



Institute of Small Enterprises and Development



Thirtieth Annual Report **2018-19**

*Climate Change, Enterprise Security,
& Way Forward*

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Chairman's Introduction



This 30th annual report of Institute of Small Enterprises and development provides a reflection of the changes in the SME constituency over three decades, and the Institute's humble response to the same against its vision of 'Sustainable Development through Enterprise'. It gives an overview of the activities that were carried out and the outputs that were obtained during the year.

This Report presents the work done under the major program areas of the Institute. The thematic areas covered by this report are discussed under eleven heads: enterprise security, SME governance and reforms, sustainable entrepreneurship development, gender and enterprise, small enterprise transition and policy, labour market analysis and policy, new economy and LED, climate change and enterprise development, subsector analysis and strategies, development communication, rural enterprises and local economic development, enterprise, entrepreneurship, and finance.

The discussion under the above thematic areas, covers various Knowledge Centers of the Institute, and therefore, this document may also be considered as their performance report. While their relative initiatives and outcomes vary, such variation need to be understood in relation to the objective environment of the ISED program, as also the critical constraints against which such a program is taken forward.

As it is well known, the "invisibility syndrome" is critical for SMEs in most countries, as also in India. This is because, irrespective of the regime, and the content of public policy, things happen in the SME constituency just because of the creativity and drive of millions of people, often less powerful and articulate. Naturally, the very mission of ISED program is to help them overcome such constraints and be articulate.

Against the above constraints, the institutional power of ISED has limits. However, the support of large number of partner institutions and individuals, as also that of the governments, make it to take forward its rather small initiatives in to impacts that are not so insignificant. I remember with thanks, all such sources of inspiration and support.

I am thankful to the members of the ISED team who have put in their meticulous effort to prepare this annual report in to its present form. I record my appreciation to all of them.

A handwritten signature in black ink, appearing to read "Kam".

Kamal Nayan Kabra
Chairman

April 30, 2019

Introduction by Director



The year 2018-19 was marked by major developments in the Indian economy, as also at the global level, that had important implications for the prospects of enterprise development and entrepreneurship in general, and most specifically, for micro, small and medium enterprises. A striking development in the Indian economy during the past couple of years has been the concerns relating to enterprise security. While on the one hand, the global techno-economic scene, has undergone radical changes that are capable of redefining the role of different size-classes of enterprises in the economy, technology has played both a constructive and rather discriminatory role, as regards the SMEs. Given the state of government budgets, it is rather difficult for governments to have a significant supportive role in relation to these enterprises. On the other hand, technology has facilitated the centralizing rather than decentralizing forces in the economy, thereby constraining the opportunities of the smaller businesses.

Against the above developments, India as a member of the BRICS countries, offers several positive opportunities. The fact that, under the emerging turbulent times globally, India remains insulated, is a fact that need to be appreciated. However, there are serious challenges ahead. The Government of India is taking major steps to look at the opportunities with the industrial sector in a rather optimistic fashion. Besides, the MSME role in the economy has increasingly come up in the public domain. However, lot more need to be done for management of India's labour market and to tune it to the requirements of 'sustainable enterprise development', and for greater absorption of the population as entrepreneurs, not as dependent wage workers.

The above challenges and opportunities have been the major concerns of the Institute under its slogan of 'Sustainable development through enterprise'. In India, the creativity of the common man is significant. Our social concern need to be as to how to harness this opportunity. At this Institute, the ISED Small Enterprise Observatory and the India MSME Communication Program, constantly seek after practical solutions. Therefore, our methodological approach is to learn from the people, and to pay them back in the form of ideas and strategies. To what extent the Institute has been successful in this, is a question that need to be answered. To provide inputs for such a debate is, of course, a major purpose of this report.

I am thankful to the whole ISED team for its meticulous work during the year that has gone by. I am also thankful to all our partner institutions, as also of the governments, and the knowledge community and entrepreneurs, for believing us. After all, it is on their trust, that the Institute is able to take forward its programme sustainably.

