

IMPACT OF CURRENCY DEVALUATION ON MSMEs FOR CHANGING UNEMPLOYMENT STATUS OF INDIA

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ABSTRACT

The impact of currency devaluation on Micro, Small, and Medium-Sized Enterprises (MSMEs) in relation to India's shifting unemployment situation is thoroughly examined in this article. The study's objective is to inform stakeholders about the precise consequences of currency devaluation on numerous MSMEs-related factors. The study uses a qualitative technique that combines surveys and interviews with MSME owners, business leaders, legislators, and other interested parties. Additionally, secondary data from official documents, scholarly works, and statistics sources are used. The results show that currency devaluation has negatively impacted MSMEs' ability to compete on the worldwide market, increased demand for their goods and services there, and sharply increased the price of imported raw materials. It has become difficult for MSMEs to function and acquire credit/loans due to inflationary pressures. The devaluation of the currency, on the other hand, has benefited job levels and given MSMEs additional business prospects. Given the right government policies and support, stakeholders firmly believe that currency devaluation has the ability to have a positive impact on India's overall unemployment rate. As a result, this study offers important new understandings into the unique consequences of currency devaluation on MSMEs and their implications for India's unemployment rate..

Keywords: Currency devaluation, MSMEs, unemployment, India, employment generation etc.

INTRODUCTION

Due to their major contribution to the creation of jobs, Micro, Small, and Medium-Sized Enterprises (MSMEs) are crucial to the growth and sustainability of the Indian economy. As a result of its effects on global trade, exchange rates, and market dynamics, currency devaluation can have an influence on a number of economic sectors, including MSMEs. This study seeks to comprehend how currency devaluation affects MSMEs in India and investigates how it can alter the nation's unemployment rate.

The Indian economy has long acknowledged the crucial role that Micro, Small, and Medium-Sized Enterprises (MSMEs) play in promoting innovation, stimulating economic growth, and creating job opportunities. MSMEs are the backbone of the Indian economy, greatly boosting GDP and supplying a sizable portion of the population with a means of subsistence. However, a number of factors, such as the macroeconomic environment, market circumstances, and governmental policies, have an impact on the performance and sustainability of MSMEs.

Currency devaluation is one such macroeconomic event that can significantly affect MSMEs. Devaluation of a country's currency in relation to other currencies is referred to as currency devaluation. This could be the outcome of market factors or a deliberate policy choice made to improve export competitiveness, balance trade, or spur economic growth. Currency devaluation, however, can sometimes have unforeseen effects that change market dynamics and have an impact on several economic sectors.

Currency devaluation can be a catch-22 for MSMEs, which are frequently involved in both domestic and foreign trade. On the one side, a devalued currency can increase the exporters' competitiveness in global markets, which might increase demand and open up expansion chances. This may result in improved output, greater earnings, and a demand for more labour, all of which would favourably affect the employment situation.

The devaluation of the currency, on the other side, can also pose problems for MSMEs. A devalued currency can push up the price of imported machinery, equipment, and raw materials, driving up the cost of production. This can reduce profit margins and put a burden on MSMEs' financial stability, making it challenging for them

to maintain operations and retain staff. Currency devaluation can also increase inflationary pressures, hurting consumer purchasing power and thus reducing domestic demand.

It is imperative to investigate the connection between these elements given the importance of MSMEs in India's employment environment and the potential repercussions of currency devaluation. This study intends to investigate how currency devaluation affects MSMEs in India and how it can affect the country's unemployment rate. We may learn more about how currency devaluation affects employment creation and unemployment rates by examining how it affects MSMEs' competitiveness, trade dynamics, access to credit, and overall business sustainability.

RESEARCH OBJECTIVE:

1. To assess the impact of currency devaluation on various aspects of MSMEs in India, including competitiveness, international demand, credit access, and business sustainability.
2. To find the relationship between currency devaluation and the employment status of MSMEs in India.

