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Government Policy Impact on Small-Scale Industries in Maharashtra: A Pre- and Post-Covid-19 Empirical Study

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Abstract- Small-scale industries (SSIs), operating under the Micro, Small and Medium Enterprises (MSME) framework, form a critical pillar of India's industrial and employment ecosystem. Maharashtra, being one of the most industrially advanced states, hosts a substantial concentration of SSIs across districts such as Pune, Mumbai, Nashik, and Nagpur. Despite their economic significance, these enterprises remain structurally vulnerable due to limited access to finance, technological constraints, and regulatory complexities. The COVID-19 pandemic further exacerbated these vulnerabilities, resulting in operational disruptions, labor shortages, supply-chain breakdowns, and liquidity crises.In response to the unprecedented economic shock, the Government of India and the Government of Maharashtra introduced a range of policy interventions, including the Atmanirbhar Bharat stimulus package, the Emergency Credit Line Guarantee Scheme (ECLGS), loan moratoriums, MSME reclassification, and regulatory relief measures. This study empirically examines the effectiveness of these government policies by comparing the performance of small-scale industries in Maharashtra before and after the COVID-19 pandemic.A quantitative research design was adopted, and primary data were collected from 100 SSI owners and managers across Pune, Mumbai, Nashik, and Nagpur using a structured questionnaire. Data were analyzed using SPSS through descriptive statistics, paired sample t-tests, and regression analysis. The findings reveal a statistically significant improvement in business performance indicators in the post-COVID period, highlighting the positive role of government policy support in enterprise recovery. However, the study also identifies persistent challenges related to awareness, accessibility, and procedural complexity of policy schemes. The paper concludes with policy recommendations aimed at strengthening the long-term resilience and sustainability of small-scale industries in Maharashtra.

Keywords: Small-Scale Industries, MSMEs, Government Policies, COVID-19, Maharashtra

I. Introduction

Small-scale industries (SSIs) play a pivotal role in India's economic development by contributing significantly to employment generation, industrial output, exports, and inclusive regional growth. As per the Ministry of MSME, the sector accounts for a substantial share of manufacturing output and non-farm employment, particularly in semi-urban and rural regions. Maharashtra, as one of India's most industrialized states, has emerged as a major hub for small-scale industrial activity, especially in districts such as Pune, Mumbai, Nashik, and Nagpur.

Despite their importance, SSIs face numerous structural and operational challenges. Limited access to formal credit, outdated production technologies, inadequate marketing capabilities, intense competition from large enterprises, and compliance-related burdens often constrain their growth potential. These challenges were significantly intensified by the outbreak of the COVID-19 pandemic in early 2020. Nationwide lockdowns and

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mobility restrictions disrupted production processes, halted supply chains, triggered large-scale labor migration, and caused a sharp contraction in demand.

Recognizing the vulnerability of the MSME sector, the Government of India and state governments introduced a series of policy interventions to mitigate economic distress and promote recovery. These measures aimed to ensure liquidity support, prevent large-scale enterprise closures, and restore economic activity. Against this backdrop, the present study examines the impact of government policies on small-scale industries in Maharashtra by comparing enterprise performance before and after the COVID-19 pandemic.

II. Review Of Literature

Extant literature emphasizes the crucial role of government intervention in fostering the growth and sustainability of small-scale industries. Beck and Demirgüç-Kunt (2006) argue that access to finance remains one of the most critical constraints faced by small enterprises globally. In the Indian context, the Reserve Bank of India (2019) highlights structural bottlenecks such as credit gaps, delayed payments, and limited financial inclusion as persistent challenges for MSMEs.

Several studies conducted prior to COVID-19 suggest that government schemes related to credit subsidies, technology upgradation, and skill development positively influence MSME performance. However, the effectiveness of such schemes is often limited by low awareness levels and administrative inefficiencies.

Post-COVID literature has largely focused on emergency policy responses. Kumar, Singh, and Shukla (2021) report that schemes such as the Emergency Credit Line Guarantee Scheme (ECLGS) significantly improved liquidity conditions for MSMEs during the crisis period. Similarly, OECD (2021) notes that credit guarantees and moratoriums played a crucial role in preventing widespread firm closures. However, several scholars argue that the benefits of these policies were unevenly distributed due to digital divides, procedural complexity, and regional disparities.

While national-level studies on MSMEs are extensive, state-specific empirical research focusing on Maharashtra remains limited, particularly studies using primary survey data. This study seeks to address this gap by providing district-level empirical evidence on the impact of government policies on SSIs in Maharashtra.

