

# MSME closures are still high amid emergence of new growth avenues

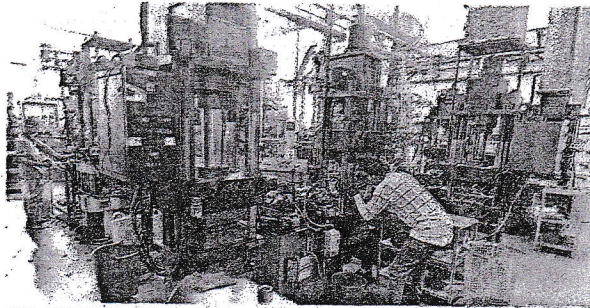
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The number of MSMEs (micro, small and medium enterprises) shutting down their operations in the post-Covid period continues to rise amid the opening up of newer growth opportunities via several programmes of the Central government.

As per the Udyam Registration portal, the total number of MSMEs that closed their operations between July 1, 2020, and December 12, 2023, stood at 32,477.

FY23 witnessed the highest number of shut-downs in the MSME segment as 13,290 Udyam-registered MSMEs wind-downed operations compared with 6,222 units that closed shops in FY22 and 175 units in FY21.

However, the current fiscal has also seen a big increase in the closure of operations by MSMEs. As of December 12,



**ADAPTIVE CHALLENGES.** A significant number of micro units perished due to transformation in operating environment

2023, 12,790 units downed their shutters, indicating the continuing stress in the segment in the post-Covid era. The country had over 6.25 crore MSMEs in 2016, but the number has dwindled to 3.25 crore as per Udyam portal.

“More than 60 per cent of the conventional micro-enterprises, which were engaged in business activities for more than 10 years have perished. It is very evident from the data provided by the MSME Ministry that the number has come down to

3.25 crore units despite revised reclassification,” points out K E Raghunathan, National Chairman - Association of Indian Entrepreneurs.

## SEVERAL CHANGES

India has been going through a complete transformation in the last eight years in terms of doing business. The government brought in several changes - cashless (digital) transactions, documented services, unified taxation, e-commerce marketing, global

standards, stringent labour laws, and social security mandates among others.

“All these have shaken up the conventional entrepreneurs who were not used to such regulations. Also, most of the micro units could not cope with the sudden shift to cashless transactions spurred by demonetisation. Nearly 30 per cent of the units exited because of this. Then, the GST, with over 700 amendments, has suddenly made them focus more on documentation rather than real business. There is hardly any MSME entrepreneur without getting any notice from authorities, he adds.

Industry representatives suggest a few measures to support MSMEs in the new operating environment. Entrepreneurs, who are keen to exit from their hitherto conventional businesses that have no scope now, should be given an opportunity for an honourable exit with a one-time settlement.