RESEARCH SIGNIFICANCE

The research holds significant importance as it sheds light on the specific consequences of currency devaluation on Micro, Small, and Medium-Sized Enterprises (MSMEs) in India. Stakeholders may make wise decisions and create powerful strategies by analysing the influence on variables including competitiveness, demand, loan availability, and business sustainability. The results also show that currency devaluation has the potential to lower India's total unemployment rate, underscoring the necessity of effective government support and policies. The study adds to the body of knowledge by offering insightful information about the particular difficulties and opportunities experienced by MSMEs in the context of currency devaluation, with the ultimate goal of fostering sustainable economic growth and lowering unemployment.

REVIEW OF LITERATURE

Policy Strategy for Overcoming Sri Lanka's Economic Crisis After the Pandemic of Covid-19," by T. Wijaretne (2023). This study summarises the global economic decline caused by the Covid-19 virus outbreak and outlines Sri Lanka's preparations for a potential economic disaster. It's clear that the Covid-19 pandemic has had far-reaching consequences for societies all across the globe. Many of the affected businesses even failed entirely. For fear of negative effects on their economies, tourist industries, or other sectors, some countries have taken steps like prohibiting access to foreign nationals, establishing self- or regional quarantines, or capping certain activities. Constraints on people's mobility and economic conditions have far-reaching consequences, from diminished income and purchasing power to a rapid increase in layoffs and rising unemployment. This situation increases the likelihood of a prolonged economic crisis, which threatens national stability, if it is not treated effectively and seriously in a timely manner. To aid in national economic recovery or avert a catastrophic financial crisis, both fiscal and monetary policy efforts are conducted. The study concludes that the economy will begin to recover in 2023. However, the COVID-19 pandemic requires immediate action to avert potential economic and public health disasters.

According to Gupta et al. "Empirical evaluation of the societal cost of SARS-CoV eradication" The revolutionary COVID-19 virus will become a global menace beginning in December of 2019. As the deadly virus spread its claws from infected locations, governments around the world became increasingly alarmed. The epidemic quickly grew out of control, forcing countries to proclaim and strictly enforce a lockdown. The shutdown badly impacted a wide range of industries and, by extension, the economy. Negative effects on manufacturing, agriculture, and the service sector have contributed to a worldwide economic slowdown. Several programmes and precautions were put in place by local, state, and federal governments to help citizens cope with the aftermath of lockdowns. In this study, we use a socioeconomic framework to compare and contrast the economies of the past and present, examining such factors as unemployment, industrial production, import-export commerce, the stock market, currency exchange rates, and the price of gold and silver. All of them mention India as an example because of the country's huge territory and rich cultural heritage, which make it an attractive candidate for becoming an economic hub. The period from January 2020 to June 2020 has been thoroughly analysed. Long-term impacts of infectious disease outbreaks like COVID-19 can be monitored with the use of this assessment.

T. T. Tambunan (2022). "MSMEs in Times of Economic Crisis". The paper "MSMEs in Times of Economic Crisis" by Tambunan T. T. (2022) examines the experiences and difficulties MSMEs (micro, small, and medium-sized firms) encounter during economic crises. The research is included in a broader book titled "Fostering Resilience through Micro, Small and Medium Enterprises: Perspectives from Indonesia," which seeks to shed light on the function of MSMEs in fostering resilience in Indonesia's economy. According to the

report, MSMEs in Indonesia encountered serious difficulties during economic downturns, such as lower demand for their goods and services, trouble obtaining funding, and heightened competition. However, the survey also uncovered a number of approaches that MSMEs may employ to lessen these difficulties, including diversifying their goods and services, opening up new markets, and enhancing financial management.

This study by Vaidyanathan and Raj (2020) investigates how currency devaluation affects MSMEs in the Indian textile sector. The results show that currency devaluation has a favourable impact on the textile industry's ability to compete internationally and to create jobs. The report does, however, also draw attention to the difficulties MSMEs confront due to rising import costs and inflationary pressures.