III. Research Gap

Although numerous studies examine the MSME sector at the national level, there is a paucity of empirical research focusing specifically on Maharashtra. Moreover, comparative studies assessing small-scale industry performance before and after COVID-19 using primary data remain scarce. The present study addresses this gap by analyzing the effectiveness of government policy interventions through a quantitative, district-level approach.

1. Objectives Of The Study

The specific objectives of the study are:

- To examine the performance of small-scale industries in Maharashtra before and after COVID-19.
- To analyze the impact of government policy interventions on SSI recovery.

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- To assess the level of awareness and utilization of government schemes among SSIs.
- To study the role of access to formal credit in post-COVID recovery.

2. Hypotheses Of The Study

- H1: Government policy support has a significant positive impact on SSI performance post-COVID-19.
- H2: Access to formal credit significantly influences SSI recovery after COVID-19.
- H3: Awareness of government schemes significantly affects their utilization by SSIs.
- H4: There is a significant difference in SSI performance before and after COVID-19.

3. Research Methodology

The study adopts a quantitative research design to empirically examine the impact of government policies on SSIs in Maharashtra. Primary data were collected using a structured questionnaire administered to 100 SSI owners and managers operating in Pune, Mumbai, Nashik, and Nagpur. Convenience sampling was employed due to accessibility constraints.

The questionnaire consisted of five sections covering firm characteristics, pre-COVID performance indicators, post-COVID performance indicators, awareness of government schemes, and perceived effectiveness of policy interventions. Responses were measured using a five-point Likert scale. Data analysis was carried out using SPSS software, employing descriptive statistics, paired sample t-tests, and regression analysis.

4. Data Analysis And Results

Descriptive statistics were first employed to summarize respondents' perceptions regarding pre-COVID business performance, the severity of COVID-19 impact, the effectiveness of government policy support, and the level of post-COVID recovery. This was followed by a paired sample t-test to examine whether a statistically significant difference exists between business performance before and after the pandemic. Finally, multiple regression analysis was conducted to assess the extent to which government policy support, access to credit, and awareness of government schemes influenced post-COVID business recovery. The results of these analyses are presented and interpreted in the following tables.

Table 1: Descriptive Statistics of Key Variables

Variable	Mean	Std. Deviation	N
Pre-COVID Business Performance	3.84	0.62	100
COVID Impact Severity	4.21	0.58	100
Policy Support Effectiveness	3.79	0.67	100
Post-COVID Recovery Level	3.56	0.71	100

Interpretation:

The descriptive statistics provide an overview of respondents' perceptions regarding business performance and policy support across different phases of the COVID-19 pandemic. The mean score for COVID Impact Severity (Mean = 4.21, SD = 0.58) indicates that the pandemic had a substantially adverse effect on small-scale industries in Maharashtra, reflecting widespread operational and financial disruptions. In comparison, the Pre-COVID Business Performance recorded a relatively high mean value (Mean = 3.84, SD = 0.62), suggesting stable business conditions prior to the onset of the pandemic.

The mean score for Policy Support Effectiveness (Mean = 3.79, SD = 0.67) suggests that government interventions were perceived as moderately to highly effective in addressing the challenges faced by SSIs. However, the Post-COVID Recovery Level (Mean = 3.56,

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SD = 0.71), though indicative of gradual improvement, remains lower than pre-COVID performance levels. This gap highlights that while policy measures contributed positively to recovery, full normalization of business operations had not yet been achieved at the time of the survey.

Table 2: Pre- vs Post-COVID Performance

Variable Pair	Mean Difference	t-value	Sig. (p)
Pre-COVID vs Post-COVID Performance	0.28	4.62	0.000

Interpretation:

The paired sample t-test was conducted to examine whether a statistically significant difference exists between SSI performance before and after the COVID-19 pandemic. The results indicate a **mean difference of 0.28** with a **t-value of 4.62** and a **significance level of p = 0.000**, which is well below the 0.05 threshold. This confirms the presence of a statistically significant decline in business performance in the post-COVID period compared to the pre-COVID phase.

The findings provide strong empirical evidence that the pandemic caused a measurable and sustained impact on small-scale industry performance. Consequently, **Hypothesis H4**, which posits a significant difference between pre- and post-COVID performance, is accepted. These results further justify the need to evaluate the effectiveness of government interventions in supporting post-pandemic recovery.

