

Unlock 2021- Maharashtra

Recommendation by deAsra Foundation: Policy Advocacy

For MCCIA

Table of Contents

1. Context of this document	2
2. Surveys done by deAsra Foundation over the past 1.5 years	3
2.1 Survey 1	3
2.2 Survey 2	5
3. Insights & Findings from Surveys	5
3.1 Survey 1	5
3.2 Survey	7
4. Recommendation to the Government to ease small business's Unlock	9
5. Recommendations for Small business owners	11

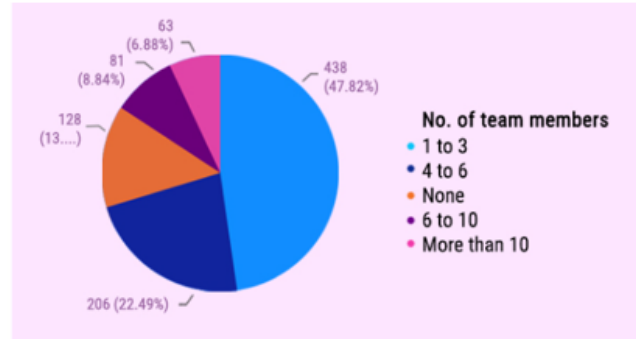
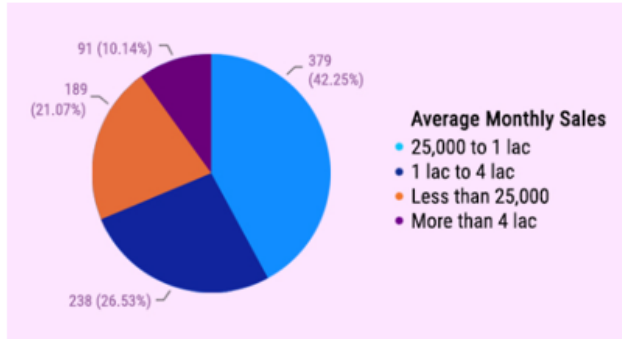
1. Context of this document

- This document seeks to provide recommendations to the policy makers, state government as well the Central government, suggesting making necessary arrangements for recovery of small and micro businesses in Maharashtra.
- This document also provides recommendations to small business owners on how they can be better prepared when the lockdown opens.
- Challenges and recommendations highlighted in this document are evidence based and also gathered through the experience of deAsra foundation, since it has been working in this sector for the past 6 years and is in regular/continuous touch with its entrepreneurs

2. Surveys done by deAsra Foundation over the past 1.5 years

deAsra has conducted two rounds of surveys to understand the challenges faced by small and micro entrepreneurs based in Maharashtra with the aim to design and implement the required programs to support them in time of need

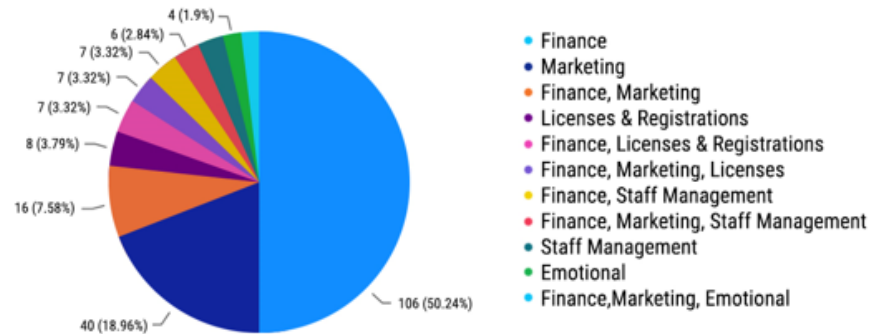
2.1 Survey 1: deAsra Foundation conducted a survey in April 2020, beginning of the Covid-19 lockdown period, with some of its platform users to understand the challenges faced by small entrepreneurs amidst a global pandemic. Close to 1000 users were surveyed. Some of the findings were:



- More than 60% had average monthly sales less than Rs 1 lac
- Approx 25% had monthly sales between Rs 1 lac to 4 lac
- 10% had monthly sales more than Rs 4 lacs

