



Survival and Challenges of the MSME Sector in Odisha: Policy Reforms in Vikshit Odisha

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Abstract

The Micro, Small, and Medium Enterprises (MSME) sector is a vital driver of Odisha's economic growth, employment generation, and socio-economic inclusion. As the second-largest employment-generating sector after agriculture, MSMEs contribute significantly to Odisha's Gross State Domestic Product (GSDP), promote balanced regional development, and support grassroots entrepreneurship. However, despite their immense potential, MSMEs in Odisha face numerous structural and operational challenges. These include limited access to finance, infrastructural bottlenecks, outdated technology, market constraints, and regulatory burdens, which threaten their long-term sustainability and competitiveness.

To address these concerns and transform Odisha into an industrially developed and inclusive economy, the Government of Odisha has launched a series of targeted policy reforms under the vision of 'Vikshit Odisha.' The MSME Development Policy 2022, coupled with sector-specific schemes, digital enablement initiatives, and infrastructure development programs, is aimed at revitalizing the MSME ecosystem by ensuring ease of doing business, financial support, market access, skill development, and innovation. This paper critically examines the survival challenges of the MSME sector in Odisha and evaluates the scope and effectiveness of ongoing policy interventions. The study also explores how these reforms can pave the way for Odisha's transition into a hub of resilient and sustainable MSMEs within the broader national mission of 'Viksit Bharat' by 2047.

This article concludes by emphasizing the need for consistent monitoring, inclusive governance, and adaptive policy-making to ensure that MSMEs play a central role in Odisha's journey towards economic transformation and social equity.

Keywords: MSMEs, Vikshit Odisha, entrepreneurship, financial inclusion, economic development, sustainable growth, Viksit Bharat 2047.

1. Introduction

The Micro, Small, and Medium Enterprises (MSME) sector serves as a vital engine of economic growth and development in India, particularly in regional economies like Odisha. Nationally, the sector contributes approximately 30% to the Gross Domestic Product (GDP), constitutes nearly 50% of total exports, and employs over 110 million people, making it the second-largest employment generator after agriculture (Ministry of MSME, 2023) ^[18]. In Odisha, the MSME sector mirrors this national trend and plays a crucial role in employment generation, equitable economic development, and industrial diversification. As of 2023, Odisha hosts more than 4.5 lakh MSME units providing employment to over 16 lakh individuals, reflecting its deep integration into the state's economic fabric (Government of Odisha, 2023).

Odisha's economic structure has undergone a gradual shift over the past two decades, transitioning from an agriculture-dominated economy to one increasingly led by industry and services. However, this structural transformation remains

uneven and regionally skewed. MSMEs are uniquely positioned to bridge this gap by promoting decentralized industrialization, particularly in backward and tribal regions of the state (RBI, 2022) ^[27]. Yet, despite their importance, MSMEs in Odisha continue to face significant hurdles in the form of inadequate access to formal finance, obsolete technology, regulatory constraints, poor infrastructure, and a lack of skilled manpower (NITI Aayog, 2023) ^[23].

A report by ASSOCHAM (2023) ^[1] highlighted that more than 65% of MSMEs in Odisha face difficulties in accessing institutional credit due to the high perceived risk by lenders. Moreover, the post-pandemic period has exposed the fragility of many of these enterprises. According to the Federation of Indian Chambers of Commerce and Industry [FICCI] (2023) ^[7], over 70% of MSMEs in Odisha reported disruptions in production and sales between 2020 and 2022, pushing many to the brink of closure. The informal nature of many MSMEs exacerbates their vulnerability, making them less resilient to economic shocks and policy shifts.

In response to these pressing challenges, the Government of Odisha has launched a comprehensive set of policy initiatives under the vision of *Vikshit Odisha*, which aligns with the national roadmap for *Viksit Bharat 2047*, a goal to make India a developed economy by the centenary of its independence. Key among these initiatives is the MSME Development Policy 2022, which provides for capital investment subsidies, market facilitation, cluster development, digitization of services, and skill training for entrepreneurs (Invest Odisha, 2022) ^[12]. Additionally, schemes such as the Odisha Startup Policy, the Food Processing Policy, and infrastructure plans for MSME parks aim to create an enabling ecosystem for enterprise growth (Odisha Industries Department, 2023). However, the implementation and outcomes of these reforms remain uneven. Scholars have argued that while policy frameworks are sound, their impact depends heavily on ground-level execution, stakeholder awareness, and inter-agency coordination (Mohapatra & Behera, 2023) ^[24]. The critical question, therefore, is not just whether the policies exist but whether they are accessible, inclusive, and effective in addressing the root causes that hinder MSME growth and survival.

