries experienced serious operational and financial challenges due to lockdown restrictions, declining consumer demand, and interrupted supply chains. The report emphasized the need for liquidity support, tax relief, digital transformation, and employment protection measures to facilitate economic recovery.

Dev and Sengupta (2020) analyzed the macroeconomic implications of COVID-19 in India and found that employment losses were concentrated in the informal sector, where workers lacked adequate social protection. The authors argued that migrant workers, daily wage earners, and employees of small enterprises suffered substantial livelihood losses due to prolonged lockdowns and business closures.

Centre for Monitoring Indian Economy (CMIE) (2021) reported unprecedented unemployment levels during the lockdown period, with informal workers and employees of MSMEs experiencing the greatest employment losses. Although labour markets gradually improved after restrictions were relaxed, employment levels remained below pre-pandemic levels in several sectors.

NITI Aayog (2021) highlighted that MSMEs are critical for inclusive growth and employment generation but remain highly vulnerable to external economic shocks. The report recommended strengthening financial inclusion, digital infrastructure, skill development, market linkages, and social protection mechanisms to improve resilience.

Therefore, the present study seeks to bridge this research gap by examining the impact of the COVID-19 pandemic on the livelihoods of MSME workers in Chhattisgarh. By analyzing changes in employment, income, consumption, savings, migration, and access to welfare measures, the study provides evidence-based insights that contribute to the literature on labour economics, MSME development, and post-pandemic livelihood resilience.

3. Objectives of the Study

The present study aims to examine the impact of the COVID-19 pandemic on the livelihoods of Micro, Small and Medium Enterprise (MSME) workers in Chhattisgarh. The specific objectives are:

- To examine the impact of the COVID-19 pandemic on the employment status of MSME workers in Chhattisgarh.
- To analyze the impact of COVID-19 on household consumption, savings, indebtedness, and financial security of MSME workers.

4. Data Sources and Methodology

The present study is based on both primary and secondary data to comprehensively examine the impact of the COVID-19 pandemic on the livelihoods of MSME workers in Chhattisgarh. Primary data were collected through a structured questionnaire administered to workers employed in Micro, Small and Medium Enterprises (MSMEs) across selected districts of Chhattisgarh. The questionnaire was designed to gather information on respondents' socio-economic characteristics, employment status, income, wages, working hours, household expenditure, savings, indebtedness, migration, access to government welfare schemes, and coping strategies adopted during and after the COVID-19 pandemic. Personal interviews and field surveys were conducted to ensure the reliability and authenticity of the collected data. Secondary data were obtained from various published and unpublished sources, including: Ministry of Micro, Small and Medium Enterprises (MSME), Government of India, Ministry of Statistics and Programme Implementation (MoSPI), Reserve Bank of India (RBI)These secondary sources provided background information, policy context, and supporting evidence for interpreting the findings of the primary survey.

A multistage sampling technique was adopted for selecting the respondents.

- Stage I: Selection of districts having a significant concentration of MSMEs.
- Stage II: Selection of MSME units from different industrial sectors.

- Stage III: Selection of workers from the identified MSME units using simple random sampling.

A total of 300 MSME workers were selected as respondents for the study. The sample included workers employed in micro, small, and medium enterprises from both organized and semi-organized sectors. The collected data were coded, classified, and analysed using statistical software such as Microsoft Excel and SPSS.

5. RESULTS AND DISCUSSION

The COVID-19 pandemic significantly disrupted employment opportunities for MSME workers in Chhattisgarh. The nationwide lockdown, restrictions on industrial activities, interruption of supply chains, and decline in market demand compelled many MSMEs to either suspend operations temporarily or operate at reduced capacity. Consequently, employment in the MSME sector declined substantially during the pandemic period.

The survey findings indicate that a large proportion of MSME workers experienced temporary job losses during the lockdown, while many others faced reduced working hours and irregular employment. Workers employed on contractual, casual, and daily-wage arrangements were more vulnerable than permanent employees because they lacked employment security and social protection. Several enterprises reduced their workforce to minimize operational costs, resulting in increased unemployment and underemployment.

