



# UNLOCKING THE MSME SECTOR IN ODISHA: ENTREPRENEURS' PERSPECTIVE

## Research Paper

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#Around 70% respondents didn't find the measures taken by the government to be effective in resuming their businesses back to normalcy as no such immediate impact is observed. # Merely 5% respondents opted for online marketplace as a measure for resumption of sales, which is quite discouraging and needs to be implemented to a greater extent. # Despite of the strategies applied about 55% respondents are uncertain of what will be the condition of their businesses in the next 6 months.

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# I. INTRODUCTION

As India tries to bring its economy back to life, the pandemic continues to rage with implacable ferocity. The process of unlocking has been far from smooth, with genuine fears over restarting work in many sectors.

A sector that is reeling under the impact of the COVID-19 outbreak is the Micro, Small and Medium Enterprises (MSME), which contributes to around 35 percent of India's manufacturing output.

Across India, MSME units were locked down for nearly two and a half months due to the Covid pandemic. Consequently, operations for many units were squeezed due to little to no revenues even as they were forced to either cut or hold back salaries. Along with this, restriction in public transportation made it tough for the workforce to reach factories and plants for the production of goods while work from home was of little help for such businesses.

The MSME sector has been particularly hit hard by the COVID-19 pandemic. Millions of businesses across different sectors have seen widespread economic destruction. As the shifting of the lockdown has been curbed and the unlocking has commenced for MSMEs, it is critical to keep their expenses in check and remain solvent in the current scenario. Lack of solvency in the business would further not allow them to take advantage of the normalcy that would eventually come up ahead.

The Covid-19 pandemic has deeply impacted the MSME sector and the revival would depend on effectively tackling vulnerabilities such as financial stress, low demand, dispersed workforce, and a downbeat export market. The need of the hour is to remain resilient and adaptive in these unpredictable times to survive and thrive.

The MSME sector, which is also the second-largest employment generator in the country after agriculture, needs special attention from the government.

In Odisha itself MSME units are generating maximum employment next to agriculture. The MSME sector is responsible for about 40 per cent of the exports and 45 per cent of the total manufacturing output in the country. MSMEs in Odisha have also been adversely affected by the lockdown.

The state faces a severe disruption in industrial activities due to the COVID-19 pandemic. Micro, Small and Medium Enterprises (MSMEs) of the State are in the midst of a temporary shutdown and many MSMEs have stopped operation despite assurances of support for smooth production for uninterrupted supply of services. Odisha government estimates a loss of Rs 2,500 crore to Rs 3,000 crore due to the coronavirus lockdown.

## II. OBJECTIVES & RESEARCH METHODOLOGY

### Research Objectives:

The objectives of present research are as follows:

- i. To find out the current business level of MSMEs (after 4 months of Lock down).
- ii. To evaluate the strategies adopted by Government & suggestions of the entrepreneurs on how the businesses can quickly return back to normalcy.

### Research Design:

It is a Diagnostic Research Design. Both quantitative and qualitative data has been analysed for the research. Both Primary and Secondary sources of data has been collected. A survey of MSMEs in North Odisha has been conducted. The primary sources of data were collected over telephone, via e-mail and by visiting the enterprises. The secondary sources of data have been collected from various relevant articles, journals, magazines etc.

### Sampling Design:

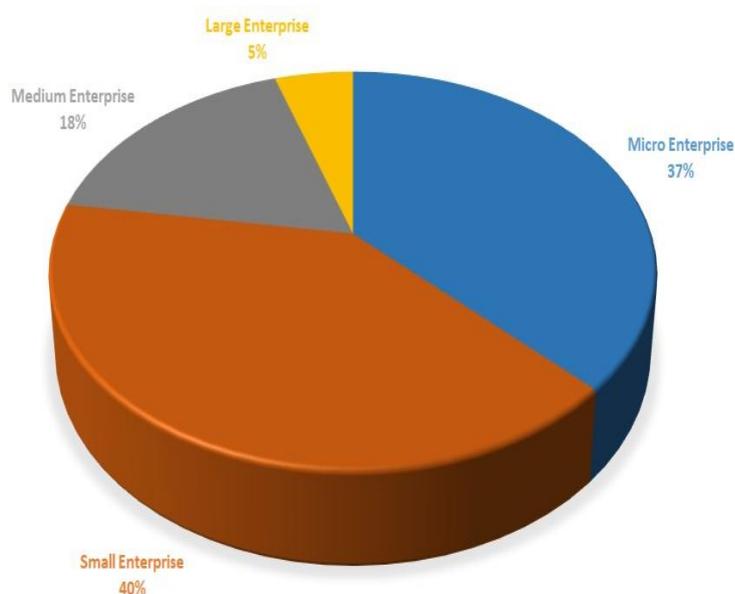
The target sample for the survey consists of 40 MSMEs of Balasore district. A questionnaire was prepared & accordingly survey was conducted based on the questionnaire.

## III. DATA ANALYSIS & INTERPRETATION

The data analysis has been conducted by getting information from the survey, which was done by administering questionnaires among the MSMEs.