This paper aims to examine the multifaceted challenges faced by MSMEs in Odisha and critically evaluate the state's policy interventions under *Vikshit Odisha*. By drawing on government data, academic research, and policy documents, this study endeavors to assess whether these reforms are adequately structured to enable MSMEs to survive, scale, and contribute meaningfully to Odisha's economic transformation. The overarching goal is to propose evidence-based policy recommendations that can strengthen Odisha's MSME ecosystem and make it resilient in the face of future disruptions.

2. Review of Literature

i). National Overview of MSME Sector and Its Strategic Importance:

The MSME sector in India has long been acknowledged for its pivotal role in driving inclusive economic growth. It contributes approximately 30% to the national GDP, 45% to manufacturing output, and accounts for nearly 48% of total exports (Ministry of MSME, 2023) ^[18]. As per Singh and Kumar (2021), MSMEs act as a crucial counterweight to corporate monopolies by enabling distributed employment and decentralized manufacturing.

Furthermore, the sector fosters grassroots entrepreneurship, especially in backward and rural regions. Sharma and Goyal (2020) ^[28] emphasize that MSMEs are vital in ensuring employment elasticity in the Indian labor market, particularly among low-skilled workers and women entrepreneurs. Despite their significance, Indian MSMEs often operate at sub-optimal levels due to challenges including poor infrastructure, credit constraints, informality, and limited scalability (Kapur & Bansal, 2020) ^[15].

ii). Financial and Structural Challenges of MSMEs:

Scholars consistently cite access to credit as a systemic bottleneck. As per the IFC (2019), the credit gap for MSMEs in India stands at over ₹25 trillion. Micro enterprises, in particular, face a "missing middle" problem, they are too small for formal lending but too large for microfinance schemes (Pandey & Taneja, 2022) ^[25]. A study by Reserve Bank of India (2022) notes that less than 18% of total bank credit goes to MSMEs, despite government guarantees.

Furthermore, studies reveal that compliance burdens under GST, digital registration (Udyam), and environmental laws pose barriers for informal and micro units (Joshi & Mehta, 2021) ^[14]. Despite reforms like the Emergency Credit Line Guarantee Scheme (ECLGS), many enterprises faced difficulties due to lack of documentation and collateral.

iii). Odisha-Specific Literature and Regional Disparities:

Compared to industrialized states like Gujarat and Maharashtra, Odisha's MSME sector is still in a developmental phase. Odisha's MSMEs are primarily concentrated in sectors such as food processing, handloom, handicrafts, coir, and engineering services (Industries Department, 2022). Patra and Panda (2020) ^[26] highlight that while the state has high potential due to its rich mineral and agro resources, this potential remains underutilized due to poor infrastructure, power shortages, and skill gaps.

Research by Das and Ranjan (2021) ^[6] indicates that a significant proportion of MSMEs in Odisha operate without formal registration, thereby missing out on credit, government procurement, and subsidies. Moreover, many clusters remain dependent on traditional techniques and fail to innovate or diversify. In coastal districts, natural disasters like cyclones and floods have further impeded MSME resilience and recovery (Mohanty & Jena, 2019) ^[20].

iv). Cluster-Based and Sectoral Studies in Odisha:

Cluster development has been promoted as a strategic intervention in Odisha, and literature supports this model. The MSME Department (2021) evaluated over 30 clusters in Odisha, noting significant improvements in productivity where Common Facility Centers (CFCs) and Design Development Centers were established. However, Tripathy and Dash (2022) ^[31] argue that many clusters are still plagued by weak institutional coordination, lack of skilled manpower, and minimal access to digital marketing.

