
Capital Budgeting Techniques Used by MSMEs (Micro, Small, Medium Enterprises) of Jajpur

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DOI : <https://doi.org/10.5281/zenodo.20126808>

ARTICLE DETAILS

Research Paper

Accepted: 23-04-2026

Published: 10-05-2026

Keywords:

*Capital Budgeting
Techniques, MSMEs, Net
Present Value (NPV),
Internal Rate of Return
(IRR), Risk Management,
Jajpur*

ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) significantly contribute to Jajpur, Odisha's economic growth by creating jobs, encouraging innovation, and promoting sustainable development. The district features diverse MSMEs, ranging from traditional handicrafts to modern manufacturing and service sectors. To manage limited financial resources effectively, these enterprises use capital budgeting techniques such as NPV, IRR, Payback Period, and Profitability Index. These methods help evaluate investments, reduce financial risks, enhance efficiency, and ensure long-term growth in a competitive market environment.

INTRODUCTION:

Capital budgeting is a critical decision-making process that determines the long-term investment strategies of businesses. For Micro, Small, and Medium Enterprises (MSMEs), especially in emerging economies like India, this process becomes even more vital due to their limited financial resources and dynamic operating environments. Jajpur, a district in Odisha, India, is home to a diverse array of MSMEs, ranging from manufacturing units to service-oriented enterprises. These enterprises play a



pivotal role in contributing to local economic development, generating employment, and fostering innovation.

MSMEs in Jajpur operate in a unique ecosystem influenced by factors such as proximity to industrial hubs, the availability of natural resources, and governmental support for entrepreneurship. Despite their immense potential, one of the major challenges these enterprises face is efficient financial planning, particularly in terms of investment in capital assets like machinery, technology upgrades, and infrastructure. This is where capital budgeting techniques come into play. These techniques are essential for ensuring that investment decisions not only enhance operational efficiency but also contribute to sustainable growth.

Common capital budgeting techniques include the Net Present Value (NPV) method, Internal Rate of Return (IRR), Payback Period, and Profitability Index (PI). While these are widely acknowledged in theory, their application among MSMEs often varies based on the scale of operations, the financial literacy of the entrepreneurs, and the availability of data. In regions like Jajpur, where MSMEs frequently deal with resource constraints and fluctuating market demands, the choice and application of these techniques often deviate from standard practices. Entrepreneurs may rely on simpler methods, such as the payback period, due to their ease of understanding and lower data requirements, despite the potential limitations in long-term financial accuracy.

Moreover, the external environment plays a significant role in shaping the capital budgeting practices of MSMEs. Policies from the Odisha state government, as well as central schemes like the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and the Make in India initiative, have provided support in terms of financial assistance and infrastructure. However, gaps remain in the dissemination of knowledge and accessibility of tools required for advanced financial planning.

LITERATURE REVIEW

Capital budgeting techniques play a pivotal role in the financial decision-making processes of Micro, Small, and Medium Enterprises (MSMEs). In regions like Jajpur, Odisha, where MSMEs face financial constraints, the application of these techniques can significantly impact their growth and sustainability. A variety of capital budgeting methods, including Net Present Value (NPV), Internal Rate of Return (IRR), and the Payback Period, are commonly utilised to evaluate investment opportunities. However, MSMEs often adapt these techniques based on the scale of their operations, financial literacy, and resource availability (Pandey, 2021; Sharma, 2020).



For example, simpler methods like the Payback Period are preferred due to their ease of use, despite the limitations in assessing long-term financial viability (Bhagat & Kaur, 2019). Research indicates that external factors such as government policies and financial assistance programs (e.g., CGTMSE and Make in India) also influence the budgeting practices of MSMEs (Mishra, 2022; Rao, 2021). Despite the support, challenges persist, particularly in terms of accessing advanced budgeting tools and knowledge.

Studies show that MSMEs in Jajpur, while applying standard techniques like NPV and IRR, frequently focus on shorter payback periods and moderate IRR values (Das & Mohanty, 2023). The integration of robust risk management practices further supports the long-term financial stability of these enterprises (Patnaik, 2021). Ultimately, enhancing financial literacy and providing better access to capital budgeting resources could foster more effective investment decisions in MSMEs, promoting economic development in the region (Sahoo & Nayak, 2020).