### Respondents' Profile

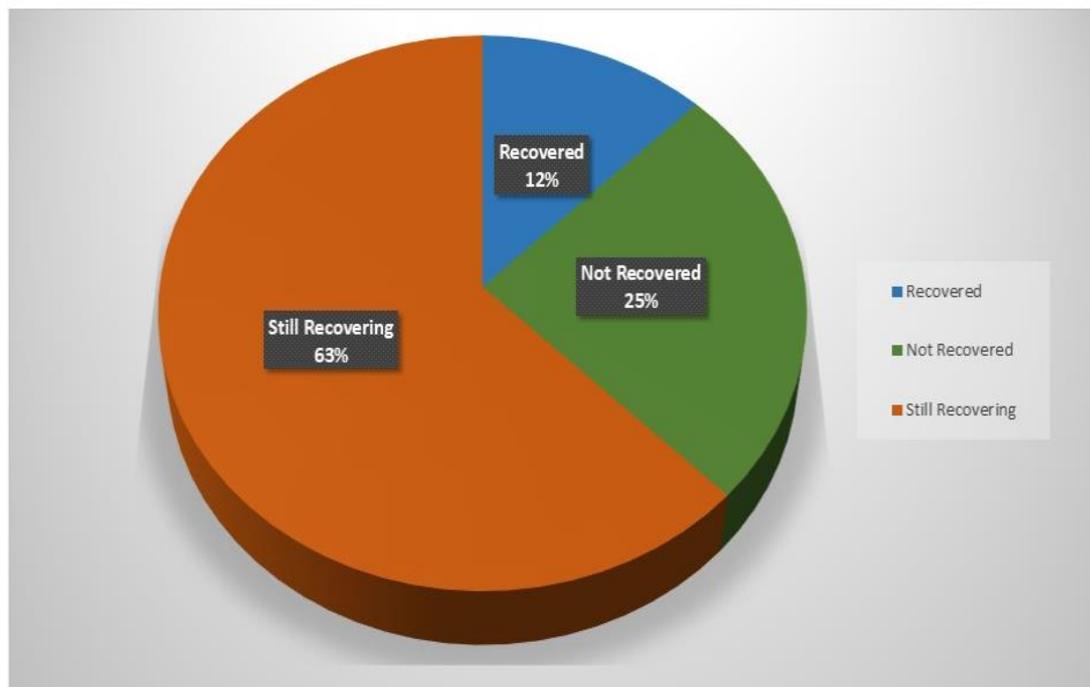
NOCCI a leading industry association surveyed 40 MSMEs (Micro Small & Medium Enterprises) comprising 5% Large, 18% Medium, 40% Small and 37% Micro enterprises of Balasore district. The objective of the study was i) to find out the current business level of MSMEs (after 4 months of Lock down) ii) to evaluate the strategies adopted by Government & suggestions of the entrepreneurs on how the businesses can quickly return back to normalcy.



## IV. FINDINGS & SUMMARY

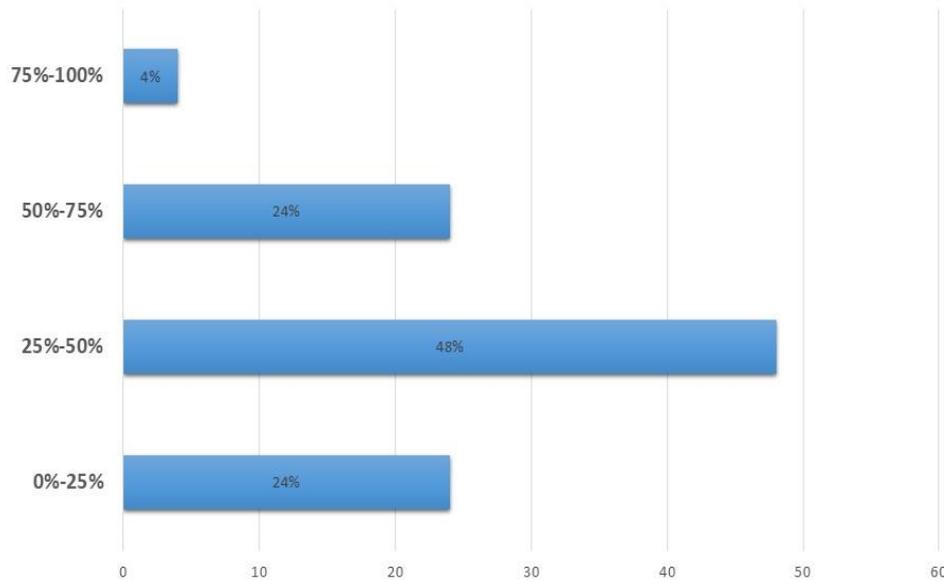
Detailed insight based on assessment of responses from  
Entrepreneurs

### Condition of the enterprises after four months of lockdown



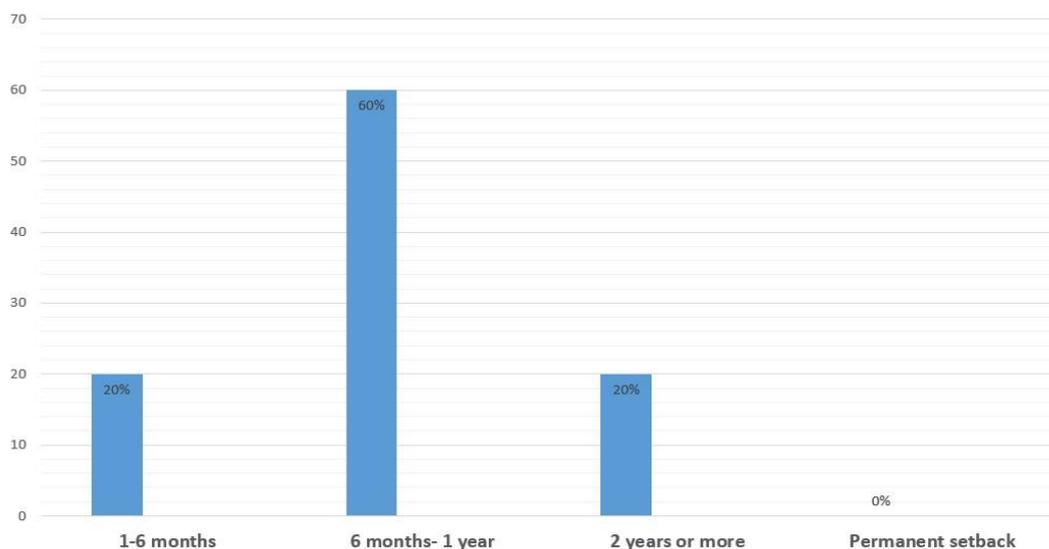
A majority of the participating MSMEs said that the coronavirus pandemic has had an adverse effect on their business. After normalizing the data received, out of the total sample size, around 12% of the respondents said that their businesses have been recovered after four months of lockdown whereas nearly 63% of the respondents reported that they are still recovering and around 25% of the respondents stated that they have not yet recovered and their businesses were on pause.