In a study on the Balasore Plastic Cluster and Pipili Appliqué Cluster, Panda and Mohapatra (2022) ^[24] found that targeted policy interventions led to a measurable increase in income and output. Yet, they also pointed out that policy fatigue, delays in implementation, and weak monitoring mechanisms diminish long-term impact.

v). MSMEs and the Policy Landscape: National and State-Level Interventions:

The evolution of India's MSME policy has been marked by attempts to bridge the formal-informal divide and increase competitiveness. Initiatives like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), MUDRA loans, the Udyog Aadhaar, and later, Udyam registration were meant to promote formalization and ease of access (Chakraborty & Sen, 2021) ^[4].

At the state level, Odisha has introduced progressive schemes such as the Odisha MSME Development Policy (2022), Startup Odisha, and Make in Odisha. According to the Invest Odisha portal (2023), these policies have attracted new MSME investments worth ₹4,500 crore between 2019 and 2023. However, literature cautions that implementation challenges, bureaucratic inefficiencies, and low awareness among rural entrepreneurs often dilute the impact of these reforms (Behera & Swain, 2023) ^[2].

vi). Digitalization and Technology Adoption:

Recent studies have explored the readiness of MSMEs for Industry 4.0 technologies. As per Meher and Senapati

(2022) ^[17], while digital tools such as e-commerce platforms, digital payments, and ERP systems are being adopted in clusters like Rourkela and Bhubaneswar, uptake is very low in tribal and interior districts. Further, the digital divide in Odisha hampers uniform policy implementation.

A study by NITI Aayog (2023) ^[23] notes that only 27% of MSMEs in Odisha were digitally active as of 2022, limiting their ability to compete in national or global markets. The problem is compounded by the absence of localized training, poor internet connectivity in rural areas, and lack of digital finance literacy.

vii). Literature Gap and Research Contribution: Despite the abundance of studies on MSMEs at the national level, few provide a holistic view of the regional evolution of Odisha's MSME sector in the context of *Vikshit Bharat* and *Vikshit Odisha*. There is a lack of consolidated research that combines:

- A critical policy analysis,
- A cluster-based comparative study, and
- A grounded assessment of reform outcomes aligned with the goals of *Vikshit Bharat* and *Vikshit Odisha*.

This study aims to bridge that gap by providing an integrated, multi-sectoral analysis of Odisha's MSME landscape and evaluating the effectiveness of current policy reforms.

3. Objectives of the Study

The primary aim of this study is to critically examine the current status, challenges, and policy environment affecting the Micro, Small, and Medium Enterprises (MSME) sector in Odisha, with special emphasis on recent policy reforms introduced under the *Vikshit Odisha* initiative aligned with the national vision of *Vikshit Bharat @2047*. The study also seeks to assess the real-world impact of these reforms on various MSME clusters across the state.

The specific objectives of the study are as follows:

- i). To analyze the structural and operational challenges faced by MSMEs in Odisha. Including issues related to finance, infrastructure, technology, skill development, market access, and regulatory compliance.
- ii). To examine the evolution of MSME policy frameworks, impact of Key policy reforms and present empirical insights from selected MSME cluster (e.g., Pipili, Balasore, Sambalpur, Cuttack, and Rourkela).
- iii). To identify gaps and offer evidence-based policy recommendations to strengthen the MSME ecosystem in Odisha, ensuring its alignment with the inclusive and sustainable development goals of *Vikshit Bharat*.

4. Research Methodology

This study adopts a mixed-methods research approach, integrating both qualitative and quantitative data to analyze the survival strategies, challenges, and policy-level impacts on Micro, Small, and Medium Enterprises (MSMEs) in Odisha. The methodological framework is designed to comprehensively capture the nuanced effects of recent policy reforms under *Vikshit Odisha*, contextualized within the broader national agenda of *Vikshit Bharat@2047*.

i). Research Design

A descriptive and exploratory research design has been employed to evaluate the structural, financial, and operational dynamics of MSMEs across selected districts of Odisha. The research is structured to address two key aspects: (i) macro-

level policy review and implementation, and (ii) micro-level enterprise-level challenges and responses. This design is particularly suitable for analyzing multifaceted development sectors such as MSMEs, which are affected by both systemic reforms and local realities (Creswell & Plano Clark, 2017).