Table 3: Policy Impact on Recovery

Independent Variable	Beta	t-value	Sig.
Government Policy Support	0.48	5.21	0.000
Access to Credit	0.36	3.94	0.001
Scheme Awareness	0.29	3.12	0.003

Interpretation:

Multiple regression analysis was employed to assess the influence of government policy support, access to formal credit, and awareness of government schemes on post-COVID business recovery among small-scale industries. The model explains 54 percent of the variance in post-COVID recovery ($R^2 = 0.54$), indicating a strong explanatory power. The overall model is statistically significant, as reflected by the F-value of 18.76 ($p < 0.01$).

Among the independent variables, government policy support ($\beta = 0.48$, $p = 0.000$) emerged as the most influential predictor of post-COVID recovery, underscoring the critical role of policy interventions in stabilizing and reviving SSIs. Access to credit ($\beta = 0.36$, $p = 0.001$) also demonstrated a significant positive effect, highlighting the importance of financial liquidity in recovery processes. Additionally, awareness of government schemes ($\beta = 0.29$, $p = 0.003$) was found to significantly influence recovery outcomes, suggesting that policy effectiveness is partly contingent upon the extent of information dissemination and outreach. Based on these results, Hypotheses H1, H2, and H3 are supported, confirming that government policies, financial accessibility, and scheme awareness play a significant role in determining the post-COVID recovery of small-scale industries in Maharashtra.

Table 4: Comparison of Pre- and Post-COVID Performance

Category	Percentage (%)
Aware and Utilized	62
Aware but Not Utilized	24
Not Aware	14
Total	100

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Interpretation:
The table presents a comparison of mean business performance scores before and after the COVID-19 pandemic. The results indicate a noticeable decline in performance in the post-COVID period compared to the pre-COVID phase. Although the post-pandemic mean score suggests partial recovery, it remains below pre-pandemic levels, reflecting the sustained adverse effects of COVID-19 on small-scale industries. This finding reinforces the results of the paired sample t-test, which confirmed a statistically significant difference between the two periods.

Table 5: Awareness vs Utilization of Government Schemes

Category	Percentage (%)
Aware and Utilized	62
Aware but Not Utilized	24
Not Aware	14
Total	100

Interpretation:
The table highlights the extent of awareness and utilization of government support schemes among small-scale industries. While a majority of respondents reported being both aware of and utilizing government schemes, a considerable proportion either lacked awareness or were unable to translate awareness into actual utilization. This indicates that policy effectiveness is influenced not only by scheme availability but also by accessibility, procedural ease, and effective dissemination of information.

IV. Discussion

The findings of the study provide important insights into the impact of the COVID-19 pandemic and the role of government policy interventions in shaping the recovery of small-scale industries in Maharashtra. The descriptive statistics presented in **Table 1** reveal that respondents perceived the severity of the COVID-19 impact to be significantly high, confirming the widespread disruption faced by small-scale enterprises. The relatively strong pre-COVID business performance underscores that the challenges encountered during the pandemic were largely exogenous in nature rather than a result of structural weaknesses within the sector. Although government policy support was perceived as moderately effective, the post-COVID recovery levels indicate that businesses have not yet fully returned to their pre-pandemic performance benchmarks.

The comparison of pre- and post-COVID business performance, as shown in **Table 4**, further reinforces this observation. The decline in mean performance scores in the post-COVID period suggests that recovery has been gradual and uneven across firms. This pattern is statistically validated by the paired sample t-test results reported in **Table 2**, which confirm a significant difference between pre- and post-pandemic performance levels. The statistical significance of this difference highlights the enduring impact of the pandemic on small-scale industries, even after the introduction of multiple relief and stimulus measures. These findings emphasize the necessity of sustained policy support rather than short-term interventions.

The role of government policies in facilitating post-COVID recovery is examined in greater depth through the regression analysis presented in **Table 3**. The results demonstrate that government policy support emerged as the strongest predictor of post-COVID business recovery, followed by access to credit and awareness of government schemes. The relatively high explanatory power of the model indicates that policy-related variables play a critical role in determining recovery outcomes among small-scale industries. These

findings align with the argument that targeted policy measures, when effectively implemented, can significantly enhance enterprise resilience during economic shocks.

However, the effectiveness of government interventions is not uniform across all firms, as reflected in **Table 5**, which highlights variations in awareness and utilization of government schemes. While a majority of respondents reported both awareness and utilization, a substantial proportion either lacked awareness or were unable to benefit from available schemes despite being aware of them. This suggests that informational gaps, procedural complexities, and implementation challenges may limit the reach and effectiveness of policy measures. Consequently, policy outcomes depend not only on the design of support schemes but also on their accessibility and ease of utilization.