## Rate of Recovery of the enterprises



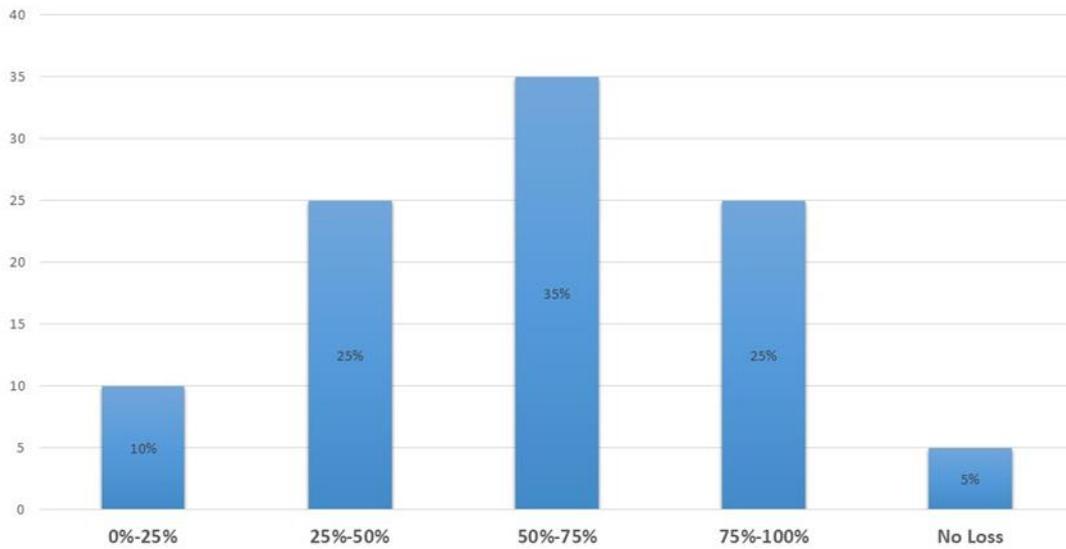
While unlocking is slowly swinging and the business gearing back to normalcy, out of the respondents who reported that they are still recovering around 24% of the enterprises said that their businesses have been recovered in the range (0%-25%) and (50%-75%). It is encouraging to see that nearly 48% of the respondents stated that their businesses have been recovered in the range (25%-50%) where as merely 4% of the respondents said that their businesses have been recovered in the range (75%-100%)

## Expected time frame for returning to normalcy



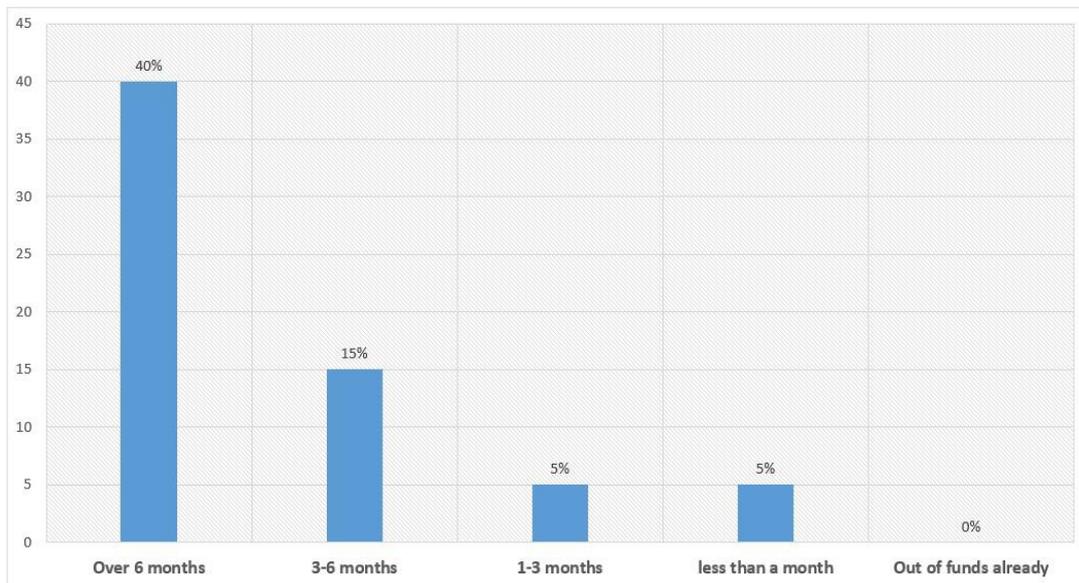
While it is encouraging to see that, out of the respondents who reported that their businesses have not yet recovered none of them stated that they may have a permanent setback. Whereas 60% of the respondents reported that they expect their business will return to normalcy within a time frame of 6 months to 1 year. Nearly 20% of the respondents said that they will require an expected time frame of 1 to 6 months and 2 years or more.

### Percentage of loss faced by the MSMEs during the first quarter



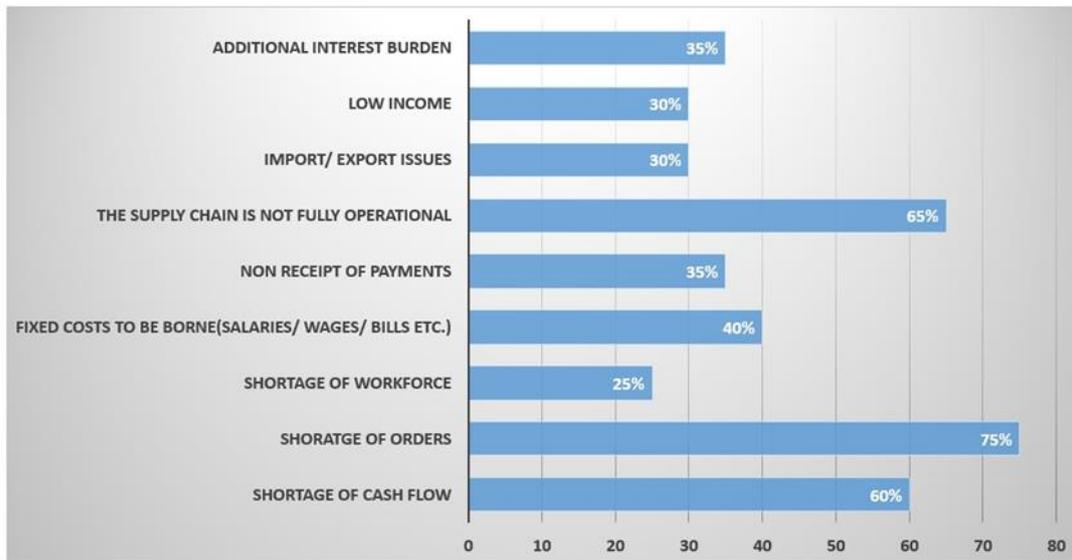
After normalizing the data received it is found around 35% respondents reported that their business suffered a loss in the range (50%-75%) and nearly 25% respondents stated that their business bore a loss in the range (25%-50%) and (75%-100%) in the first quarter of lockdown. About 10% of the respondents said they suffered a loss in their business in the range (0%-25%) whereas merely 5% respondents reported that they suffered no loss.