Close to 70% employ between 1 to 6 team members

Top 2 Challenges: Cash crunch & No/poor Sales



50% of the survey respondents reported, “Lack of Finance” as the biggest hurdle faced during the pandemic. In order to address this issue, deAsra tied up with multiple Financial Institutions (NBFCs, Cooperatives, Banks etc.) to provide access to capital to these entrepreneurs (the MSME Loan Initiative/Emergency Fund Initiative)

deAsra encouraged users to apply for the MSME Emergency Loans during the first lockdown period of Covid-19 (starting from April 2020). Using the deAsra platform, users could fill in their details to check if they were eligible for the loans offered by 5 Financial Institutions. Post the eligibility check, deAsra would then suggest them to fill the applications to the FI for applying for the loan. Post collection of the application form, details of the interested entrepreneurs were then passed onto respective Financial Institutions (an applicant may have applied to 1 or more FIs, if he/she would have been eligible for the respective loans offered by these FIs). The first finance happened in June 2020. deAsra has signed individual agreements with the FIs (Gromor, Happy, Janaseva, Microgram, Saraswat & Lending Kart). Each FI followed unique set of eligibility criteria for giving loans to interested entrepreneurs. Some of the eligibility criteria included: loan amount, location of the business/entrepreneur, availability of guarantor, documentation, and others.

2.2 Survey 2:

deAsra foundation conducted a second survey in April 2021 to understand the challenges faced by small business entrepreneurs in the midst of the second wave of the pandemic (second lockdown of Maharashtra). The objective was to come up with a tailored solution to meet the immediate requirement of these entrepreneurs.

deAsra also consulted experts from entrepreneurship development organizations, industry associations to gauge their perspective on the challenges faced by entrepreneurs and also to take their suggestions in designing future programs

Most imp challenge that came out of the survey were:

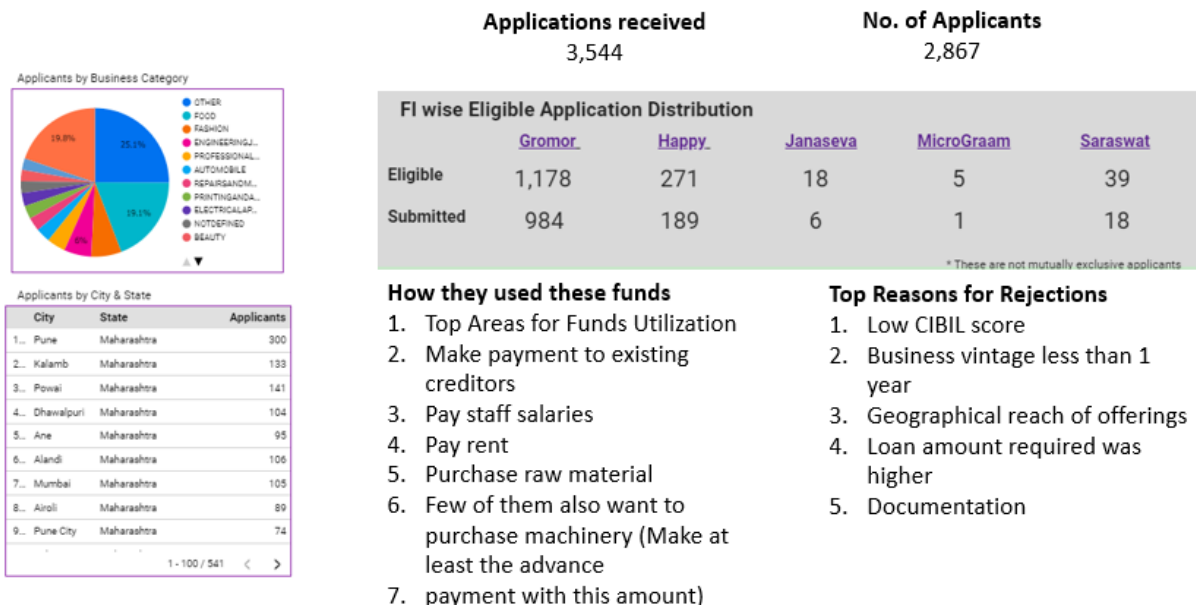
- Entrepreneurs are not online ready, digitally literate , know-how of selling online is not there
- They lacked the link with markets, had lost touch with customers
- Facing cash crunch

3. Insights & Findings from Surveys

3.1 Survey 1

deAsra experimented with a few funding models during the first wave of pandemic, and we were able to develop successful models through which INR 5 Crores in emergency loans reached roughly 650 small businesses.