The study also reveals that wage payments became irregular during the pandemic. Many respondents reported salary reductions ranging from 20 to 50 percent, while others received delayed payments or remained unemployed for several months. The manufacturing sector, construction-related MSMEs, food processing units, and service enterprises were among the most severely affected. Women workers and migrant labourers experienced greater employment insecurity because they were concentrated in low-paid and informal occupations.

The pandemic also accelerated reverse migration, with many migrant workers returning from industrial centres to their native villages due to factory closures and uncertainty regarding employment. Although some workers obtained temporary employment under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), these opportunities were generally insufficient to compensate for the income lost from MSME employment.

Following the gradual relaxation of lockdown restrictions, employment conditions improved; however, recovery remained uneven. Larger enterprises resumed operations more quickly, whereas many micro and small enterprises struggled to restore production because of financial constraints, labour shortages, and weak market demand. Consequently, several workers continued to face unstable employment and reduced earnings even after economic activities resumed.

Overall, the findings demonstrate that the COVID-19 pandemic adversely affected the employment status of MSME workers in Chhattisgarh by increasing unemployment, reducing working hours, lowering wages, and exposing the vulnerability of informal workers. The results underline the importance of strengthening labour protection policies, expanding employment security, and improving crisis-response mechanisms to safeguard workers during future economic disruptions.

The pandemic significantly affected the financial well-being of MSME workers by reducing household income and weakening their capacity to meet essential expenditures. As employment opportunities declined and wages were reduced, many households experienced severe financial stress, forcing them to modify their consumption patterns and adopt various coping strategies.

The survey indicates that most respondents reduced their expenditure on non-essential goods and services while prioritizing food, healthcare, and basic household necessities. Expenditure on education, clothing, transportation, recreation, and durable consumer goods declined considerably during the lockdown period. Several households also postponed medical treatment for non-COVID illnesses because of financial constraints.

The study further reveals that household savings were substantially depleted during the pandemic. A majority of respondents utilized their accumulated savings to meet daily living expenses, repay loans, and finance medical emergencies. Workers employed in micro-enterprises, who generally possessed limited financial reserves, exhausted their savings more rapidly than those employed in relatively larger enterprises.

Increased indebtedness emerged as another major consequence of the pandemic. Many respondents borrowed money from relatives, friends, local moneylenders, self-help groups, and financial institutions to meet household expenses. The inability to repay these loans due to reduced income further aggravated financial insecurity. Informal borrowing remained common because many workers lacked access to formal banking credit or collateral required for institutional loans.

The study also finds that access to government welfare schemes partially mitigated the adverse effects of the pandemic. Distribution of free food grains under the Public Distribution System (PDS), direct benefit transfers, subsidized cooking gas, and employment opportunities through MGNREGA provided temporary relief to economically vulnerable households. Nevertheless, respondents reported that these measures were often insufficient to fully compensate for prolonged income losses, particularly among workers employed in the informal MSME sector.

The pandemic further highlighted the absence of comprehensive social security coverage for MSME workers. A large proportion of respondents lacked health insurance, unemployment benefits, pension schemes, or emergency financial support. Consequently, households remained highly vulnerable to future economic shocks and health emergencies.

Overall, the findings indicate that COVID-19 had a profound impact on household consumption, savings, indebtedness, and financial security among MSME workers in Chhattisgarh. Declining incomes resulted in reduced consumption, depletion of savings, increased borrowing, and heightened economic uncertainty. These findings emphasize the need for stronger social protection systems, expanded financial inclusion, affordable credit facilities, income support mechanisms, and emergency assistance programmes to enhance the resilience of MSME workers and their families.

The findings of the study are consistent with previous national and international research, which concludes that the COVID-19 pandemic disproportionately affected workers employed in MSMEs due to the labour-intensive and financially constrained nature of these enterprises. Employment losses directly translated into reduced household income, which subsequently affected consumption expenditure, savings behaviour, and financial stability. The interrelationship between employment insecurity and household financial vulnerability demonstrates that livelihood shocks extend beyond the workplace and significantly influence the overall socio-economic well-being of workers.