### Adequacy of the cash flow of the Enterprises



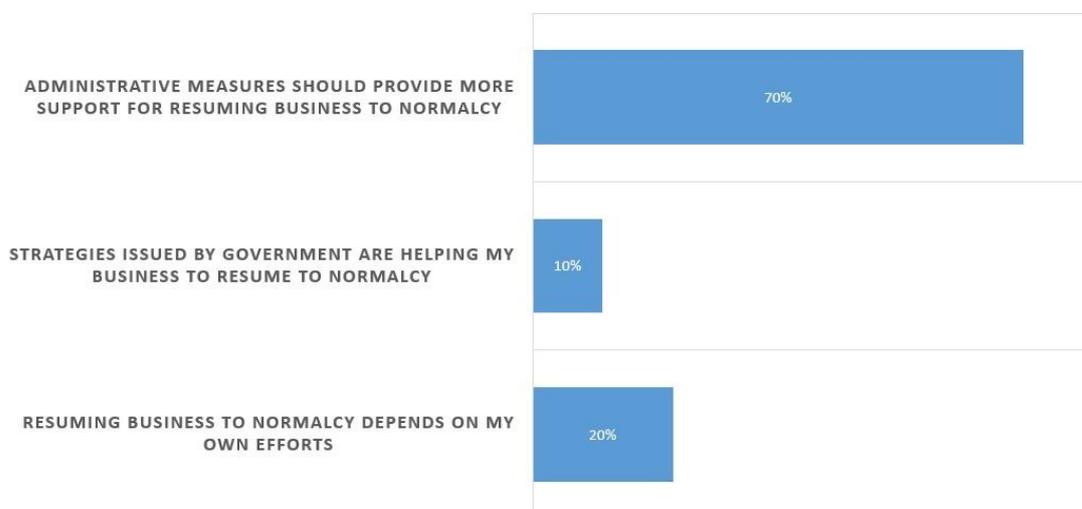
Managing cashflow is the no 1. Challenge for the businesses. Despite the unfavourable circumstances resulted due to Covid 19, it is encouraging to find that none of the respondents stated that they are out of funds to run their businesses and nearly 40% of the surveyed enterprises reported that they have adequate amount of cash flow for over 6 months. About 15% respondents said that they have adequate cash flow for 3 months to 6 months and around 5% respondents reported that they funds for less than a month or up to 3months.

## Challenges still faced by MSMEs



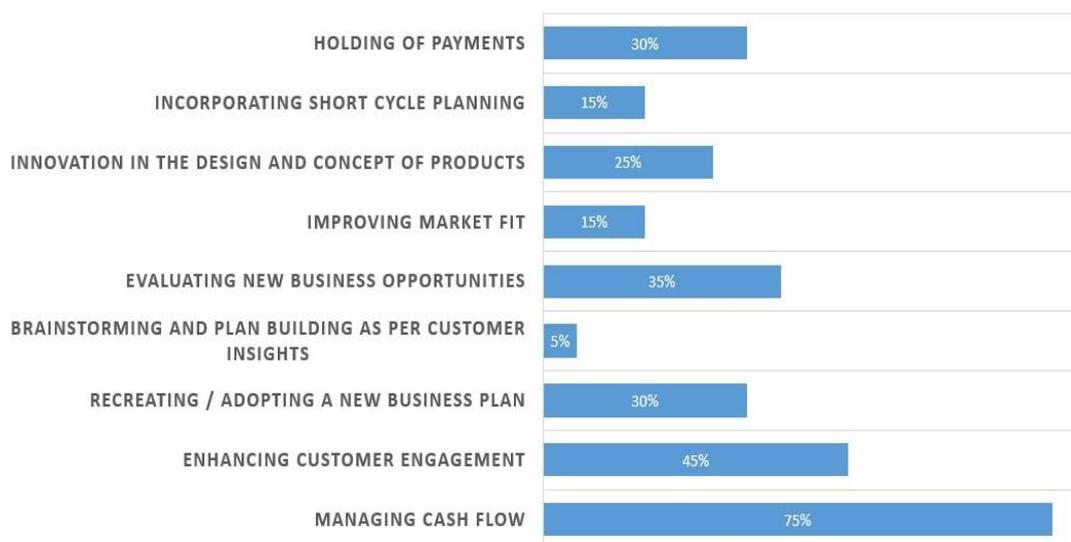
The pandemic has hit the MSMEs the most and has caused them to face a number of challenges. Out of the many challenges faced by MSMEs around 75% respondents reported that they still faced shortage of orders, nearly 65% respondents stated that their income was affected due to disrupted supply chains. About 60% respondents said that their businesses suffered due to shortage of funds, nearly 40% respondents reported that they are facing the challenges to bear the fixed cost i.e. salaries, wages, bills etc. It is found that 35 % of the respondents suffered due to non-receipt of payment and interest burden. Due to the unfavourable market condition resulted due to covid around 30% of the respondents witnessed lower earnings/ income. Import/ export challenges to remain as key sector issues, as it is being reported by around 30% respondents. About 25% of the respondents are facing unavailability of workforce/ manpower at their workplaces to resume their businesses.