Working Capital Loan

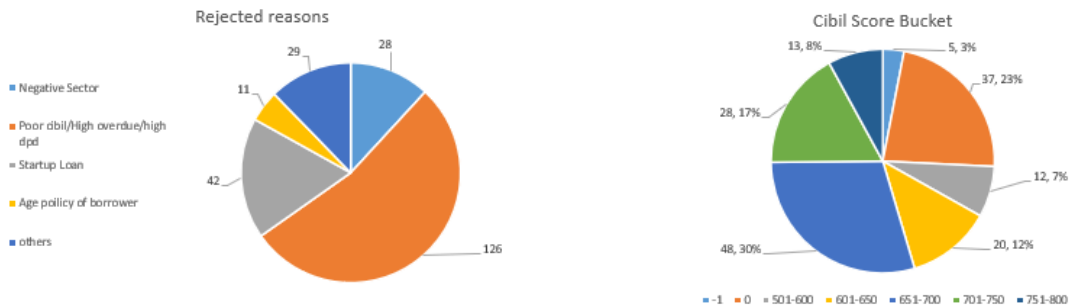


Most Important Insights from Survey 1:

● The rejection rate of the applicants was as high as ~77% (from Oct 1, 2020- Dec 31, 2020). The reasons why so many applications were ineligible at the first screening level (as done by deAsra) was:

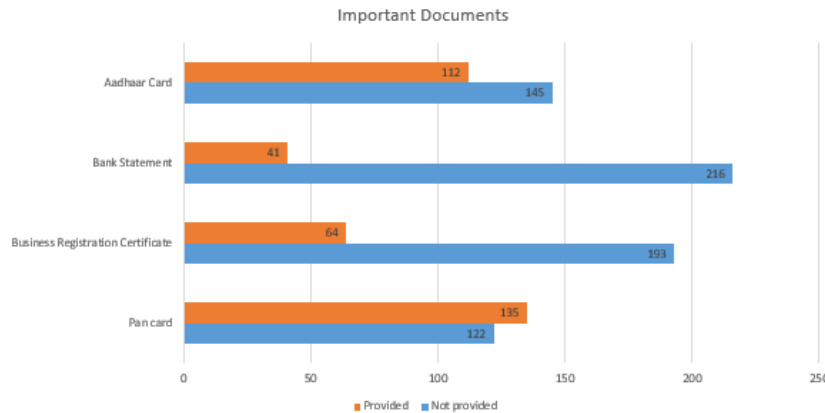
- Most of the small business owners had a **very low CIBIL Score**. Their credit worthiness was very low to be eligible for any kind of loan assistance program
- Informal nature of business: most businesses had **not formally registered** their businesses, because of which they did not meet the minimum documentation required by Financial institutions
- Digitization: most businesses were **not trained in using digital payments**. For example, they did not have a mechanism to pay/receive through UPI, Google pay etc. They had no knowledge of these medium and hence became ineligible for loans
- Some of the detailed analysis done by GROMOR (one of the FI that deAsra had tied up) shows lack in documentation has one of the major reasons for rejection of loan applications:

Analysis of Rejected Loans



Analysis of Suspended cases

Documents Analysis for suspended and app downloaded cases



- **Action Taken:** [Business Loan Readiness Program](#) –Based on the above-mentioned factors, deAsra developed a Readiness Program to prepare business owners get one step closer to getting a loan when they needed it by making sure these factors were in place.

3.2 Survey 2

Challenges faced by Small and Micro Entrepreneurs from the survey:

- **Entrepreneurs are not online ready**, digitally literate , know-how of selling online is not there
- delivery services are hampered, transportation services are affected
- shortage of manpower- skilled manpower
- inadequate online infra with small entrepreneurs,
- **delayed payments/cash crunch**
- Uncertainty with Government rules & guidelines creating a sense of confusion, sense of insecurity
- **Reduced demand of goods & services**, resulting in lower productivity, cash crunch (Personal savings getting depleted)
- **Connect with Market is lost**
- Lack of handholding support
- **Lack of capital/funds, lack of working capital**
- Burden of paying EMIs of existing loans when there are no sales happening
- Lack of raw material availability in the market
- Migration is happening again. Small entrepreneurs are thinking of going back to their villages

Feedback from Stakeholder Consultations (Mentors, Experts, Entrepreneurship Development Community Organization, Bankers, Financial Institutions):