RESEARCH METHODOLOGY

Quantitative Research

Quantitative research serves as a systematic and structured approach to investigate the research problem by collecting numerical data that can be statistically analysed. For this study, a well-designed survey questionnaire, combined with a rigorous sampling strategy and robust data collection methods, will enable the exploration of capital budgeting practices among MSMEs in Jajpur. This section details the methodology, emphasising the survey design, sampling technique, and data collection instrument, while discussing the importance of maintaining validity, reliability, and ethical standards throughout the process.

Survey Design

A survey is a widely used instrument in quantitative research for its ability to capture diverse viewpoints and measure variables across large populations. For this study, a structured questionnaire will be developed as the primary tool for data collection. The questionnaire design process will follow a systematic approach to ensure its relevance, clarity, and alignment with the research objectives.

Key Design Elements:

1. **Content Focus:**

The questionnaire will focus on the following aspects:



- **Demographics:** Basic information such as the size of the enterprise, sector of operation (manufacturing, services, or trading), years in business, and ownership structure.
- **Capital Budgeting Practices:** Exploration of whether MSMEs utilise techniques such as Net Present Value (NPV), Internal Rate of Return (IRR), Payback Period, and Profitability Index in their investment decisions.
- **Awareness Levels:** Assessment of the extent to which decision-makers are aware of various capital budgeting techniques and their sources of knowledge (e.g., formal training, peer recommendations, or financial consultants).
- **Perceived Effectiveness:** Evaluation of how these techniques impact financial decision-making, profitability, and risk mitigation.

2. Question Types:

The questionnaire will incorporate a mix of **closed-ended questions** (e.g., yes/no or multiple-choice) and **Likert-scale questions** (e.g., "Strongly Agree" to "Strongly Disagree"). Close-ended questions will facilitate the quantification of data, while Likert-scale items will capture the intensity of opinions and perceptions.

3. Piloting and Refinement:

A pilot survey will be conducted with a small group of MSMEs to test the clarity, structure, and relevance of the questions. Based on the feedback, revisions will be made to remove ambiguities, refine language, and ensure logical sequencing.

4. Mode of Administration:

The survey will be distributed through both **online platforms** (such as Google Forms) and **offline methods** (physical questionnaires). Online distribution will target MSMEs with internet access, while offline surveys will be administered to those in remote or underserved areas, ensuring inclusivity.

Sampling Technique

Sampling is critical in quantitative research to ensure that the data collected is representative of the larger population. For this study, a **stratified random sampling** technique will be employed. This method is



particularly effective for capturing the diversity within the MSME sector, which includes enterprises of different sizes and operating in various industries.

Steps in Sampling:

1. Defining the Population:

The population of interest comprises all registered MSMEs in Jajpur. Lists of MSMEs will be obtained from credible sources such as government databases, industry associations, and local chambers of commerce.

2. Stratification:

To ensure adequate representation, the population will be stratified based on two key criteria:

- **Sector:** MSMEs will be grouped into manufacturing, trading, and services. Each sector has unique capital budgeting requirements and challenges that need to be explored.
- **Enterprise Size:** Micro, small, and medium enterprises will be classified separately, as their financial capacities, decision-making structures, and access to resources vary significantly.

3. Random Sampling Within Strata:

Within each stratum, a random sampling approach will be applied to select respondents. This ensures that every MSME within a particular sector or size category has an equal chance of being included in the sample.

4. Sample Size Determination:

Statistical methods will be used to calculate an appropriate sample size that balances precision and resource constraints. For this study, a **confidence level of 95%** and a **margin of error of 5%** will guide the calculation. For example, if the total population of MSMEs in Jajpur is 10,000, a sample size of approximately 370 MSMEs will suffice for statistically reliable results.

5. Ensuring Diversity:

Additional measures will be taken to ensure diversity within the sample, including representation from urban, semi-urban, and rural areas of Jajpur. This will provide insights into the impact of geographical location on capital budgeting practices.