### Whether the guidelines issued by government authorities working in favour of resuming business to normalcy or not ?



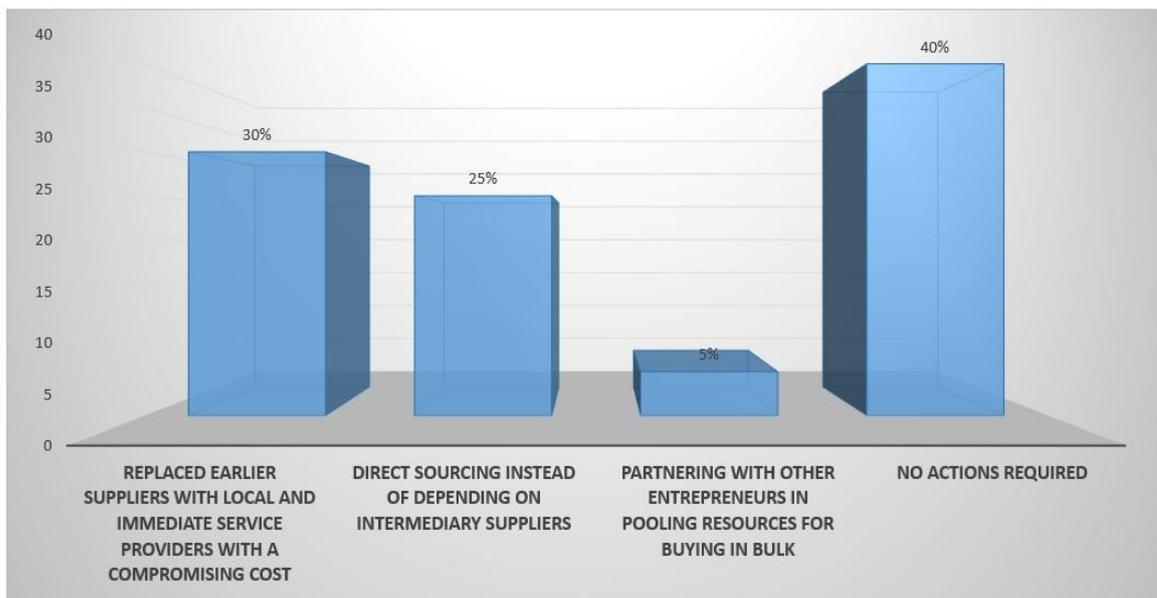
Despite several measures/ guidelines issued by the government, it is reported that around 70% of the respondents require more administrative support for resuming their business to normalcy as they don't see any immediate impact by the strategies already issued by the government. Nearly 20% of the respondents stated that resuming their businesses to normalcy depends on their own efforts and, administrative measures doesn't impact their business at any level. While merely 10% respondents said that strategies used by the government have helped their business to resume back to normalcy.

### **Strategies adopted by MSMEs to shift the business to normalcy**



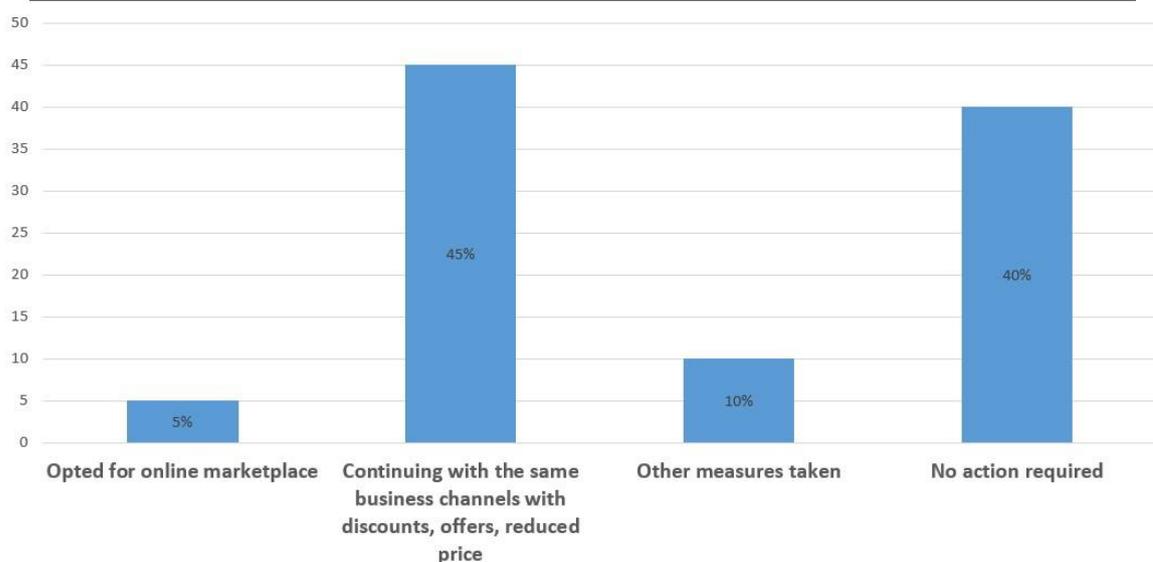
The research paper also uncovers the strategies the business community have in consideration to fight and come back. Around 75% of the respondents reported they focused on managing cash flow to resume their business to normalcy. About 45% of the respondents stated that they can better strategize to resume back by enhancing their customer engagement. Nearly 35% of the respondents have strategized evaluating into new business opportunities. Further, about 30% respondents adopted new business plans which were earlier not planned and the same percentage of the respondents put their payments on hold while waiting to recover and stabilise. Around 25% of the respondents brought changes in the product line due to changing market dynamics. Nearly 15% respondents said that they opted for short term planning to run their businesses in a proper way to resume back to normalcy and the same percentage of enterprises have improved their marketing strategies to resume back. Customer behaviour is changing at a staggering pace due to the pandemic. When the pandemic eventually recedes, MSMEs will have to continue to accommodate new attitudes and behaviours. Merely 5% of the respondents have taken immediate action to meet customer expectations by brainstorming and plan building.

### Measures adopted by the MSMEs in the resumption of raw material supplies



In order to cope with the crisis the business community have adopted several measures for resumption of raw material supplies. Around 5% respondents stated that they partnered with other entrepreneurs in pooling resources for buying in bulk; nearly 25% of the MSMEs said that they depend upon direct sourcing of raw materials instead of intermediary suppliers. About 30% of the enterprises reported that they have already replaced their earlier suppliers with local and immediate service providers with a compromising cost to resume back. Whereas 40% of the respondents stated that they didn't face issues related to raw material supplies and hence no actions were taken by them.