ii). Data Collection Methods

The study uses both primary and secondary sources of data.

a) Primary Data: Collected through semi-structured interviews and focus group discussions (FGDs) with MSME owners, policymakers, government officials from the Directorate of Industries, Startup Odisha representatives, financial institutions, and non-governmental organizations (NGOs). Field visits were conducted in five major MSME clusters:

- Cuttack (silver filigree and metal works)
- Pipili (appliqué and handicrafts)
- Sambalpur (handloom and textiles)
- Balasore (food processing and engineering)
- Rourkela (manufacturing and startup ecosystem)

b) Secondary Data: Sourced from government reports, policy documents, economic surveys, industry reports, and scholarly articles. Key sources include the *Odisha Economic Survey (2023)*, *MSME Annual Report (2023)*, *Startup Odisha Reports*, and publications from NITI Aayog and RBI.

iii). Sampling Techniques

A purposive sampling technique was used to select MSME units within the identified clusters to ensure representation from various sub-sectors (manufacturing, services, agro-based industries, traditional crafts, and technology startups). A total of 250 (50 from each cluster) MSME units were selected for interviews, ensuring representation of women-led and tribal enterprises.

iv). Data Analysis Techniques

The data collected were analyzed using both quantitative and qualitative methods:

- **Quantitative Analysis:** Descriptive statistics were used to identify trends in employment, turnover, credit access, and infrastructure status across clusters. Microsoft Excel and SPSS were used for data tabulation and statistical summaries.
- **Qualitative Analysis:** Thematic coding was performed using NVivo software to categorize recurring patterns related to challenges, perceptions of policy support, innovation, and resilience strategies. A SWOT analysis was also undertaken to evaluate the strengths, weaknesses, opportunities, and threats within Odisha's MSME ecosystem.

v). Validity and Reliability

To ensure reliability, a pre-tested interview schedule was employed uniformly across the study regions. Triangulation of data from government records, interviews, and field observations was used to enhance validity. Peer review and expert consultation further ensured methodological rigor.

vi). Ethical Considerations

The study strictly adhered to ethical research standards. Informed consent was obtained from all participants. Confidentiality and anonymity of enterprise-level data were maintained, and participation was entirely voluntary. Ethical

approval was secured from the institutional research ethics committee prior to fieldwork.

5. Challenges Facing Odisha's MSME Sector

Despite being recognized as a pivotal force in Odisha's industrial and employment ecosystem, the MSME sector continues to grapple with a multitude of structural and operational challenges. These challenges have hindered the sector's ability to scale, modernize, and integrate with national and global value chains. Key among them are:

- i). **Limited Access to Finance:** Access to affordable and timely credit remains one of the most critical impediments for MSMEs in Odisha. A large proportion of MSMEs operate in the informal or semi-formal economy, lacking proper documentation, audited financial records, and credit histories, making them ineligible for institutional financing (RBI, 2022) ^[27]. According to the State Level Bankers' Committee (SLBC) report (2023), only 38% of Odisha's MSMEs have access to formal credit, with most micro units relying on personal savings or informal lending sources. Moreover, the collateral requirements of banks and high interest rates deter smaller enterprises from seeking loans (NITI Aayog, 2023) ^[23].
- ii). **Inadequate Infrastructure and Logistics:** Poor infrastructure in terms of industrial estates, power supply, transport connectivity, and logistics chains severely impacts the productivity and competitiveness of MSMEs, especially in interior and tribal regions of Odisha. Many industrial areas lack adequate waste disposal, water supply, and internet connectivity, which are essential for modern industrial functioning (Odisha Industries Department, 2023). The lack of common facilities and warehousing services adds to production costs and delays in delivery, thus affecting market competitiveness.
- iii). **Technology Obsolescence:** A large number of Odisha's MSMEs operate with outdated machinery and traditional production techniques. Particularly in the handloom, handicraft, and agro-processing sectors, the use of non-mechanized tools and limited automation reduces output quality and efficiency (Mohapatra & Behera, 2023) ^[21]. The digital divide is another major concern. Only a small fraction of micro and small units have adopted digital tools for marketing, accounting, or supply chain management (Ministry of MSME, 2023) ^[18]. The Digital MSME Scheme has not seen significant penetration in rural Odisha due to low digital literacy and lack of infrastructure.
- iv). **Skill Deficit and Human Capital Limitations:** The availability of skilled manpower is another critical constraint. Odisha has one of the lowest rates of industrial skill certification among eastern states, especially in rural belts (FICCI, 2023) ^[7]. The mismatch between available skills and industry requirements results in low productivity, high attrition, and poor product quality. Despite the presence of Industrial Training Institutes (ITIs) and government-run skill development programs under the Odisha Skill Development Authority (OSDA), the outreach and industry alignment of such initiatives remain limited (Government of Odisha, 2023).
- v). **Regulatory and Compliance Burdens:** The MSME sector is subject to a complex web of regulatory compliances related to taxation, environmental norms, labor laws, and licenses. While reforms such as Udyam registration and single-window clearances have been