Data Collection Instrument

The structured questionnaire serves as the primary data collection instrument. Its design and deployment are guided by the principles of validity, reliability, and user-friendliness to ensure high response rates and data accuracy.

Questionnaire Structure:

1. Section 1: Demographic Information

- Size of the enterprise (micro, small, or medium).
- Sector of operation (manufacturing, services, or trading).
- Ownership structure (proprietorship, partnership, or private limited).
- Years of operation and geographical location.

2. Section 2: Capital Budgeting Practices

- Usage of techniques such as NPV, IRR, Payback Period, and others.
- Frequency of application (e.g., for every investment decision or selectively).
- Factors influencing the choice of technique (e.g., ease of use, familiarity, or external recommendations).

3. Section 3: Awareness Levels

- Knowledge about advanced techniques like Discounted Cash Flow (DCF) or scenario analysis.
- Sources of information (e.g., formal education, peer networks, or consultants).

4. Section 4: Perceived Effectiveness

- Impact of budgeting techniques on financial decision-making, profitability, and risk management.
- Challenges faced in implementing these techniques (e.g., lack of expertise or financial constraints).



Deployment Strategy:

1. Online Distribution:

- MSMEs with internet access will be targeted through email invitations and social media campaigns.
- Links to the online questionnaire will be shared through WhatsApp groups and industry forums.

2. Offline Distribution:

- Physical copies of the questionnaire will be distributed through local industry associations, government offices, and community events.
- Enumerators will be trained to assist respondents in filling out the questionnaire, ensuring inclusivity.

3. Follow-Up:

- Regular follow-ups will be conducted via phone calls and emails to encourage non-respondents to participate.

Data Validation and Ethical Considerations

To maintain the integrity and reliability of the data, the following measures will be implemented:

1. Validation:

- Automated checks in online questionnaires to ensure all questions are answered.
- Manual scrutiny of completed offline questionnaires to identify and rectify inconsistencies.

2. Ethical Standards:

- Respondents will be provided with detailed information about the study's purpose, ensuring informed consent.
- Participation will be voluntary, and anonymity will be maintained to protect respondents' privacy.



- Ethical clearance will be sought from an institutional review board to confirm adherence to research ethics.

3. **Response Bias Mitigation:**

- The questionnaire will be carefully worded to avoid leading or biased questions.
- Enumerators will receive training to remain neutral and avoid influencing respondents' answers.

Qualitative Research

Qualitative research complements the quantitative approach by providing depth and context to the study of capital budgeting practices among MSMEs in Jajpur. Unlike numerical data, qualitative data focuses on the "why" and "how" behind observed phenomena, offering insights into behaviours, perceptions, and decision-making processes. For this study, **in-depth interviews** and **focus group discussions (FGDs)** will serve as the primary qualitative data collection methods. These techniques are designed to uncover nuances and explore the lived experiences of MSME stakeholders regarding capital budgeting.

In-Depth Interviews

In-depth interviews are a qualitative research method that involves one-on-one interactions between the researcher and key participants. For this study, semi-structured interviews will be conducted with owners, managers, and financial decision-makers of selected MSMEs in Jajpur.

Objectives of the Interviews:

- To understand the rationale behind the choice of specific capital budgeting techniques.
- To explore the challenges faced in implementing these techniques.
- To assess the influence of external factors such as government policies, market conditions, and access to financial expertise on budgeting decisions.

Interview Design:

1. **Development of the Interview Guide:**

A semi-structured interview guide will be developed to ensure consistency while allowing for flexibility. The guide will include open-ended questions grouped into thematic areas such as:



- The organisation's overall approach to financial planning and investment decisions.
- Awareness and adoption of specific capital budgeting techniques (e.g., Net Present Value, Payback Period).
- Challenges encountered in capital allocation processes (e.g., limited financial literacy, access to funds).
- Perceptions of the effectiveness of budgeting practices in enhancing profitability and mitigating risks.