This research paper by Sudhir and Ranganathan (2019) examines the effects of currency devaluation on MSMEs in India. The paper emphasises that while currency devaluation can increase MSMEs' export potential, it also presents issues with their dependence on imports and the cost of those imports. In order to assist MSMEs in coping with the effects of currency devaluation, the report offers various governmental initiatives.

In this case study by Jain and Agarwal (2018), the effect of currency devaluation on MSMEs in India's manufacturing sector is examined. According to the study, currency devaluation can benefit export-oriented MSMEs by creating more job prospects. It also points up problems like the rising price of imported raw materials and the requirement for financial assistance to lessen the consequences of devaluation.

According to Sahoo, Ashwani, and others (2020), the study's objective is to evaluate the impact of COVID-19 on the Indian economy by examining its effects on trade, manufacturing, growth, and the micro, small, and medium-sized enterprises (MSME) sector. It also identifies the most important policy measures for containing any potential negative effects on the economy. The pandemic has a significant negative impact on the Indian economy across all sectors, in all lockdown scenarios—complete, extended, and partial—and at all levels of capacity utilisation.

This study by Mohanty and Acharya (2017) offers empirical proof of the effects of currency devaluation on MSMEs in India. The results imply that currency devaluation can improve export competitiveness and help MSMEs create jobs. It also highlights the necessity of supportive policies to deal with issues like inflation and rising import prices.

This study by Verma and Singh (2016) investigates the connection between job losses in Indian MSMEs and currency devaluation. According to the report, currency devaluation can help MSMEs create jobs, especially in sectors that are focused on exports. It does, however, highlight the significance of policy initiatives to address issues with import input costs and inflation.

Research Methodology

The study titled “Impact of Currency Devaluation on MSMEs for Changing Unemployment Status of India” adopts a qualitative research methodology to gather and analyze data. The research methodology includes both primary and secondary data collection methods.

Data Collection:

1. **Primary Data:** The primary data is collected through interviews and surveys conducted with various stakeholders, including MSME owners, industry experts, policymakers, and other relevant individuals. These interviews and surveys aim to gather insights and perspectives on the impact of currency devaluation on MSMEs and the changing unemployment status in India.

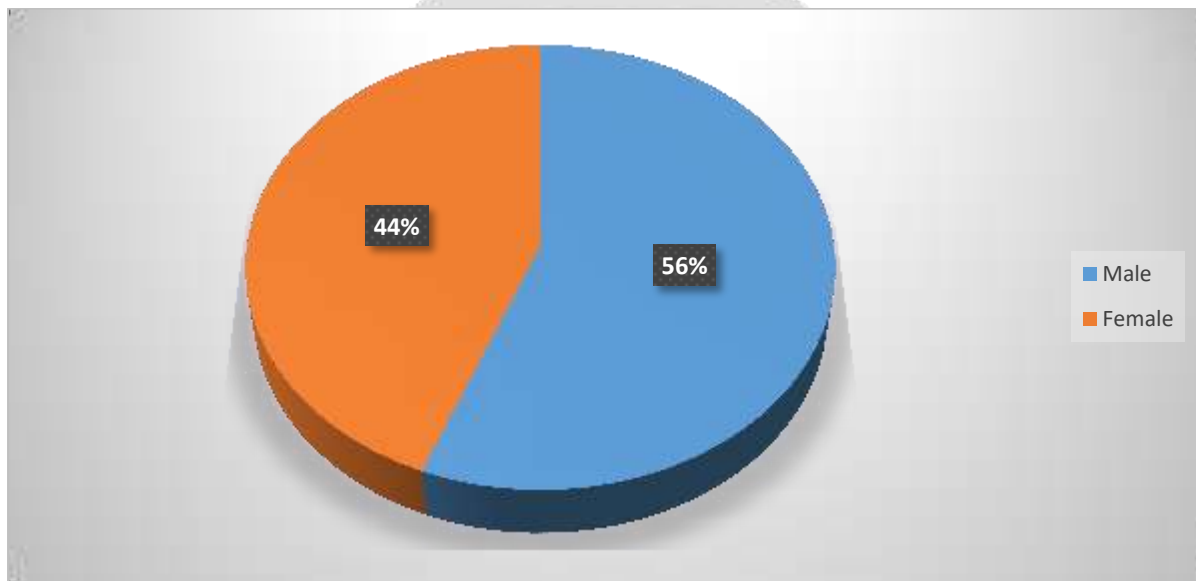
2. **Secondary Data:** Secondary data is collected from government reports, academic papers, and statistical sources. These secondary sources provide additional information and context related to the topic of currency devaluation, MSMEs, and unemployment in India.