- Photographers' Associations: This industry is grappling with the issues such as reduced demand from the customers. Customers think of sending their money on other things rather than product shoot. Additionally, no gatherings as such allowed makes difficult to work for us. The lockdown makes people stay home. That makes our industry work as a less required commodity as it is mainly driven on people's movement and expenses. This lockdown is affecting the mental health of the entrepreneurs working in this industry and creating a sense of insecurity and uncertainty of revival.
- Fashion Industry: suggests small entrepreneurs to come together in an organized form to assist and support each other in times like these
- Small Food Businesses- 1. No Money/ Funds left. There is tremendous lack of funds and also no capacity to take loan. 2. There is tremendous confusion around. 3. April was looking good but now again lockdown on weekend - Our businesses are weekend businesses.
- Event Management Business: 1. We are now turning to other businesses 2. Event management businesses are completely shut. 3. Now people are also facing issues.
- Agro business; daily wage workers are not getting work, supply chain is broken
- GROMOR: Till Mar end, collection efficiency was very close to before lockdown numbers. Data at Apr end shows existing borrowers need some additional help, we can create some scheme for them.
- deAsra: Business owners and/or their families want business ideas that can be implemented in lockdown as an alternate or supplementary income stream. Those with ideas to start a new business, need funds which no lender is willing to provide right now for a new start up business. Those who already have loans are looking for top up funds, but this depends on their loan repayment history which may be shaky because their businesses are just coming out of the last crisis. However, in some cases it is observed that when this history is good, 5 times as much as the initial loan is being provided as extended loan.
- Janata Sahakari Bank: no inflow of funds, finance problems, no manpower, extension of moratorium period, lower interest rate, additional funding

The survey highlighted, access to working capital , market linkage support and training in digital/online marketing as three key support areas which are required by small entrepreneurs during the second wave of Covid-19. While deAsra continues to support small entrepreneurs with initiatives such as the “MSME loan initiative” and “Back on Track program”, there is a need for all entrepreneurship ecosystem players to come together and join hands in facilitating access to these three key support areas.

4. Recommendation to the Government to ease small business's Unlock

- **Prepare small businesses to become Loan Ready:**
 - It is a very crucial first step to help small business solve their current cash crunch problem as they prepare to Unlock. The first step is making them ready to seek any financial assistance
 - deAsra basis its learnings from survey 1 (majority of small business don't qualify to get loans assistance due to lack of formalization, digitization, and low creditworthiness) started a program on Business loan readiness program to prepare business owners get one step closer to getting a loan when they needed it by making sure these factors were in place.
- **Grants/Loans to Small Businesses for Working Capital:**
 - Small entrepreneurs are getting financially excluded because of a lack of a good credit score, lack of collateral and the lack of understanding of the complex documentation that is required to get loans.
 - Philanthropic investment in this sector can go a long way in strengthening India's small businesses. Donors can provide individual grants or tie up with entrepreneurship enabling organizations that an facilitate grants or loans through established banking and NBFC infrastructures.
 - deAsra experimented with a few funding models during the first wave of pandemic, and we were able to develop successful models through which INR 5 Crores in emergency loans reached roughly 650 small businesses. deAsra would be happy to extend these models frameworks to any organization or donor who is interested in providing funds and support them to set up the right model quickly and efficiently.
- **Grants /training for Digital Marketing:**
 - Small businesses lack tools and digital skills to get online and market their products through digital media.
 - We need to financially support small businesses to acquire these skills. This will provide them an alternate platform to engage with customers.
 - Alternately, government can facilitate digital marketing programs for small businesses in need- so that they can be better equipped to the evolving markets
- **Connecting small businesses with markets:**
 - Linkages can be established across corporate value chains, e-commerce marketplaces, or local markets, but this connect has to be facilitated by experts to help small businesses revive.
 - For example, deAsra offers a free mobile app called eStore by deAzzle that can be used by businesses to set up their product catalogs, share with customers and accept orders online. deAsra also offers support to get set up on "Google My Business," so that local businesses can get discovered
 - Training on onboarding on e-commerce platforms
 - Training on using WhatsApp business, Facebook Business etc. should be imparted
- **Give clear instructions on guidelines**
 - Government should strive at making information regarding covid-19 norms more readily available
 - Information on what types of business are allowed to open, what are the various restrictions should be clearly informed

- This information should be regularly updated
 - Awareness is the most crucial element in helping these small businesses survive
- **Promote buying local products in the community: Buy Local Products/Services (Be Vocal for Local)**
 - Encourage everyone to buy from local Kirana stores, local vendors and support small businesses around you.
 - Buy local goods and services and be vocal in promoting them. This can be done through interesting pledge campaigns by local leaders.
- **Call for a unified solution by local EDOs**
 - Government should call upon a unified agenda to assist small entrepreneurs in their recovery
 - Government, civil bodies, NGOs, entrepreneurship development organizations should come together to solve the problem

5. Recommendations for Small business owners

These recommendations for small business owners can be supported by the ecosystem by educating them on these through local media and enablers.