April 30,2019


P.M.Mathew
Director

ISED MISSION AND PROGRAMME

Vision

ISED is a knowledge institution, having the motto of 'sustainable development through enterprise', considers enterprise and entrepreneurship as the triggers of socio-economic development.

Mission

The vision of the Institute is taken forward through an activity spectrum that includes, research, knowledge base development and knowledge sharing, business development services, advisory services and development communication.

Scope of ISED Programme

Under the ISED mandates, as above, knowledge creation and development practice are the activity domains of ISED. The special focus is on enterprise and entrepreneurship development, in the larger public interest. It covers:

- Research work and knowledge creation for public benefit
- Communication/ transmission of knowledge, to the ultimate benefit of the people, especially the poor people who live on small businesses and crafts.
- Action/mentoring/ support at the grass root level, using the knowledge and capabilities of the institute
- Work with government and public agencies for a common good-to help in implementing government programmes more effectively, and to give new ideas to the government departments.



Programme Area 1.0.

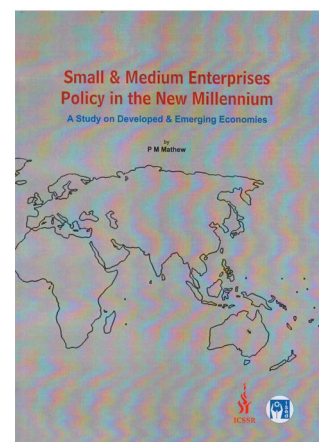
ENTERPRISE GROWTH & TRANSITION

With “Sustainable Development through Enterprise” as its motto, it is the mandate and responsibility of ISED, to constantly monitor changes in the economy, and to bring out the key directional changes into ideas and imperatives that can be directly used by planners and entrepreneurs. The characteristics of industrialization include economic growth, more efficient division of labour, and the use of technological innovation to solve problems as opposed to dependency on conditions outside human control. To grow on a significant scale, industrialization needs several key elements. They are land, labour, capital, technology and connections. Without a generous supply of these basic elements and the ability to organize them, a people cannot develop into an industrial society.

Sub Programme 1.1: Small Enterprise Transition; History and Comparative Experience

In the global economic transition, MSMEs have a major role. From its passive role, SMEs have become an active agent of economic policy in many countries. during the reporting year, the Institute initiated a major study on the subject. The project entitled, ‘Small and Medium Enterprises Policy in the New Millennium: A Study on Developed and Emerging Economies’, sponsored by the Indian Council of Social Science Research(ICSSR), was completed during the year. The ICSSR Project and its findings have significant implications for public policy in India, especially for its thrust on the emerging role of micro multinationals.

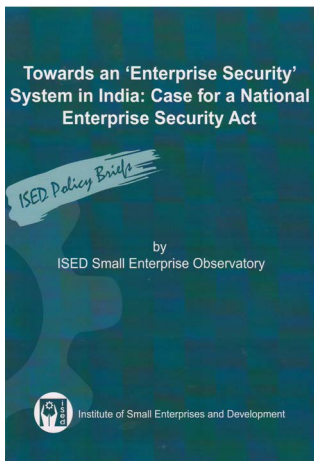
In India’s Industrialization program, small industry has a pivotal role since the beginning of planning in the country. However, under changing policy regimes, the growth of SME sector also has faced several challenges and opportunities. While the academic discourses on the subject were significantly strong during 1970s and 80s, the thinking and practice on the subject has got diluted in the new millennium. ISED considers promotion of research and a constant dialogue platform as central to an agenda of MSME development. The Institute is joining hands with the University of Mumbai to prepare a comprehensive analytical document on MSME transition and policy in India. The report is expected to be brought out as a standard publication



shortly.

Sub Programme 1.2: Enterprise Security & ‘Right to Enterprise’

‘Enterprise security’ has been a matter of interest and serious concern for ISED program. During the past few years, there has been serious challenges to enterprise security, especially for the SMEs, in India. Such problems arise out of structural and policy reasons. Several recent projects of the ISED have attempted to closely examine this issue, and to make recommendations relating to policy and strategy.