Data Analysis and Interpretation:

The collected data is analyzed using appropriate qualitative research techniques as follows;

Table 1: Frequency table of MSME respondents Gender

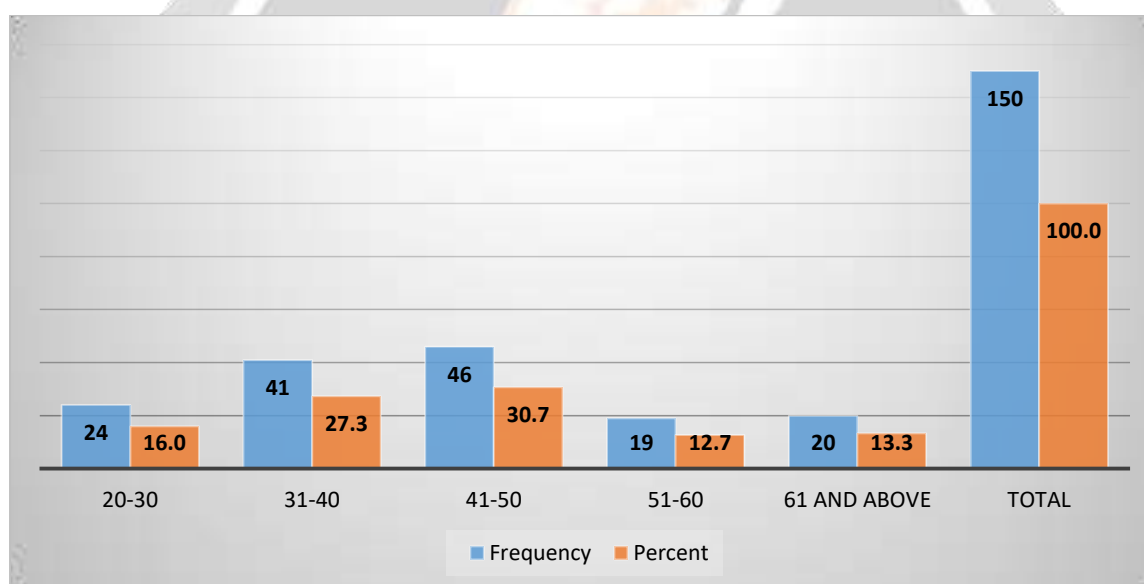
Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	84	56.0	56.0	56.0
	Female	66	44.0	44.0	100.0
	Total	150	100.0	100.0	

“Graph 1: Frequency graph of MSME respondents Gender”

In Table 1 and Graph 1, the frequency table presents the gender distribution among the MSME respondents. The frequency column indicates the number of respondents in each gender category. In this case, the data indicates that the sample consisted of 84 male respondents and 66 female respondents, making up a total of 150 respondents. The distribution of respondents shows a higher proportion of males (56.0%) compared to females (44.0%) in the sample.

Table 2: Frequency table of MSME respondents Age

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	24	16.0	16.0	16.0
	31-40	41	27.3	27.3	43.3
	41-50	46	30.7	30.7	74.0
	51-60	19	12.7	12.7	86.7
	61 and above	20	13.3	13.3	100.0
	Total	150	100.0	100.0	