Example questions include:

- *"How do you decide which projects to invest in? What factors are most important in this decision?"*
- *"Are you familiar with techniques like NPV or IRR? If so, how have these influenced your decision-making?"*
- *"What barriers do you face when implementing capital budgeting techniques?"*

2. **Participant Selection:**

Participants will be selected using **purposive sampling** to ensure they possess relevant knowledge and experience in capital budgeting. Key decision-makers, such as proprietors, financial officers, or senior managers, will be prioritised. A diverse group of participants will be chosen to represent MSMEs across different sectors (manufacturing, trading, services) and sizes (micro, small, medium).

3. **Mode of Conducting Interviews:**

Interviews will be conducted either in person or via video conferencing, depending on participant convenience and geographical accessibility. Each interview will last approximately 45–60 minutes. To ensure a conducive environment for open discussions, the interviewer will adopt a neutral tone and foster trust by maintaining confidentiality.



4. **Ethical Considerations:**

Participants will be briefed about the study's objectives and assured that their responses will remain confidential. Written or verbal consent will be obtained before proceeding.

Data Recording and Analysis:

- **Recording:** With participants' consent, interviews will be audio-recorded to ensure accuracy. Key observations, including non-verbal cues, will also be noted.
- **Transcription:** Recordings will be transcribed verbatim, creating a textual dataset for analysis.
- **Analysis:** A thematic analysis approach will be adopted to identify patterns and insights. Transcripts will be coded manually or using qualitative software like NVivo, categorising responses into predefined themes (e.g., challenges, techniques used, external influences). Emerging themes will also be captured for deeper understanding.

Expected Insights:

In-depth interviews are expected to reveal:

- The underlying factors influencing MSME decisions regarding capital investments.
- Variations in budgeting practices across different sectors and enterprise sizes.
- Perceptions of gaps in knowledge or resources that hinder effective budgeting.

Focus Group Discussions (FGDs)

Focus Group Discussions (FGDs) are an interactive qualitative method involving group conversations among participants with shared experiences or roles. In this study, FGDs will be organised with MSME owners and managers to gain collective insights into capital budgeting practices, challenges, and potential solutions.

Objectives of FGDs:

- To explore shared experiences and perspectives on capital budgeting among MSME stakeholders.
- To identify common challenges and innovative approaches in the budgeting process.
- To assess collective awareness of advanced budgeting techniques and their applicability.



Design of FGDs:

1. Participant Selection:

Participants for FGDs will be chosen using **heterogeneous sampling**, ensuring representation from diverse sectors (manufacturing, services, trading) and enterprise sizes (micro, small, medium). Each group will consist of 6–8 participants to facilitate productive discussions while allowing everyone to contribute.

2. Preparation of the Discussion Guide:

A structured discussion guide will be developed to steer the conversation while allowing for organic discussions. Key themes will include:

- Participants' understanding of capital budgeting and the techniques they use.
- Challenges encountered, such as limited access to financial resources or a lack of technical expertise.
- Perceptions of how budgeting practices impact business outcomes like profitability and risk management.
- Suggestions for training, resources, or policy interventions to improve budgeting practices.

Example prompts include:

- *"What are the most significant challenges you face when planning investments?"*
- *"Have you received any formal training in capital budgeting? If not, how do you learn about these techniques?"*
- *"Can you share an example of a successful or unsuccessful investment decision and what influenced the outcome?"*

3. Moderation and Facilitation:

A trained moderator will facilitate the discussions, ensuring that all participants feel comfortable sharing their views. The moderator will use probing questions to encourage detailed responses and manage group dynamics to prevent dominance by any individual.



4. **Logistics:**

FGDs will be conducted in neutral locations, such as meeting rooms in local industry associations or coworking spaces, to ensure participants feel at ease. For remote participants, virtual FGDs will be arranged using video conferencing platforms.

Data Collection and Analysis:

1. **Recording and Documentation:**

Discussions will be audio-recorded, with a note-taker documenting key points, group dynamics, and non-verbal cues.

2. **Transcription and Coding:**

Transcripts of the discussions will be prepared and analysed using thematic analysis. Similar to the interview data, coding will be used to identify recurring themes and unique insights.

3. **Comparative Analysis:**

Responses from different focus groups will be compared to identify patterns, sector-specific challenges, and any contradictions in perspectives.