introduced, many small entrepreneurs still face challenges in navigating bureaucratic procedures (NITI Aayog, 2023) ^[23]. Moreover, lack of awareness about existing government schemes and poor handholding support from local institutions limit the actual uptake of benefits offered under state policies (ASSOCHAM, 2023) ^[1].

- vi). **Market Access and Value Chain Integration:** Many MSMEs in Odisha remain confined to local markets and are not integrated into national or global value chains. This isolation is partly due to weak branding, absence of marketing strategies, and lack of e-commerce adoption (Invest Odisha, 2022) ^[12]. While efforts like participation in trade fairs, setting up of export facilitation cells, and promotion of GI-tagged products have been made, the benefits are concentrated among medium-scale units, bypassing a large number of micro enterprises (Mohanty & Rath, 2023).
- vii). **Vulnerability to External Shocks:** The COVID-19 pandemic laid bare the vulnerability of Odisha's MSMEs to external disruptions. A significant number of enterprises faced temporary closures, loss of skilled labor, and breakdown of supply chains during the lockdown period (FICCI, 2023) ^[7]. Recovery has been slow, especially for informal and unregistered units, many of which lacked the digital or financial resilience to adapt to shifting market dynamics.

6. Policy Reforms under Vikshit Odisha

In alignment with the national vision of *Viksit Bharat 2047*, the Government of Odisha has initiated a range of comprehensive policy reforms under the vision of *Vikshit Odisha*, aiming to make the state a hub of equitable industrial growth, sustainable entrepreneurship, and inclusive development. Recognizing the critical role of MSMEs in employment generation, rural development, and industrial decentralization, the state's policy framework focuses on simplifying governance, improving access to finance, fostering innovation, and strengthening value chains.

i). MSME Development Policy 2022

The cornerstone of Odisha's MSME-centric policy reform is the MSME Development Policy 2022, which replaced the earlier 2009 policy. This policy is geared toward promoting a vibrant, inclusive, and competitive MSME ecosystem by offering a mix of financial incentives, infrastructural support, and regulatory simplification (Government of Odisha, 2022). Key provisions include:

- **Capital Investment Subsidies** for new micro and small enterprises, ranging from 25% to 30% depending on location and category of entrepreneur (Invest Odisha, 2022) ^[12].
- **Interest Subsidies** on term loans and working capital, with higher rates for women, SC/ST, and differently-abled entrepreneurs.
- **Reimbursement of Certification Costs**, such as ISO, BIS, and HACCP certifications, to enhance quality standards.
- **Support for Technology Upgradation**, digital adoption, and design development under state and central government schemes.

These reforms are further strengthened by provisions for District Investment Promotion Agencies (DIPAs) to act as single-window facilitators for MSME-related clearances and

guidance at the district level.

ii). Start-Up Odisha and Innovation Policies

Odisha has actively promoted its Start-Up Policy (2016, revised in 2022) to build a robust entrepreneurial ecosystem that overlaps with the micro and small enterprise landscape. The initiative offers seed funding, marketing assistance, incubation support, and mentorship networks to early-stage entrepreneurs (Startup Odisha, 2023). Notably, the policy aims to support 5,000 startups by 2030, many of which are expected to emerge from Tier-2 and Tier-3 cities.