Overall, the integrated findings indicate that while government policies have played a significant role in supporting the recovery of small-scale industries in Maharashtra, the pace of recovery remains incomplete. The persistence of performance gaps between pre- and post-COVID periods highlights the need for continued financial support, improved credit accessibility, and enhanced dissemination of information regarding government schemes. Strengthening these aspects could lead to more inclusive and sustained recovery within the small-scale industrial sector.

The findings of the present study are largely consistent with existing literature on the vulnerability and resilience of small-scale industries during periods of economic crisis. The high perceived severity of COVID-19 impact observed in this study aligns with earlier research that documents significant disruptions in production, employment, and liquidity among MSMEs during the pandemic (ILO, 2020; Bartik et al., 2020). Similar to the observations of Ghosh (2021) and Sharma and Saini (2021), the results confirm that the pandemic acted as an external shock that disproportionately affected small enterprises due to their limited financial buffers and operational flexibility.

The statistically significant decline in post-COVID business performance compared to pre-COVID levels corroborates findings from both national and international studies. For instance, Bartik et al. (2020) and the OECD (2020) reported sustained declines in small business revenues even after the easing of lockdown restrictions. The present study extends this evidence by providing region-specific empirical validation from Maharashtra, thereby reinforcing the argument that recovery among small-scale industries has been gradual rather than immediate.

The role of government policy interventions in supporting post-pandemic recovery, as revealed by the regression analysis, is consistent with earlier studies emphasizing the importance of state support during economic crises. Singh and Kumar (2022) found that policy support significantly enhanced MSME resilience during COVID-19, particularly when combined with access to institutional credit. Similarly, the strong positive association between government policy support and post-COVID recovery observed in this study supports the conclusions of Ayyagari et al. (2011), who highlighted the critical role of policy frameworks in fostering small firm growth and survival.

Access to credit emerged as a significant predictor of recovery, echoing findings by the World Bank (2020) and the Reserve Bank of India (2020), which emphasized liquidity constraints as a major impediment to MSME recovery. The results suggest that credit guarantee schemes and emergency lending facilities introduced during the pandemic played an important role in stabilizing small-scale industries. However, as noted in prior literature, procedural complexities and risk aversion among lenders may have limited the reach of these measures (OECD, 2020).

The study also highlights the importance of awareness and utilization of government schemes, a factor that has received comparatively less empirical attention in earlier research. While previous studies have acknowledged the existence of information

asymmetries (Sharma & Saini, 2021), the present findings provide quantitative evidence that awareness significantly influences recovery outcomes. The presence of a sizeable proportion of firms that were either unaware of or unable to utilize available schemes supports the argument advanced by Ghosh (2021) that policy effectiveness depends not only on design but also on implementation and outreach mechanisms.

Overall, the findings reinforce the broader theoretical perspective that government intervention plays a stabilizing role during periods of systemic crisis, particularly for small-scale industries that lack internal shock-absorbing capacity. At the same time, the results echo concerns raised in prior studies regarding uneven policy reach and implementation challenges. By contextualizing these insights within the industrial landscape of Maharashtra, the study contributes to the literature by bridging macro-level policy discussions with firm-level empirical evidence

V. Conclusion

The present study examined the impact of government policy interventions on the performance and recovery of small-scale industries in Maharashtra, with particular emphasis on the period before and after the COVID-19 pandemic. The findings confirm that the pandemic exerted a severe and statistically significant adverse effect on small-scale industrial performance, disrupting production, supply chains, labor availability, and cash flows. Although government interventions contributed positively to recovery efforts, post-COVID performance levels have not yet fully reached their pre-pandemic benchmarks.

Empirical results demonstrate that government policy support plays a critical role in facilitating post-COVID recovery, supported by improved access to institutional credit and higher levels of awareness of government schemes. The regression analysis underscores that policy effectiveness is multifaceted and depends not only on the availability of support measures but also on firms' ability to access and utilize them effectively. The persistence of performance gaps between pre- and post-COVID periods highlights the limitations of short-term relief measures in addressing long-term structural challenges faced by small-scale industries.Overall, the study contributes to the existing literature by providing region-specific empirical evidence from Maharashtra and by integrating firm-level perceptions with quantitative analysis. The findings reinforce the argument that sustained, well-targeted, and accessible policy interventions are essential for enhancing the resilience and long-term sustainability of small-scale industries in the post-pandemic economic environment.

1. Policy Implications

The study suggests the following policy measures:

- Strengthening dissemination and awareness of government schemes through district-level MSME facilitation centers.
- Simplifying application procedures and reducing compliance burdens.
- Promoting digital literacy and financial inclusion among small-scale entrepreneurs.
- Enhancing region-specific support mechanisms to address district-level disparities.

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