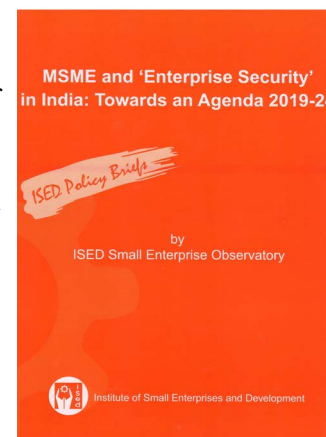
India MSME Report 2018 has made a thorough review and analysis of the subject, from conceptual stage to action points. These ground level discussion and the action points, have been, both at the national level as also in the case of specific States. The project on Tamil Nadu MSME Report discusses the issue of enterprise security in relation to particular subsectors and regions of the State. The recommendations submitted to the Government of Tamilnadu have been utilized as a background for the latest Industrial Policy of the State.

The concerns relating to enterprise security in Kerala has come out through the Kerala Enterprise Development Report, as also the Discussion Papers brought out by the ISED Small Enterprise Observatory. The Report was debated at the Kerala legislative Assembly on May 5, 2017.

The discussion on ‘enterprise security’ gets reflected mainly through the following documents:

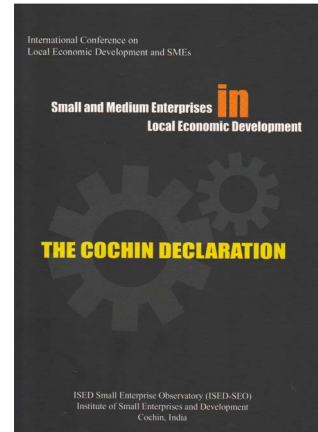
- MSME Productivity and Innovation: Thinking, Practice, and Prospects.
- MSME Vulnerability and Enterprise Security: Key Issues to be Debated
- Micro, Small and Medium Enterprises in India: Key Concerns of Entrepreneurship and Enterprise Security

The articulation of the need for a legal and institutional framework under a ‘rights’ approach to enterprise development, has been a unique initiative of the ISED. This research agenda of the Institute was originally initiated through the India MSME Report 2013, which put forward the case for a ‘Right to enterprise Act’ at the national level. While such articulation can claim to be innovative in nature, the new



developments in the enterprise scene call for further evidences that can help to take the discussion forward. The discussion on the subject was taken forward by the India MSME Report 2018, which has spelled out more details regarding the approach and strategies relating to the subject.

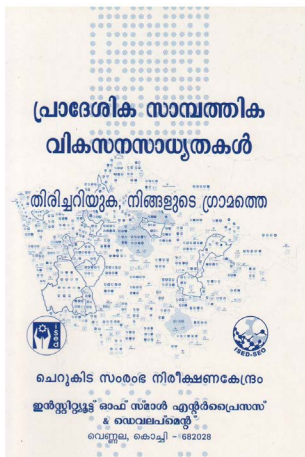
Moving from the national and State levels, it is important to examine the dimensions of enterprise security at the subsector and clusters level. The Institute, jointly with the India's largest news channel Network 18 and the Kanjikode Industries Forum and the Industries Department, Government of Kerala, organized a regional workshop on 'Right to Enterprise', at Palakkad on Kerala, on February 3, 2019.



The discussion on 'right to enterprise', has come out in the following documents;

1. MSMEs and Enterprise Security in India: Towards an Agenda: 2019-24
2. Towards an Enterprise Security System in India: Case for a National Enterprise Security Act

Sub Programme 1.3: New Economy & Small Enterprises



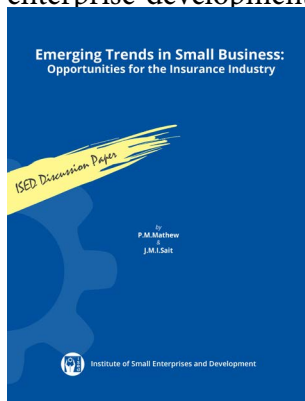
The 'new economy' has become a reality of the day. The term, 'new economy' implies the convergence of data processing capabilities, on the one hand, and communication technologies on the other. This convergence of the two facilitates the tailoring of time and space to the requirements of production and exchange, with the conventional logistical barriers at the minimum level.