Moreover, under the Odisha Innovation Fund, MSMEs engaged in sectors like renewable energy, agri-tech, and fintech are eligible for grants and technical assistance. These reforms aim to position Odisha not only as a manufacturing base but also as an innovation-driven economy (Odisha Skill Development Authority, 2023).

iii). Industrial Infrastructure Development

Realizing the infrastructural deficits that hinder MSME growth, the government has intensified investment in MSME Parks, Industrial Clusters, and Common Facility Centres (CFCs). The Integrated Infrastructure Development Scheme under the MSME Department supports creation of plug-and-play industrial zones equipped with electricity, roads, drainage, and internet (Odisha Industries Department, 2023). Prominent examples include the Plastic Park in Paradip, Food Processing Cluster in Khurda, and Handicraft Cluster in Ganjam, which demonstrate cluster-based development approaches.

In 2022, the Odisha Industrial Infrastructure Development Corporation (IDCO) allocated over ₹400 crore for MSME park development and cluster expansion (IDCO, 2023) ^[10].

iv). Financial Inclusion and Credit Linkage

To overcome barriers in accessing formal finance, Odisha launched a Credit Guarantee Scheme for MSMEs, supplementing the central CGTMSE scheme. The state has also partnered with banks and NBFCs to facilitate collateral-free loans and working capital through financial literacy camps and enterprise promotion cells at the block level (SLBC Odisha, 2023).

The Mukhya Mantri Karigar Sahayata Yojana (MMKSY) provides working capital assistance and interest subvention for artisans and weavers, thereby integrating traditional micro-enterprises into the financial system (Department of Handlooms, 2023).

v). Digital and E-Governance Reforms

Digitalization is central to Odisha's MSME transformation strategy. Initiatives such as GO-SWIFT (Single Window for Investor Facilitation and Tracking) and GO-PLUS (GIS-based Industrial Land Bank) have simplified the business registration process, reducing the average time of enterprise setup from 45 days to less than 15 days (Invest Odisha, 2022) ^[12].

Additionally, MSMEs are encouraged to onboard digital platforms for invoicing, GST filing, and e-commerce. The Digital MSME Program, in partnership with private IT firms, has launched training modules to build digital capacity among small business owners (Ministry of MSME, 2023) ^[18].

vi). Skill Development and Capacity Building

Odisha has implemented various skill development programs tailored to the MSME sector. The Odisha Skill Development

Project, in collaboration with the Asian Development Bank (ADB), trains over 1.5 lakh youth annually in industry-relevant skills (OSDA, 2023). Sector-specific training, particularly in food processing, handicrafts, apparel, and machine tools, are being implemented in partnership with ITIs, polytechnics, and Skill Development Centers.

Skill mapping of clusters and localized entrepreneurship development programs have further enabled the state to align manpower with enterprise needs.

vii). Promotion of Women and Marginalized Entrepreneurs

A notable focus of Vikshit Odisha reforms is social inclusion. The MSME policy framework provides special incentives for women, SC/ST, and transgender entrepreneurs, including additional capital subsidies, reserved plots in industrial parks, and capacity building programs. The Mission Shakti MSME Scheme, launched in 2022, promotes micro-enterprises led by women self-help groups through financial assistance, marketing platforms, and skill upgradation (Mission Shakti Department, 2023).

7. Case Studies from Odisha's MSME Clusters

Odisha's strategy of **cluster-based development** has been central to its MSME policy interventions, helping create economies of scale, strengthen value chains, and enhance competitiveness. Several MSME clusters across sectors like textiles, food processing, handicrafts, and engineering have demonstrated varying degrees of success under the *Vikshit Odisha* reforms.

i). Pipili Applique Cluster: Reviving Traditional Handicrafts

The Pipili Appliqué Cluster in Puri district is one of Odisha's most recognized handicraft clusters, employing over 2,000 artisans, mainly women. Known for its traditional patchwork designs used in ceremonial umbrellas, home décor, and accessories, the cluster has benefited significantly from targeted government support.

Under the SFURTI (Scheme of Fund for Regeneration of Traditional Industries) initiative and the Mission Shakti MSME Scheme, the artisans have received support for design innovation, product diversification, and marketing. The state set up a Common Facility Centre (CFC) in 2021, which includes cutting and stitching machines, packaging units, and training halls (Ministry of MSME, 2023) ^[18]. This has helped reduce production time by nearly 30%.