The results suggest that while government relief measures helped reduce immediate hardship, long-term recovery requires comprehensive policy interventions, including employment generation, expansion of social security coverage, skill development, affordable institutional credit, health insurance, and strengthened financial resilience of MSMEs. Building resilient enterprises will not only improve business continuity during future crises but also ensure sustainable livelihoods for millions of MSME workers in Chhattisgarh.

6. Important Findings

The major findings of the study on the Impact of the COVID-19 Pandemic on the Livelihoods of MSME Workers in Chhattisgarh are summarized as follows:

1. Severe Employment Disruption: The COVID-19 pandemic caused significant disruptions in employment among MSME workers. A considerable proportion of workers experienced temporary unemployment, reduced working hours, and irregular employment due to lockdown restrictions and business closures.

2. Income and Wage Reduction: Most respondents reported substantial declines in monthly income owing to wage cuts, delayed salary payments, and loss of employment. Daily wage earners and contractual workers were the most adversely affected.

3. High Vulnerability of Informal Workers: Workers employed in informal and unorganized MSMEs faced greater livelihood insecurity because of the absence of written employment contracts, job security, and social protection benefits.

4. Decline in Household Consumption: Reduced income compelled households to curtail expenditure on non-essential goods and services. Many families prioritized spending on food, healthcare, and other basic necessities while postponing education, clothing, and other discretionary expenses.

5. Livelihood Vulnerability: The pandemic demonstrated that employment instability directly affected household welfare, leading to reduced income, increased indebtedness, lower savings, and greater economic uncertainty among MSME workers.

6. Policy Implications: Sustainable recovery of MSME workers requires coordinated policy interventions focusing on employment generation, enterprise revival, financial inclusion, digital transformation, universal social security, and crisis preparedness to protect workers from future economic and public health emergencies.

7. CONCLUSION

The COVID-19 pandemic emerged as one of the most severe socio-economic crises in recent history, exerting a profound impact on the livelihoods of MSME workers in Chhattisgarh. The findings of the present study demonstrate that the pandemic significantly disrupted employment, reduced household income, weakened financial security, and increased the economic vulnerability of workers employed in micro, small, and medium enterprises. Lockdown restrictions, temporary business closures, supply chain disruptions, and declining market demand resulted in widespread job losses, reduced working hours, wage cuts, and irregular employment, particularly among contractual, casual, and informal workers.

The study further reveals that declining income adversely affected household consumption patterns, compelling workers to prioritize essential expenditures while reducing spending on education, healthcare, transportation, and other non-essential items. Most households exhausted their savings to meet daily living expenses and relied on borrowing from formal and informal sources, leading to increased indebtedness and long-term financial insecurity.

Although government welfare initiatives, including free food grain distribution, direct benefit transfers, MGNREGA employment, and MSME support schemes, provided temporary relief, they were insufficient to fully compensate for prolonged livelihood losses.

The research also highlights the structural weaknesses within the MSME sector, particularly the limited social security coverage, inadequate access to institutional credit, and absence of comprehensive employment protection for workers. These vulnerabilities intensified the adverse effects of the pandemic and slowed the pace of economic recovery. While business activities gradually resumed after the easing of lockdown restrictions, recovery remained uneven, especially among micro and small enterprises that faced persistent financial and operational constraints.

Overall, the study concludes that the COVID-19 pandemic exposed the fragile livelihood conditions of MSME workers and underscored the need for resilient and inclusive economic policies. Strengthening employment security, expanding social protection coverage, improving access to affordable credit, promoting skill development and digital adaptation, and enhancing the financial resilience of MSMEs are essential for ensuring sustainable livelihood recovery. Policymakers should also focus on developing effective crisis-management frameworks and labour welfare measures to safeguard MSME workers against future economic disruptions and public health emergencies. By addressing these challenges, the MSME sector can continue to serve as a vital engine of employment generation, inclusive growth, and sustainable economic development in Chhattisgarh and India.

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