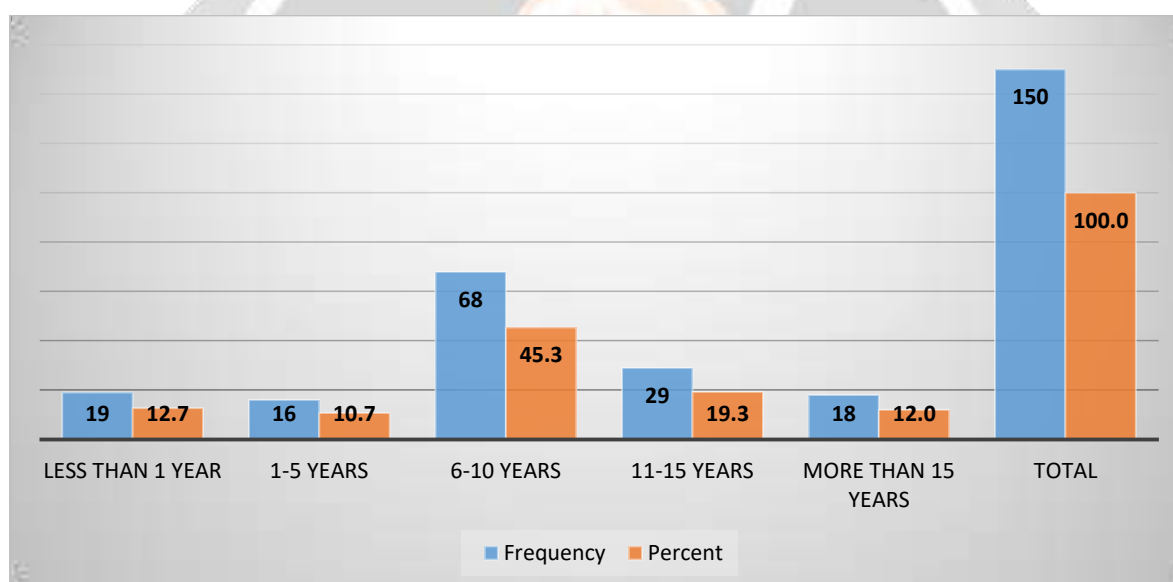
“Graph 2: Frequency graph of MSME respondents Age”

The frequency data of MSME respondents' age, as shown in Table 2 and Graph 2, provides insights into the distribution of respondents across different age groups. A total of 150 respondents were included in the analysis. Among the respondents, the largest age group was 41-50, with 46 individuals accounting for 30.7% of the total sample. This indicates that a significant portion of MSME owners or employees falls within this age range. The second most represented age group was 31-40, comprising 41 respondents or 27.3% of the total sample. The age group of 20-30 consisted of 24 respondents, representing 16.0% of the total. This suggests that a relatively smaller proportion of the respondents belonged to the younger age bracket.

In the higher age categories, the proportions decrease. The age group of 51-60 included 19 respondents, accounting for 12.7% of the sample, while those aged 61 and above comprised 20 respondents, representing 13.3% of the total.

Table 3: Frequency table of MSME respondents Experience

Years of Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	19	12.7	12.7	12.7
	1-5 years	16	10.7	10.7	23.3
	6-10 years	68	45.3	45.3	68.7
	11-15 years	29	19.3	19.3	88.0
	More than 15 years	18	12.0	12.0	100.0
	Total	150	100.0	100.0	

”Graph 3: Frequency graph of MSME respondents Experience”

The frequency table and graph of MSME respondents' years of experience, presented above, provides insights into the distribution of respondents based on their experience levels within the sector. The analysis includes a total of 150 respondents.

Among the respondents, the largest group consisted of individuals with 6-10 years of experience, with 68 respondents accounting for 45.3% of the total sample. This suggests that a significant proportion of the MSME owners or employees in this study have been involved in the sector for a moderate period of time.

The second most represented group was the 11-15 years of experience category, comprising 29 respondents or 19.3% of the total sample. This indicates that a considerable number of respondents have gained substantial experience within the MSME sector over the course of more than a decade.

The group with less than 1 year of experience accounted for 19 respondents, representing 12.7% of the sample, while the 1-5 years of experience category included 16 respondents, comprising 10.7% of the total. These two groups indicate that there is a portion of relatively new entrants in the MSME sector among the respondents.