Expected Insights from FGDs:

Focus group discussions are expected to yield valuable insights into:

- Common challenges faced by MSMEs in budgeting for capital projects include access to funds, expertise, and reliable information.
- Collective strategies or informal methods are employed to overcome these challenges.
- Differences in budgeting practices across sectors and enterprise sizes.
- Participants' views on policy or industry-level interventions that could improve budgeting outcomes.

Benefits of Qualitative Research in the Study

1. **Contextual Depth:**



By capturing personal narratives and group discussions, qualitative research provides a richer understanding of the reasons behind specific practices or challenges.

2. **Complementary to Quantitative Findings:**

Qualitative insights will complement the numerical data collected through surveys, bridging gaps and providing explanations for observed patterns or anomalies.

3. **Stakeholder Perspectives:**

The involvement of key stakeholders ensures the study is grounded in the realities of MSMEs, enhancing the relevance and applicability of findings.

4. **Policy Recommendations:**

The qualitative findings will inform targeted recommendations for training programs, resource allocation, and policy interventions to improve capital budgeting practices among MSMEs in Jajpur.

SURVEY RESULT

The survey conducted focused on understanding the operational, financial, debt management, and risk management practices of two companies operating in Jajpur, Odisha: **Biraja Cold Storage (P) Ltd, Jaraka** and **Indian Rubber Products, Dala, Jajpur Road**. Another MSME named **IDICOL Ferrochromo Alloys Ltd** did not respond to the request for the analysis of its capital budgeting. The objective was to analyse their workforce composition, financial strategies, investment trends, debt management criteria, and risk mitigation techniques over the past three years. The insights derived from this survey provide a comprehensive view of the companies' approaches to growth, sustainability, and risk management.

Company 1: Biraja Cold Storage (P) Ltd, Jaraka, Jajpur

Section 1: Company Information

Over the last three years, the workforce has grown steadily, with a significant increase in both permanent and temporary employees. The annual turnover also reflects a steady rise, indicating consistent business growth. The managerial and supervisory roles make up a smaller proportion of respondents, as operational workers dominate the workforce due to the nature of the industry.

**Table 1: Number of Employees**

Year	Permanent Employees	Temporary Employees	Total Employees
2021	40	20	60
2022	45	18	63
2023	50	25	75

Table 2: Annual Turnover (₹ in Lakhs)

Year	Annual Turnover
2021	150
2022	170
2023	200

Table 3: Positions Held by Respondents

Position	Number of Respondents
Managerial Staff	10
Supervisory Staff	15
Operational Workers	35

Section 2: Financial Criteria

The company has been focusing on expanding its storage capacity and improving its cold chain efficiency. Investments have primarily been made in refrigeration systems, warehouse expansion, and transportation. Techniques like NPV, IRR, and payback period are used for project evaluation, with a preference for shorter payback periods (3-4 years) and IRR values ranging from 12-17% over the years. This demonstrates a cautious yet forward-thinking financial strategy.

Table 4: Objective of the Company

Objective	2021	2022	2023
Increase Storage Capacity	Yes	Yes	Yes
Enhance Cold Chain Efficiency	No	Yes	Yes

Table 5: Main Area Where New Investments are Made



Area	2021	2022	2023
Refrigeration Systems	Yes	Yes	Yes
Transportation	No	Yes	Yes
Warehouse Expansion	Yes	Yes	Yes

Table 6: Techniques Used in Project Evaluation

Technique	2021	2022	2023
Net Present Value (NPV)	Yes	Yes	Yes
Payback Period	Yes	Yes	Yes
Internal Rate of Return (IRR)	Yes	Yes	Yes

Table 7: Acceptance Range of Payback Period (Years)

Year	Range (Years)
2021	3-5
2022	3-4
2023	3-4

Table 8: Acceptance Range of IRR (% per Year)

Year	Range (%)
2021	12-15
2022	13-16
2023	14-17

Table 9: Determination of Rate of Return

Factor	2021	2022	2023
Market Trends	Yes	Yes	Yes
Company Benchmarks	Yes	Yes	Yes
Industry Standards	No	Yes	Yes

Section 3: Debt Management

The company ranks project identification and financial feasibility as the most critical stages in capital budgeting. Factors such as interest rates, loan tenure, and debt-to-equity ratio significantly influence their debt management strategies, showcasing a conservative approach towards borrowing.