The Institute, under the NEWLED Center, has initiated several projects on enhancing the knowledge base of the 'new economy', with special focus on micro, small, and medium enterprises. In 1991, a broad based program called 'Program on Globalization and SMEs', was initiated with several components. A major component of that related to detailed thematic studies, that are meant to grapple with the dimensions of globalization, as they impact on SMEs. Following this, popular literature meant for sensitizing entrepreneurs were prepared and disseminated. A third step was a comprehensive program of development communication, wherein, seminars were organized in identified center of the country.

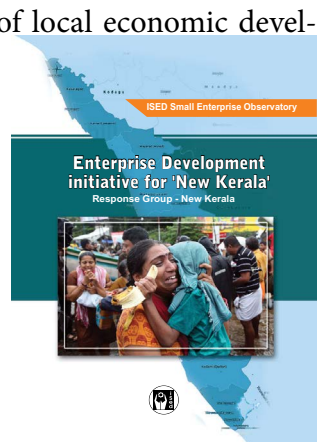
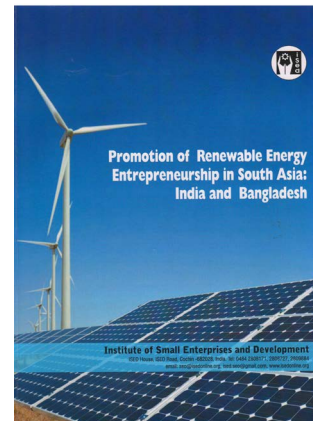
A major feature of the initiatives under this NEWLED Center, was a focus on issues of globalization with respect to regional development. Every state in the country has some particular characteristics, as it relates to the features of the labour market, people's aspirations for labour use, and their choices relating to location of such labour use. As such, a State like Kerala has a high inspirational base relating to international mobility of labour, which implies that, the enterprise development strategies, within the State need to be specifically tuned to such a situation. Public policy in Kerala, from time to time, has taken the shortcut of attracting foreign exchange, and providing the easiest form of employment opportunities, rather than focusing on the needs of sustainable economic development. This critical issue and concern has been the centre point of

research at the ISED. The project on 'Globalization and SME', came out with important recommendations for policy and practice in the State of Kerala.

Local Economic Development is a global agenda today. According to international organizations such as the ILO, it is strongly grounded on an overall macro economic framework, wherein the micro aspect of vocational choices of people are neatly linked with the macro realities, while the critical concerns of sustainability acting as the major connector. In India, the Panchayati raj Act visualizes the PRIs as the responsible platform for development of micro and small enterprises. The panchayat raj system at the national level is generally weak, and enterprise development as a subject is much weaker. In the agenda of local economic development, there is a need for introspection on new policy and strategic approaches in this area. The search for such alternatives led the Institute to initiate a series of studies and other outreach interventions. For example, the experimental project of the Institute at Kalady, Kerala, in 1997 brought in the conceptual framework called 'Local level Skill Mapping'. While skills in the country are often considered on a general demand and supply model, the ISED initiatives led to a



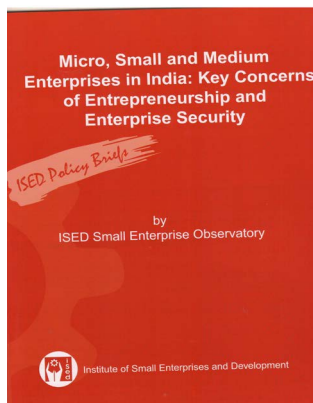
new model which is a 'supply-response model'.



The current research of the Institute, especially the ICSSR Project, has come out with analysis of the emerging global trends and the opportunities and challenges of India. Actionable strategies at the State level have been spelled out by this research.