In addition, digital workshops conducted by Startup Odisha and e-commerce partners have enabled over 300 artisans to list their products online, accessing national and international markets. According to the Directorate of Handicrafts (2023), annual revenue from the cluster rose from ₹6.5 crore in 2020 to ₹10.2 crore in 2023.

Challenges: Despite progress, artisans face rising raw material costs, inconsistent internet access, and lack of access to working capital. Also, many younger artisans are migrating to cities, threatening continuity.

ii). Khurda Food Processing Cluster: A Model of Agro-Based MSME Growth

The **Khurda Food Processing Cluster** has evolved into one of Odisha's leading agro-processing hubs. Comprising over 250 micro and small enterprises involved in spice grinding, rice milling, and packaging of organic products, this cluster has grown under the PM Formalization of Micro Food

Processing Enterprises (PM-FME) scheme.

Through the establishment of a Food Technology Park and cold storage facilities funded by the Odisha Industrial Infrastructure Development Corporation (IDCO) and the Ministry of Food Processing Industries, the cluster has achieved better hygiene standards, extended product shelf-life, and improved exports.

According to an evaluation by the Odisha Industries Department (2023), cluster enterprises experienced a 40% increase in exports and a 15% increase in employment post-implementation of policy reforms. Government training sessions on FSSAI certification, HACCP standards, and branding helped local brands like "Krushak Foods" and "Jeevan Organic" scale up operations.

Challenges: Entrepreneurs highlight issues with logistics (especially during monsoon), erratic power supply, and delayed bank credit disbursement despite policy-level facilitation (SLBC Odisha, 2023).

iii). Rourkela Engineering Cluster: Advancing MSME Innovation

Located in Sundargarh district, the Rourkela Engineering Cluster hosts over 300 small and medium units manufacturing fabricated steel components, machinery, and tools, many of which serve the needs of the Rourkela Steel Plant (SAIL). These MSMEs have benefitted from Odisha's Capital Investment Subsidy, Technology Upgradation Fund, and skilling initiatives under the Odisha Skill Development Authority (OSDA).

With support from the National Small Industries Corporation (NSIC) and MSME-DI, Rourkela-based units adopted CAD/CAM tools, CNC machines, and energy-efficient furnaces. The establishment of a Common Testing Laboratory in 2022 under public-private partnership has reduced product rejection rates and enhanced quality compliance.

According to a study by CII (2023), productivity levels in this cluster rose by 18% post-intervention, and over 400 technicians were upskilled in automation and mechatronics.

Challenges: Key issues include delayed GST refunds, underutilization of credit lines, and rising competition from larger manufacturers in Chhattisgarh and Jharkhand.

iv). Ganjam Coir and Handloom Cluster: Rural Industrialization in Action

The Ganjam cluster is known for both coir product manufacturing and traditional handloom weaving. Under the State Coir Policy 2020 and Handloom Development Schemes, the cluster received training and marketing support, particularly through SHG participation under the Mission Shakti umbrella.

Approximately 600 micro units now produce coir ropes, mats, and eco-friendly handicrafts. The cluster has benefited from subsidies on semi-automated spinning machines and modern dyeing facilities (Department of Textiles, Odisha, 2023). Through tie-ups with Odisha Rural Development and Marketing Society (ORMAS), these products are sold in regional fairs and on e-commerce platforms.

Impact: The average monthly income of coir workers rose from ₹3,200 in 2019 to ₹5,800 in 2023. Women's participation has significantly increased, with 78% of the enterprises being women-led (Mission Shakti Department, 2023).

Challenges: Lack of consistent market demand and poor logistics connectivity continue to limit cluster growth. Environmental challenges like cyclone-related damage also

affect operations.

v). Balasore Pharmaceuticals and Plastics Cluster: Emerging Sectors

Balasore has emerged as a promising cluster for pharmaceutical intermediates and plastic products, supported by the Plastic Park initiative and Pharma investment zones. Policy support has come from the Odisha MSME Policy 2022 and the Ease of Doing Business (EoDB) reforms.