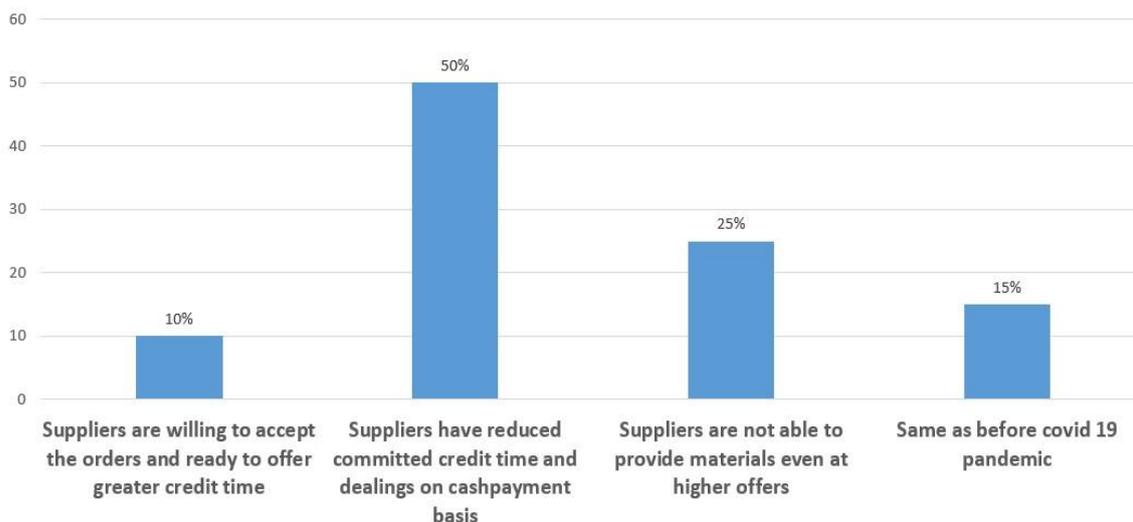
### Measures adopted by the MSMEs in the resumption of sales



In the present scenario use of digital media is the best way to revive the business, whereas it is quite discouraging to see that merely 5% of the respondents opted for online marketplace

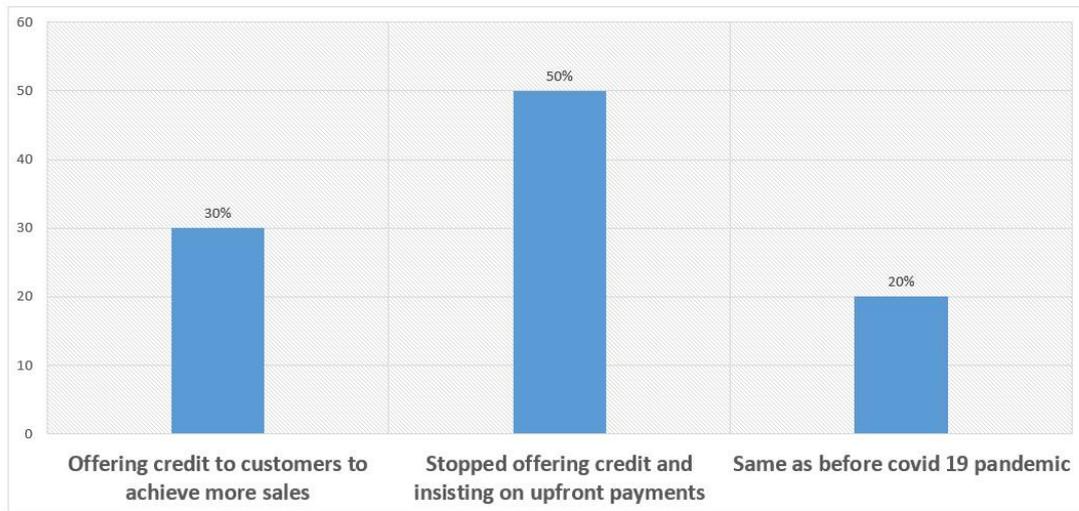
as a measure for resumption of sales. About 40% of the enterprises are still continuing with the same business channels with discounts offers and reduced price. Nearly 10% of the respondents reported that they have opted for other measures in order to resume their sales like some units continued to supply goods on time despite transportation constraints and some other enterprises said that they preferred for new business tie ups to resume sales. While 40% of the respondents stated that they didn't face issues related to resumption of sales and hence no actions were taken by them.

**Credit market scenario for MSMEs in unlocking the business with respect to suppliers**



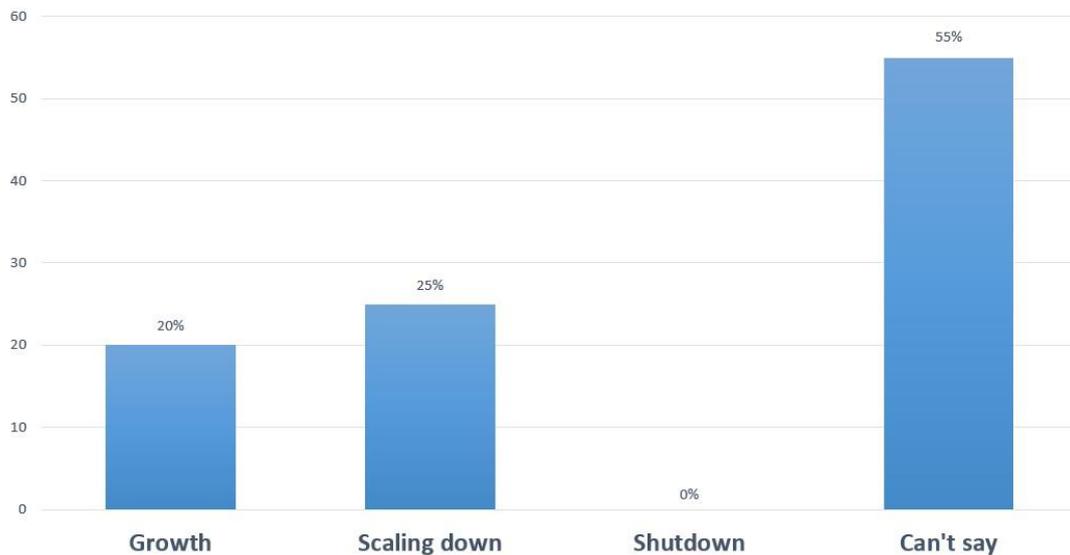
A reduction in the committed credit time of the suppliers and dealings on cashpayment basis have been reported by around 50% of the respondents where as nearly 25% of the enterprises stated that suppliers are not able to provide materials even at higher offers. Merely 10% of the respondents reported that their suppliers are willing to accept their orders and ready to offer greater credit time. While 15% of the respondents stated that they didn't face any issues related to the credit market with respect to the suppliers during the pandemic so they continued in the same manner as it was before Covid 19.

**Credit market scenario for MSMEs in unlocking the business with respect to customers**



In order to improve the cashflow of the business to resume back to normalcy around 50% of the respondents stated that they have stopped offering credit and are insisting on upfront payments where as 30% of the surveyed enterprises said that they are offering credit to customers in order to achieve more sales. While 20% of the respondents stated that they didn't face any issues related to the credit market with respect to the customers during the pandemic so they continued in the same manner as it was before Covid 19.