Table 10: Ranking of Stages in the Capital Budgeting Process

Stage	Rank
Project Identification	1
Financial Feasibility	2
Risk Assessment	3

Table 11: Factors Affecting the Amount of Debt

Factor	2021	2022	2023
Interest Rates	Yes	Yes	Yes
Loan Tenure	Yes	Yes	Yes
Debt-to-Equity Ratio	Yes	Yes	Yes

Section 4: Risk Management

The company has steadily increased its use of risk analysis techniques, with scenario analysis being the most frequently used method. Sensitivity analysis and simulations have also gained importance over the years. Risk is primarily managed through diversification, insurance coverage, and maintaining strategic reserves, reflecting a comprehensive risk management framework.

Table 12: Use of Risk Analysis Techniques

Year	Usage (%)
2021	70
2022	75
2023	80

Table 13: Frequency of Used Methods for Risk Adjustment



Method	2021	2022	2023
Scenario Analysis	High	High	High
Sensitivity Analysis	Medium	Medium	High
Simulation Methods	Low	Low	Medium

Table 14: Choice of Measure When Faced with Risk Scenario

Measure	2021	2022	2023
Diversification	Yes	Yes	Yes
Insurance Coverage	Yes	Yes	Yes
Strategic Reserves	No	Yes	Yes

Company 2: Indian Rubber Products, Dala, Jajpur Road

Section 1: Company Information

This company also shows consistent growth in employee strength and turnover, with a significant focus on operational workers. The managerial staff is smaller in number, suggesting a streamlined management structure that emphasises manufacturing and operational efficiency.

Table 1: Number of Employees

Year	Permanent Employees	Temporary Employees	Total Employees
2021	30	15	45
2022	32	20	52
2023	40	25	65

Table 2: Annual Turnover (₹ in Lakhs)

Year	Annual Turnover
2021	250
2022	300
2023	350

Table 3: Positions Held by Respondents



Position	Number of Respondents
Managerial Staff	8
Supervisory Staff	10
Operational Workers	35

Section 2: Financial Criteria

The company has prioritised expanding its product range and reducing manufacturing costs. Investments have been directed towards technological upgrades, quality control systems, and workforce training. Their project evaluation heavily relies on NPV, payback period, and cost-benefit analysis. With shorter payback periods (2-3 years) and higher IRR acceptance (15-20%), the company exhibits an aggressive investment approach to enhance profitability.

Table 4: Objective of the Company

Objective	2021	2022	2023
Expand Product Range	Yes	Yes	Yes
Reduce Manufacturing Costs	No	Yes	Yes

Table 5: Main Area Where New Investments are Made

Area	2021	2022	2023
Technology Upgradation	Yes	Yes	Yes
Quality Control	No	Yes	Yes
Workforce Training	Yes	Yes	Yes

Table 6: Techniques Used in Project Evaluation

Technique	2021	2022	2023
Cost-Benefit Analysis	Yes	Yes	Yes
Payback Period	Yes	Yes	Yes
Net Present Value (NPV)	Yes	Yes	Yes

Table 7: Acceptance Range of Payback Period (Years)



Year	Range (Years)
2021	2-4
2022	2-3
2023	2-3

Table 8: Acceptance Range of IRR (% per Year)

Year	Range (%)
2021	15-18
2022	16-19
2023	17-20

Table 9: Determination of Rate of Return

Factor	2021	2022	2023
Historical Trends	Yes	Yes	Yes
Competitor Analysis	Yes	Yes	Yes
Market Demand	Yes	Yes	Yes

Section 3: Debt Management

The company places a high emphasis on risk evaluation during capital budgeting, followed by financial planning. Financial leverage and market conditions are the primary determinants of debt. Their approach to debt management indicates a willingness to take calculated risks to enhance growth.