Additionally, the group with more than 15 years of experience consisted of 18 respondents, accounting for 12.0% of the sample. This suggests that a smaller proportion of the respondents have been involved in the MSME sector for an extensive period.

Further, to find the significant relationship between currency devaluation and the employment status of MSMEs in India following hypothesis is framed;

H₀: There is no significant relationship between currency devaluation and the employment status of MSMEs in India.

H₁: Currency devaluation has a significant relationship with the employment status of MSMEs in India.

Table 4: One-Sample Statistics table

One-Sample Statistics				
Parameters	N	Mean	Std. Deviation	Std. Error Mean
Currency devaluation has negatively affected the export competitiveness of my MSME.	150	3.85	.922	.075
Currency devaluation has led to increased demand for my MSME's products/services in international markets.	150	3.69	.778	.064
Currency devaluation has significantly increased the cost of imported raw materials for my MSME.	150	3.56	.746	.061
Currency devaluation has caused inflationary pressures, making it difficult for my MSME to operate.	150	3.55	.923	.075
Currency devaluation has made it challenging for my MSME to access credit or loans.	150	3.58	.877	.072
Currency devaluation has positively influenced the employment levels in my MSME.	150	3.67	.872	.071
I believe that currency devaluation can positively impact the overall unemployment status in India.	150	4.01	.851	.070
Government policies and support are necessary to help MSMEs mitigate the challenges of currency devaluation.	150	2.09	.889	.073
MSMEs need financial assistance or incentives to capitalize on the opportunities presented by currency devaluation.	150	3.73	1.215	.099
Currency devaluation has created new business opportunities for my MSME.	150	3.72	1.475	.120

The mean ratings given in the table above indicate the respondents' average perceptions of the impact of currency devaluation on their MSMEs. The highest mean rating is observed for the statement "I believe that currency devaluation can positively impact the overall unemployment status in India" (mean = 4.01), suggesting a strong belief in the positive effects of currency devaluation on unemployment. On the other hand, the lowest mean rating is found for the statement "Government policies and support are necessary to help MSMEs mitigate the challenges of currency devaluation" (mean = 2.09). This suggests a relatively low level of agreement among respondents regarding the need for government assistance in addressing the challenges posed by currency devaluation.

Table 5: One-Sample Statistics test

One-Sample Test						
Parameters	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Currency devaluation has negatively affected the export competitiveness of my MSME.	51.164	149	.000	3.853	3.70	4.00
Currency devaluation has led to increased demand for my MSME's products/services in international markets.	58.009	149	.000	3.687	3.56	3.81
Currency devaluation has significantly increased the cost of imported raw materials for my MSME.	58.432	149	.000	3.560	3.44	3.68
Currency devaluation has caused inflationary pressures, making it difficult for my MSME to operate.	47.125	149	.000	3.553	3.40	3.70
Currency devaluation has made it challenging for my MSME to access credit or loans.	50.008	149	.000	3.580	3.44	3.72
Currency devaluation has positively influenced the employment levels in my MSME.	51.491	149	.000	3.667	3.53	3.81
I believe that currency devaluation can positively impact the overall unemployment status in India.	57.741	149	.000	4.013	3.88	4.15
Government policies and support are necessary to help MSMEs mitigate the challenges of currency devaluation.	28.733	149	.000	2.087	1.94	2.23
MSMEs need financial assistance or incentives to capitalize on the opportunities presented by currency devaluation.	37.580	149	.000	3.727	3.53	3.92
Currency devaluation has created new business opportunities for my MSME.	30.885	149	.000	3.720	3.48	3.96

The table provides the results of one-sample t-tests, the results shows that for all statements, the t-values are significantly different from 0 ($p < 0.001$), indicating that the respondents' mean ratings significantly differ from the test value of 0. Implying that we can reject the null hypothesis and accept the alternative hypothesis.