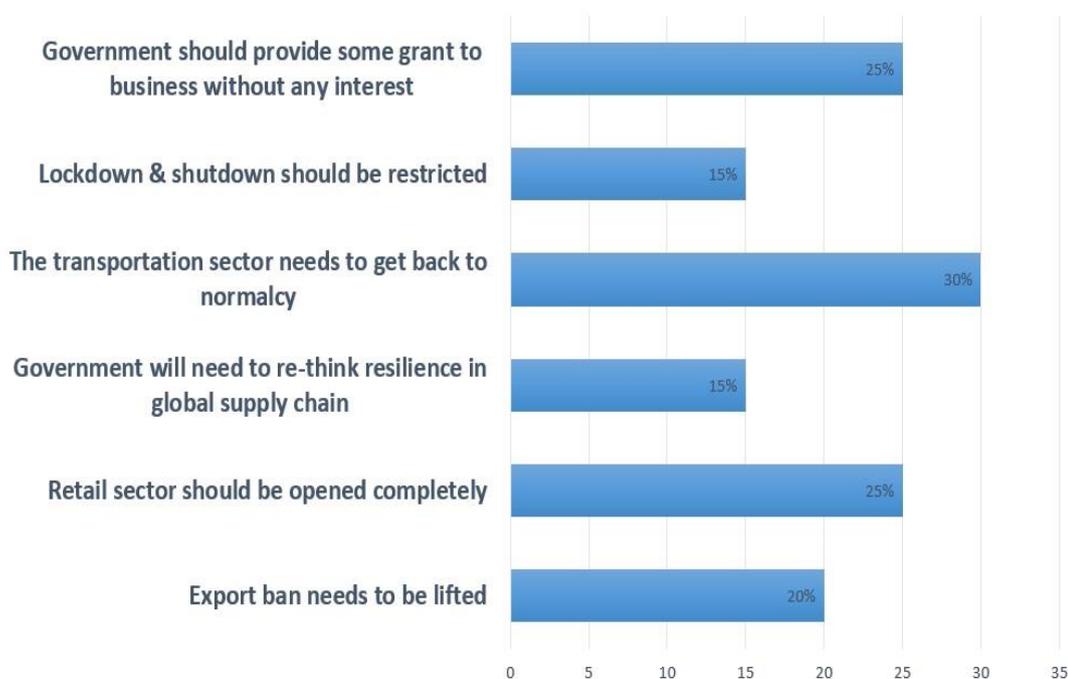
**Condition of MSMEs in the next 6 months with the strategies being applied**



However, the silver lining is that about 20% of the MSMEs are expecting growth with the strategies being applied in the next six months. The survey states growth prospects indicate that some businesses may have found new revenue streams. Nearly 25% of the enterprises said that they see their businesses to scale down in the upcoming months despite of various government measures. Whereas a sizeable number of respondents i.e. 55% are uncertain

about their business condition in the next 6 months. It is quite impressive to find none of the respondents reporting about shutting down their businesses.

**Suggestions of the entrepreneurs on how businesses can quickly resume back to normalcy**



Just to apprise the readers here are some of the suggestions of the entrepreneurs on how businesses can quickly resume back to normalcy. After normalizing the data received from the surveyed enterprises it is found that around 30% of the entrepreneurs want the transportation sector to resume back to the normal condition as the prices are still too high to run their business efficiently. About 25% of the entrepreneurs have suggested the government to reopen retail sector across trade channels to boost consumption, restart cash engine and reset the economy. Same percentage of the entrepreneurs i.e. 25% are of the view that the businesses can quickly resume back to normalcy if the government provide some grant to the businesses without any interest. Nearly 20% of the respondents reported that the export ban on certain goods by the government needs to be lifted for the businesses to recover quickly back to action. As the pandemic has disrupted the entire supply chain around 15% of the entrepreneurs suggested that government should rethink about resilience in the global supply chain for the businesses to resume back. The lockdown/ shutdown have dealt a severe blow to MSMEs in the district, which are facing challenges on multiple fronts. The demand and supply chain is broken. As larger industries are not yet functioning to their full capacity, ancillary units are not getting enough orders, Supply of raw material and transportation of finished products are other problems so around 15% of the respondents suggested that the lockdown and shutdown should be restricted for MSMEs to resume back.

## CONCLUSION

From the survey it is found that a majority of the MSMEs in North Odisha are still recovering after four months of lockdown and have not fully recovered. Very less number of enterprises have resumed back to normalcy. The MSME community is hopeful to resume back within a time frame of six months to one year. A majority of the respondents are having cashflow for over six months in spite of the losses caused during the pandemic which is very encouraging, though they are still facing a lot of challenges to cope with. A sizeable number of respondents stated that they didn't find the measures taken by the government to be effective as no such immediate impact is observed, rather they want more support from the government for resuming their businesses to normalcy in terms of some grant without any burden of interest. The MSME community is struggling hard and is hopeful to resume back by applying all the strategies they could from managing cash flow to enhancing customer engagement in spite of all the uncertainties that the future holds.

## SUGGESTION

MSME sector is facing untold miseries due to the pandemic, so simply introducing policy measures and schemes will not help in solving the problems of MSME entrepreneurs. Lockdown/shutdown spanning over months has virtually disrupted all walks of our life as well as the business lines of MSMEs. The communication system has been dislodged sparring disruption of supply chains. As the pandemic has disrupted the entire supply chain and it has virtually come to a standstill. So the government should first look into resumption and reinforcement of the areas that have a holistic bearing. The transportation sector has been one of the primary victims of COVID-19 according to the research conducted so resumption of transport and communication system is one of such priorities and the retail market should be opened up completely. In a state like Odisha around 70% of the enterprises are micro-enterprises and they basically depend on the larger units for their survival, specifically micro-entrepreneurs are the main victims of the situation and badly in need of succour at different fronts to thrive and get go. So the government should provide incentives for MSMEs to help them pay salaries and wages to their employees in this crucial time to resume back.

While the MSME sector, in general, is impacted a lot due to this lockdown on account of Covid-19, the plight of MSME exporters is more deplorable. It is estimated that more than 50% of the country's total outbound shipments are catered by MSMEs. So a comprehensive incentive package should be rolled out for the exporters. In this respect, the government's initiative to drive ecommerce platforms for pushing exports is necessary.