1. **Plan your Finance:** The first thing that you should do right now is plan your business activities and manage cash flow. You must think on cutting expenses or boosting sales by coming up with alternative ways of doing so. Thus, having cash in hand is what you should aim for coming six to eight months.
 - a. **Conserve cash:** Cash is fundamental to the survival of the business. Think hard about your expenses and see if some expenses can be deferred. While you do this, you need to appreciate that you are part of a broader ecosystem and the money you hold back is depriving others in your network of their earnings. We cannot afford to have our vendors go out of business as their cash flow needs are not met!
 - b. **Innovative ways to manage Cashflow:** As cashflow is a challenge, explore if your business allows ways to offer future discounts for early payments? Sell discount coupons for services over the next twelve months. Offer a subscription that your customers can buy now for future services?
 - c. **Negotiate:** Wherever possible, negotiate with various stakeholders including your landlords or suppliers asking for cooperation. This could be in the form of extending time to make payments, waivers like reduced rent or pricing etc.
2. **Seek Funding/take advantage of government initiatives designed for small business affected by covid-19:** You can apply for loans/grants from various schemes such as
 - a. **Emergency Credit Guarantee Scheme (ELGS)** which is designed by central government for the MSME sector that was impacted by disruptions caused due to the coronavirus pandemic – this is a hassle free and collateral free loan that can solve the cash crunch problem being faced by you as small business entrepreneurs
 - b. You can also apply for the **Mudra Loans** from public sector banks, NBFCs, cooperative banks , **PMEGP** Through the District Industries Center, **NABARD** for agriculture-based businesses among many other credit schemes made available by the government
 - c. Enablers like **deAsra** can help prepare you for readiness to apply for a loan, apply for schemes, for preparing the necessary documentation and guiding you through the process.
3. **Start Selling Online/Digital Adoption:**
 - a. The Coronavirus outbreak has surged e-commerce sales recently. Customers now prefer digital alternatives over physical shopping, a behavioral change that is bound to have a long-term impact. This being the scenario, selling via e-commerce platforms would play a crucial role in the growth of businesses in times to come.
 - b. You need to consider providing online services to customers, right from onboarding to payment. The buying process can be made easier through apps, chat bots, and WhatsApp messages. Through video calls and social media messages, you need to engage customers and take their feedback
 - c. The adoption of digitalization will be key to transforming your small businesses to be more competitive and resilient in the future.
 - d. *deAsra offers a free mobile app called eStore by deAzzle that can be used by businesses to set up their product catalogs, share with customers and accept orders online. deAsra*

also offers support to get set up on “Google My Business,” so that local businesses can get discovered

4. **Learn new skills, especially digital marketing/social media marketing**
 - a. **Learn New Age Marketing Tools:** While COVID-19 pushed traditional businesses to create an online presence, you need to learn how to grow your online presence by staying active and engage online. Having a business website along with a social media presence can be a very powerful combination of tools to help expand your reach. I urge small business entrepreneurs to learn digital marketing skills, social media management skills to grow their business
 - b. deAsra launched, “Back on Track Program” last year to teach digital marketing skills and manage cash flow to small business owners who were affected by the first wave of the global pandemic. *The participants reported 90% increase in customer engagement, lead generation and cash flow.*
 - c. *deAsra also runs a program called “Social Champ ” which provides hands- on training to small businesses on digital marketing. It comprises of tools & techniques used by experts for marketing, outreach, and user acquisition.*
5. **Keep your customers informed:** It is important to stay connected with customers and stay engaged with them. Everyone is stressed and how you treat them at this time will go a long way in building relationships and in the long-term success of your business. Sharing how you are handling this crisis situation helps build trust and loyalty. You can use social media channels and conduct live sessions involving experts to discuss about the Corona Pandemic and how it is affecting your business. You can urge your customers to buy local and be verbal promoters of your brand.
6. **Assist fellow entrepreneurs:** Assist fellow entrepreneurs by teaching them skills to navigate across this crisis situation, transfer and share information. You can form a community of likeminded entrepreneurs on entrepreneurship platforms such as the Women Entrepreneurship Platform (WEP) by NITI Aayog, or across social media platforms. The idea is to stay connected and share information with each other.
7. **Put technology to work:** This crisis is forcing us to come up with new ways to work remotely. This may become the new normal. How can we leverage technology and new models for doing business? Can technology be incorporated to create new offerings?

(About deAsra: [deAsra Foundation](#) *is a non-profit organization founded by Dr. Anand Deshpande, Founder, Chairman and MD of Persistent Systems Limited, with the aim to help entrepreneurs in their entrepreneurial journey. We believe that small businesses are the job creators that are necessary to eradicate unemployment in India and are engines of growth for our country, and with that objective in mind deAsra enables individuals start, manage, and grow their business successfully, More than 120,000 entrepreneurs have already benefited from our tools and programs.)*