The mean differences indicate the extent to which the respondents' ratings deviate from the test value. The highest mean difference is observed for the statement "I believe that currency devaluation can positively impact the overall unemployment status in India" (mean difference = 4.013), indicating a strong positive belief in the impact of currency devaluation on unemployment.

Conversely, the lowest mean difference is found for the statement "Government policies and support are necessary to help MSMEs mitigate the challenges of currency devaluation" (mean difference = 2.087), suggesting a relatively weaker agreement on the necessity of government support.

RESULTS AND DISCUSSIONS

Gender:

These findings suggest that in the context of this study, there is a greater representation of male MSME owners, employees, or stakeholders compared to females. This information provides insights into the gender distribution of the respondents and can be used to understand any potential gender-related perspectives or variations in the impact of currency devaluation on MSMEs and the changing unemployment status in India.

Age:

Overall, this distribution indicates that the majority of the MSME respondents in this study were in the middle age ranges of 31-50, which suggests that these individuals may possess more experience and established businesses within the sector. It is important to consider the implications of age on the challenges, opportunities, and perspectives of MSMEs, as different age groups may face unique circumstances in relation to the impact of currency devaluation and changing unemployment status in India.

Experience:

The distribution of respondents' experience levels highlights the presence of individuals with varying levels of expertise and tenure within the MSME sector. Understanding the experiences of individuals with different levels of experience is important for analyzing the impact of currency devaluation and changing unemployment status on MSMEs in India, as it allows for insights into how different levels of experience may influence their perspectives, strategies, and coping mechanisms in response to these challenges.

Hypothesis testing;

Overall, the respondents perceive a moderate negative impact on export competitiveness, increased demand in international markets, increased cost of imported raw materials, and operational difficulties due to currency devaluation. They also perceive a moderate positive impact on employment levels and new business opportunities resulting from currency devaluation. MSMEs are seen to require financial assistance or incentives to capitalize on opportunities, but there is a relatively low agreement on the necessity of government policies and support.

Overall, the results indicate that the respondents perceive a significant impact of currency devaluation on various aspects of their MSMEs, including export competitiveness, demand in international markets, cost of imported raw materials, operational difficulties, access to credit or loans, employment levels, and new business opportunities. The mean differences provide insights into the magnitude of these perceived impacts.

CONCLUSION

The results of this study show that currency devaluation has important repercussions for MSMEs in India. Concerns were raised by the respondents regarding inflationary pressures, rising costs of imported raw materials, and unfavourable consequences of currency devaluation on export competitiveness. They were also aware of the potential advantages, such as the rise in demand on global markets and the emergence of new business opportunities. It is clear that government initiatives and assistance are essential for assisting MSMEs in overcoming obstacles and seizing possibilities brought about by currency devaluation. The government may support the expansion and resiliency of MSMEs by solving these issues and offering funding or incentives, which will ultimately help India's economy thrive and create jobs.

In conclusion, this study highlights the necessity for policymakers to create plans that minimise the negative effects of currency devaluation on MSMEs while maximising its potential advantages. The government can

enable MSMEs to prosper in the face of currency devaluation by creating a favourable climate and putting in place supportive measures, such as loan access, advantageous legislation, and targeted assistance programmes. By improving the competitiveness and sustainability of MSMEs, which are essential drivers of economic growth and job creation in India, this can help to contribute to a more favourable unemployment situation.

Suggestions

1. Policymakers: Implement supportive policies and initiatives to address the challenges faced by MSMEs due to currency devaluation.
2. MSME Owners: Seek diversification strategies and explore international markets to mitigate the impact of currency devaluation.
3. Financial Institutions: Develop tailored financial solutions and provide accessible credit facilities to support MSMEs during periods of currency devaluation.
4. Government Agencies: Foster collaboration between relevant stakeholders and provide targeted assistance to MSMEs affected by currency devaluation.
5. MSME Employees: Seek upskilling and reskilling opportunities to enhance employability and adapt to the changing demands resulting from currency devaluation.

Limitations

1. Limited generalizability due to the specific focus on MSMEs in India.
2. Potential bias in self-reported data from surveys and interviews.

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