A bit of stewardship on the part of the Government in harnessing these resources with provisions of required incentives, facilities, logistic support, provide support on digital technologies, create awareness on delivering the products through e-commerce websites, etc. can do the miracle.

## **SOME OF THE KEY SUGGESTIONS BY THE ENTREPRENEURS**

- “Sudden and reactive shutdowns not to be applied to manufacturing and respective consumer linkages. The paradigm should shift from fear-mongering to responsible personal safety measures to enable consumption to increase across all sectors”.
- “The far-reaching impact of novel corona virus continues to evolve. Though the government is taking enormous measures to curb the loss caused by global pandemic. MSMEs are grappling for stability when sales and revenue remain at standstill whereas it is difficult to get hold of expenses. With adverse outcomes looming large on the economy, government intervention and relief measures are the need of the hour to minimize the damage being caused to industry, economy and livelihood of many. Micro, small and medium enterprises form a significant part of several sectors of the economy that require immediate attention”.
  - Even if banks have given moratorium options, they are still adding interest for the months we are not paying. Banks can avoid charging interest for these months when we are not able to pay EMIs. Also, some exemptions in GST will be a great relief.
  - There shall be measures to mitigate impact on MSME labour workforce, defer utility and social security payments, enhance access to credit and specific measures for self-employed.
- “Due to current COVID 19 pandemic situation, the MSME Sectors are facing various problems and financial crisis also. Since market is not yet normalized, there is a measure set back in marketing of products. It is very difficult to survive and continue the activities, The measure financial burden also now faced by MSME is due to hike in minimum wages and Electricity .Government should take more effective measures and initiate more support based on the present needs of the situations faced by MSME. So that, the MSME sectors can survives and restore to normalcy”.
- “Resuming business quickly” is a bad objective in the corona picture that is emerging now. It may turn out to be a self-goal. In our opinion, today, and for a month at least, safety should be given priority over business enhancement. This is the right time for a complete shutdown (including all industries and markets) for a month. Only corona and Covid related industries and markets should be open. Today, there is hardly anyone who cannot survive financially for two months without any earning. Financial survival measures should be taken only for the utmost poor during this period.

## **QUESTIONNAIRE**

### **Unlocking the MSME sector in Odisha: Entrepreneurs' perspective**

**1) Organisation Name:**

**2) Address:**

**3) Respondent's Name | Cell No. | Email id**

**4) Type of Organisation/ Size of the Enterprise?**

- i. Large Enterprise ( >250 cr sales)
- ii. Medium Enterprise ( 51-250 cr sales)
- iii. Small Enterprise (5-50 cr sales)
- iv. Micro Enterprise (<5 cr sales)

**5) Has your enterprise back to its normal business level after 4 months of lockdown?**

- i. Yes
- ii. No
- iii. Still Recovering

**6) If still recovering, then specify at what percent?**

- i. 0%-25%
- ii. 25%-50%
- iii. 50%-75%
- iv. 75%-100%

**7) If no, then what is the expected time frame for returning to normalcy?**

- i. 1-6months
- ii. 6 months -1 year
- iii. 2 years or more
- iv. It may have a permanent setback

**8) What is the overall percentage of loss that your business has faced during the first quarter? (March-June)**

- i. 0%-25%
- ii. 25%-50%
- iii. 50%-75%
- iv. 75%-100%
- v. No Loss

**9) How adequate cash flow (based on current monthly operating costs) does your business have?**

- i. Over 6 months
- ii. 3-6 months
- iii. 1-3 months
- iv. Less than a month
- v. Out of funds already
- vi. Shutdown the business already

**10) Is your organization/ enterprise still facing the challenges mentioned below, as before?**

- i. Shortage of cash flow
- ii. Shortage of orders
- iii. Shortage of workforce
- iv. Fixed costs to be borne (Salaries/ Wages/ Bills etc.)
- v. Non receipt of payments
- vi. The supply chain is not fully operational
- vii. Import/ Export Issues
- viii. Low income
- ix. Additional interest burden.

**11) How do you see the strategies/ measures/guidelines issued by district/state and centre authorities working in favour of resuming business normalcy?**

- i. Getting business to normalcy depends on my own efforts. Administrative measures don't impact my business at any level.
- ii. Strategies issued by Government are helping my business to resume to normalcy, government measures are more than adequate.
- iii. Don't see the immediate impact. The administrative measures should provide more support for resuming business to normal level.

**12) What strategies have you adopted to shift your business to normalcy?**

- i. Managing cash flow
- ii. Enhancing customer engagement
- iii. Recreating/adopting a new business plan
- iv. Brainstorming and plan building as per customer insights
- v. Evaluating new business opportunities
- vi. Improving market fit
- vii. Innovation in the design & concept of products
- viii. Incorporating short cycle planning
- ix. Holding of Payments
- x. Any other ( Please specify)

**13) What measures you have adopted in the resumption of raw material supplies?**

- i. Replaced earlier suppliers with local and immediate service providers with a compromising cost.
- ii. Direct sourcing instead of depending on intermediary suppliers.
- iii. Partnering with other entrepreneurs in pooling resources for buying in bulk.

**14) In case your market is hit by the COVID-19, what measures you have adopted in the resumption of sales?**

- i. Opted for Online marketplace.
- ii. Continuing with the same business channels with discounts, offers, reduced price.
- iii. Any other measures taken:

**15) How is the credit market working for you in unlocking the business with respect to suppliers?**

- i. Suppliers are willing to accept my orders and ready to offer greater credit time.
- ii. Suppliers have reduced committed credit time and now want dealings on cashpayment basis.
- iii. Suppliers are not able to provide materials even at higher offers. (lack of suppliers ability to provide the materials)

**16) How is the credit market working for you in unlocking the business with respect to customers?**

- i. We are offering credit to customers, to achieve more sales.
- ii. Have stopped offering credit; insisting on upfront payments to improve cashflow.

**17) With the strategies being applied what do you see happening with your business in the next 6 months?**

- i. Growth
- ii. Scaling down
- iii. Shutdown
- iv. Can't say

**18) What are your suggestions on how businesses can quickly resume back to normalcy? (Please answer objectively)**

**19) In addition to the measures issued by the Government, what more do you seek during the present scenario to help you restore normalcy? (Please explain)**