Table 10: Ranking of Stages in the Capital Budgeting Process

Stage	Rank
Risk Evaluation	1
Financial Planning	2
Implementation	3

Table 11: Factors Affecting the Amount of Debt

Factor	2021	2022	2023
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Financial Leverage	Yes	Yes	Yes
Market Conditions	Yes	Yes	Yes
Asset Liquidity	No	Yes	Yes

Section 4: Risk Management

The use of risk analysis techniques has grown consistently, with a strong preference for scenario and sensitivity analysis. The company relies on hedging, insurance coverage, and cost adjustments as its primary measures to tackle risks. Their proactive approach indicates a focus on minimising disruptions to their production and financial processes.

Table 12: Use of Risk Analysis Techniques

Year	Usage (%)
2021	60
2022	65
2023	75

Table 13: Frequency of Used Methods for Risk Adjustment

Method	2021	2022	2023
Scenario Analysis	Medium	Medium	High
Sensitivity Analysis	Medium	High	High
Statistical Models	Low	Low	Medium

Table 14: Choice of Measure When Faced with Risk Scenario

Measure	2021	2022	2023
Hedging	Yes	Yes	Yes
Insurance Coverage	Yes	Yes	Yes
Cost Adjustments	No	Yes	Yes

Both companies demonstrate robust growth and sound financial strategies tailored to their specific industries. While **Biraja Cold Storage (P) Ltd** adopts a more conservative approach with a focus on



sustainability and gradual expansion, **Indian Rubber Products** takes a more aggressive stance, emphasising innovation, training, and faster returns on investment. Both companies employ systematic risk management and debt evaluation practices to ensure long-term financial stability. These insights can guide stakeholders in aligning their strategies with the companies' growth trajectories.

IMPLICATIONS

The study's findings reveal critical insights into the capital budgeting practices among MSMEs in Jajpur, Odisha. These implications extend to entrepreneurs, policymakers, and researchers, with notable contributions to financial management in emerging economies.

1. Practical Implications for MSMEs:

- The study underscores the importance of adopting advanced capital budgeting techniques like NPV, IRR, and the Payback Period to optimise investment decisions. MSMEs that currently use rudimentary methods could benefit from better understanding and applying these techniques, leading to more informed financial decisions.
- MSMEs, especially in emerging markets, often face resource constraints. This research demonstrates that while MSMEs in Jajpur utilise both simple and complex techniques, the use of traditional methods like Payback Period, due to their simplicity, is widespread. It suggests a need for capacity-building programs to improve financial literacy and ensure more sophisticated financial practices.
- The role of external factors, such as government policies, is crucial for MSMEs' decision-making processes. Government schemes like the CGTMSE and Make in India provide important financial backing and policy support, but there is a gap in disseminating knowledge and facilitating access to modern financial tools. Therefore, further educational initiatives and financial consultation services can enhance MSMEs' ability to engage with more advanced financial strategies.

2. Policy Implications:

- The study suggests that the Government of Odisha and other regulatory bodies should focus on creating policies that help bridge knowledge gaps and provide greater access to capital budgeting training. This can be achieved by integrating financial literacy into MSME development programs and fostering a culture of continuous learning.



- Further, policies promoting data-driven decision-making tools and access to financial software for MSMEs could enhance their ability to utilise techniques like scenario analysis, IRR, and sensitivity analysis more effectively.

3. Economic Implications:

- By improving capital budgeting techniques, MSMEs in Jajpur can make more informed investment decisions, leading to increased operational efficiency and profitability. This could result in a ripple effect on the local economy, as the growth of these enterprises will foster employment, innovation, and economic development within the region.

CONCLUSION

This study highlights the role of capital budgeting in Jajpur, Odisha's MSMEs by examining two distinct companies. Biraja Cold Storage adopts a conservative strategy, prioritizing long-term stability and steady returns using evaluation techniques like NPV and IRR. Conversely, Indian Rubber Products pursues an aggressive, risk-tolerant approach focused on rapid growth and technological advancement. Despite differing strategies, both employ similar financial tools and robust risk management practices. Ultimately, the study emphasizes the necessity of targeted financial education, training programs, and government support to enhance capital budgeting expertise among MSMEs, thereby driving sustainable regional economic development.

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