VISION KARNATAKA FOUNDATION

A Platform of Think Tank
And Transformational Change.

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Sub: Salary Payment Solution for SME/MSME during KOVID-19
as a CRISIS Management Strategy

Dear Madam/Sir

Greetings from the team of Vision Karnataka Foundation

Vision Karnataka Foundation is a Think Tank Community which is a platform for solution providers, to aggregate together for creation of Social Impact Sustainable Development in Karnataka and thereby contributing to the nation building activities in inclusiveness. We are actively partnering with the government in policy making andimplementation of the transformation change. This community consists of distinguished members who are domain experts from their own spaces and stalwarts in the Industry. Some are Senior Bureaucrats holding very high position in government, distinguished academicians with International acclaim and recognition, including Vice Chancellors, Industry Captains, Research Scholars and practicing Professionals.

At the outset let me Congratulate you and your team on the fantastic measures and initiative taken in such short time for the welfare of the industry and community at large.

As part of the deliberation for addressing the COVID-19 difficulties and mitigating the challenges emerging out of this unprecedented outcomes we have from VKF taken measures to actively participate with the govt in the progressive solutions and crisis management with research and analytics along with on ground activities for deliberation with our state level task force. We have focused on the MSME/SME and Agriculture and related domain like food processing and supply chain. We have a full fledged Analytics Experts working to give a better spectrum of the situation and Action Plan to enable smooth Functioning with the government resources and other stake holders.

We hope to be of support and add value in the tremendous work you are doing .Hence our team has come up with a series of recommendations and strategies on various critical challenges that you are currently encountering. Please feel free to approach us for any support that you may deemed fit for the betterment of the state and the country

With kind regards

(K. AMARANARAYANA) IAS (Retd.)
President,
VISION KARNATAKA FOUNDATION.

Salary Payment Solution for SME/MSME during KOVID-19 as a CRISIS Management Strategy

There are several issues which have been addressed

1. Issue of calculation of Salary Due
2. Personnel movement for the process of 1
3. Disbursement issue
4. Cash/Funds flow issue of MSME
5. Humanitarian issue.
6. Legal Compliance issue like ESI PF and other statutory things

Most of the SME/MSME release salary to its workers between 1st and 7th calendar day the succeeding month and they calculate salaries manually without the support of any software. However, they are finding it difficult to prepare and release the salaries to the employees due to lockdown. We can list a few of the challenges being faced by most of the SME/MSME units at this hour of crisis;

1. SME/MSME units do have multiple places of work particularly in the manufacturing sector, and attendance of employees is being maintained at the factory level rather than centrally, hence the role of unit manager/supervisor is crucial in preparation of salary.

2. Unit Manager/Supervisor enters attendance details of employees to Salary making team and based on the information, salaries are being prepared manually by HR-Staff and authorized by accounts department and in the present situation of lockdown they cannot go to the office to prepare and authorize the salary.

3. SME/MSME do have a very high attrition rate, hence they can't pay the salary as per the previous month's salary sheet as a standard method. Yet as a ballmark we can consider the base line to disburse about 40% of the salary based on the previous months salary record with the bank in the absence of the letterhead or official communication from the office to the bank . Most cases emails are not accepted by the bank for the transaction hence in that case the banks can actually consider the previous months record.

4. Many employees do not have Bank accounts and the salaries are being disbursed in Cash.

5. Employees come from distant places to work and the distribution of salary is being done in the unit where they are working, in case of employees who do not have a Bank account.

6. Cash flow problem for SME/MSME.

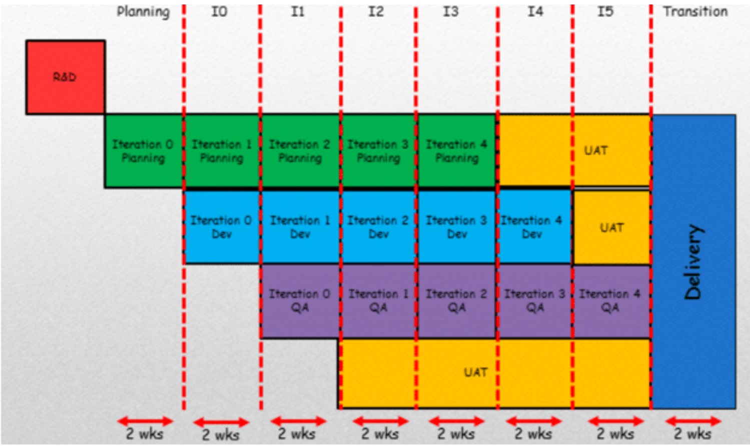
We look at macro-level problems seems to be big, as there are lakhs of worker working with SME/MSME units. However, if we look at the micro level the solutions can be found and lakhs of employees may get their salaries for March 2020 within few days. Since the problem is very big, we cannot have one solution for all, hence multiple solutions are required to address the problem. Based on experience, we can provide the following solutions to SME/MSME units:

1. Immediate curfew passes are allowed to Unit Managers, Salary preparation and salary

authorization persons of each enterprise and they should be asked to prepare the salary
and authorize the same maximum in two calendar days.

The passes can be issued on a **staggered method** with the collaboration of the industry association and trade bodies in the particular territory to efficiently plan with their membership on the size of the employees. The ultimate aim is to maintain social distancing also.

5000 and above – Immediately - April 3 th –April 4 th 2020
2000 and above - Followed next April 5th 2020
500 and above – Followed next April 6th 2020
500 and below – Followed next April 7th 2020



Above is a diagram to describe a staggered planning delivery outlay with time line

Taking into account

Full Time employees
Part Time Employees
Daily wage Direct laborers
Daily wage contract laborers working through a contractor

With PMJDY and aadhar based identification linking person to bank is not a difficult task. Even NPCI would be of great support

National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments in India. It was set up with the guidance and support of the Reserve Bank of India (RBI) and Indian Banks Association (IBA).

2. All the employees should be advised through bulk SMS by their employer that their Salaries are being paid and it will be disbursed to them maximum within 7 days and Collect their Bank account detail (In case the salary was not being directly credited to the accounts of employees historically), e-wallet details who do not have Bank account.

3. In the case of units who's all the employees have the Bank account salaries can be disbursed through Bank account immediately.

4. Employees who don't have bank accounts do have a real challenge and it requires multi Prong action
(a) If they have any mobile wallet the amount can be credited to an e wallet
of the employee,

(b) Coordinate with Banks to issue pre-paid cards to remaining employees and get them delivered to respective employees
(c) Since most of the employees come from cluster of villages/ centres, SME/MSME units to coordinate with Banks to send their Mobile ATM vans to each cluster with required cash. Bank ATM Van and Employees supervisor should coordinate to reach the centre of disbursement at the scheduled time. All the employees of that cluster should also be advised to be present at the designated place at schedule time. Important to note that employees Should be advised to maintain social distancing and cash be disbursed in the presence of Bank staff to their respective employees.

5. For the units who are facing cash flow problem, based on their past track records Bank's may be advised to release funds to pay the salaries.

With the above-mentioned combination of solutions, we will be able to support the units to disburse the salaries to employees at this hour of crisis.

The government should ensure that no one should deduct any salaries or leave of the employees and pay them in full. It should also be instructed to entrepreneur that none of their family members shall be paid salaries, preference should be given to the payment of salaries to employees.

Having said this we have also approached and worked out a strategy collaboration with **PAYTM** to immediately take up the task of payment disbursement by e-wallet to minimize the impact on the ground level and human movement at a time there is a clampdown and also enable the employees to address their utility bills issues. They can create in 2 days time a configuration to e-Wallet of the company account and then integrate it to the employee account by e wallet disbursal from home with one key person as the nodal office from that company as the admin . Mr. Sankalp B – V P South at Paytm will be coordinating this effort from Bangalore.

*Our survey from our connection in **Silvassa** and **Surat dist MSME** industrial belts, They have arranged line of credit to Employees from several grocery stores. Employees have to show their ID and they get credit up to Rs 3000*

Migrant workers took payment before leaving and they are facing problem of collections (The buyers are not paid them money)

This is an outcome of Analytics of the data and situation to handle COVID-19 from the team headed by **Mr. Sunil Sahdev** – A former MD of an International Bank and a Senior Advisor to **Vision Karnataka Foundation.** He has ground level experience in this kind of crisis management and has deep insight to have managed such situations in the past. The above data is a comprehensive suggestion and recommendation and not a standalone measure.

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