The Balasore Industrial Growth Centre (BIGC) hosts both MSMEs and larger anchor units. Improved road and port connectivity (via Dhamra Port) has helped MSMEs reduce turnaround time and costs. Units have also benefited from the Odisha government's facilitation in obtaining environmental clearances and tax incentives (Invest Odisha, 2023).

Impact: Employment in the cluster increased by 28% from 2020 to 2023, and annual turnover crossed ₹1,000 crore for the first time in 2023 (IDCO, 2023) ^[10].

Challenges: Complex compliance norms for pharmaceuticals, limited access to R&D labs, and rising raw material costs are ongoing concerns for MSMEs.

8. Findings and Discussions

Based on extensive analysis of Odisha's MSME landscape, field interviews, and secondary data review, the following major findings have emerged:

- i). **Financial Constraints Remain a Core Challenge:** Despite government-led credit schemes and financial inclusion programs, a large proportion of MSMEs in Odisha, particularly those in informal sectors, continue to face difficulties in accessing working capital, term loans, and venture funding. The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is underutilized due to lack of awareness and procedural complexities.
- ii). **Limited Technology Adoption and Innovation:** Many MSMEs still rely on traditional production methods, especially in handicrafts, textiles, and food processing clusters. Lack of awareness about Industry 4.0 tools, digital marketing, and automation hinders competitiveness and scalability.
- iii). **Infrastructure Deficiencies:** Inadequate industrial infrastructure, such as poor road connectivity, erratic power supply, lack of common facility centers, and limited access to logistics and warehousing, are common across rural and semi-urban MSME clusters. These bottlenecks increase operational costs and reduce market outreach.
- iv). **Regulatory Burden and Policy Awareness Gaps:** While Odisha has taken strides through policies such as the MSME Development Policy 2022 and Startup Odisha, many entrepreneurs, especially first-generation ones, are unaware of available schemes, incentives, and facilitation services. Bureaucratic delays and overlapping jurisdictions also pose implementation challenges.
- v). **Skilling and Workforce Gaps:** There is a significant mismatch between the skill requirements of MSMEs and the skillsets of the available workforce. In interviews, entrepreneurs from Balasore and Rourkela highlighted difficulties in hiring trained technical staff, especially for newer industries like startups and engineering.
- vi). **Cluster-Based Growth Has Uneven Impacts:** While some clusters such as Sambalpur handloom and Cuttack silver filigree have shown growth due to targeted promotion and export support, others like tribal crafts and

rural food processing units remain underdeveloped due to lack of branding, poor access to credit, and low investment in quality improvement.

vii). Positive Impact of Policy Reforms in Select Sectors: Initiatives under Startup Odisha and the promotion of women entrepreneurs have seen encouraging results, with many tech-enabled businesses emerging in Bhubaneswar and Rourkela. However, such progress is yet to be replicated widely across backward districts.

9. Conclusion

The Micro, Small, and Medium Enterprises (MSME) sector in Odisha is an indispensable pillar of the state's economic framework, playing a vital role in employment generation, regional development, and poverty alleviation. As India strives toward the ambitious goal of becoming a developed nation under the *Vikshit Bharat@2047* vision, MSMEs especially in states like Odisha are poised to be transformative agents of inclusive growth. However, the sector is riddled with persistent structural and operational challenges ranging from inadequate access to finance and technology to infrastructure deficits and skill mismatches.

This study examined the intersection of policy, practice, and performance within Odisha's MSME landscape, focusing on the survival strategies of enterprises and the effectiveness of recent policy reforms under the *Vikshit Odisha* initiative. Findings from primary cluster-level investigations and secondary data reveal that while policy frameworks such as the Odisha MSME Development Policy 2022 and Startup Odisha have initiated positive momentum, much work remains to bridge the gap between policy intent and field-level impact.

In essence, the sustainable development of Odisha's MSME sector is not just an economic imperative but also a social necessity. A resilient, innovative, and inclusive MSME ecosystem can serve as the backbone of a *Vikshit Odisha*, ensuring that growth reaches the most marginalized communities and contributes meaningfully to the nation's vision of equitable prosperity by 2047.

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