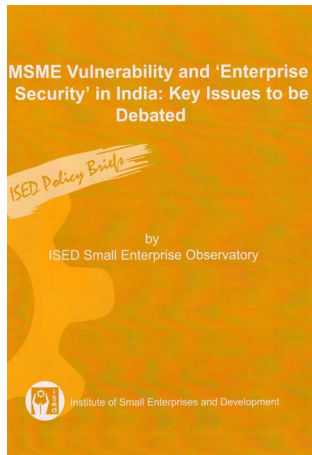
Sub Programme 1.4: Climate Change and Enterprise Development

Climate change, in the research agenda of ISED, has two major dimensions. First, the green economy dimension, which the Institute highlighted since 2004, through several projects that deal with renewable



energy. Following the ISED-USAID project on Renewable Energy Entrepreneurship, the Institute has been able to offer a sensible entrepreneurship agenda, which essentially means an environmental agenda with a business case.

More recently, since 2017, climate change has become a more directly significant problem in India, terms of frequent occurrence of floods and other climatic changes, directly impacting enterprises in many parts of the country. While the Institute addresses this problem more directly in the context of the Kerala Floods, in August 2018, it seeks to



offer strategic solutions with a business case. The Institute visualizes two major components of such a strategy and the opportunities therein, in relation to broad basing of the insurance industry. The Institute brought out a study on the subject, Secondly, a study on the circular economy is in progress.

The new experience of climate change, apart from the mitigation measures, throws up new opportunities as well. One such opportunity relates to 'circular economy', a new area of research and policy. Apart from an objective ground, the 'circular economy' and its development offers new business opportunities at the decentralised level.

The outputs in the theme area, during the reporting year, have come out in the following document:

- Re-building the Bottom of the Enterprise Pyramid: Strategic Approach Towards a 'New Kerala'

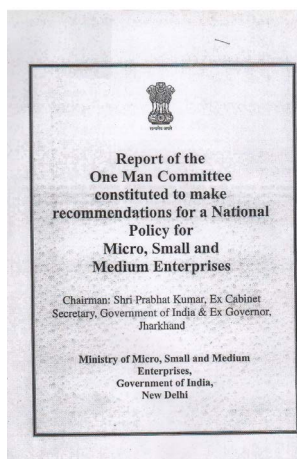


Programme Area 2.0.

SME POLICY & ECONOMIC GOVERNANCE

Public policy gives only the normative aspects or thumb rules of behaviour by the government. It is the 'economic governance' system that decides the policy impact on the day today lives of the citizen. Economic governance refers to the system of institutions and procedures established to achieve the objectives of the Government of India in the economic field, namely the coordination of policies to promote economic and social progress for the country and its citizens. By mandate and responsibility, ISED is expected to look into the various aspects of economic governance, and to understand and report their impact on the day today lives of the entrepreneurs.

Sub Programme 2.1: SME Governance and Reforms



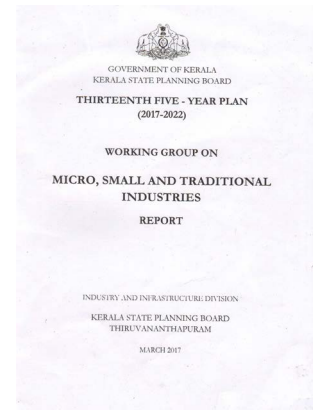
The Institute, from time to time, has come up with suggestions on governance reforms. While economic governance is becoming increasingly complex, day by day. This is essentially because of the complexity of the emerging economic issues, on the one hand, and the strategies applied to deal with them, on the other. While technology platforms offer new and innovative solutions, the practice of technology, and its assimilation among different social categories is distinct and imbalanced. This requires new solutions at the level of technology, organization, and education, so that changes happen in a speedy manner, without hampering the interests of the society at large.

Under the SIDBI-ISED program, the Institute performed its role as nodal agency for the 'Stand-up India' program of the Government of India. The Institute continued to perform its role as an entrepreneurship mentor. During the reporting year, 2600 enquiries were handled by the ISED. Of these, advisory and hand holding support services were offered to a selected number of entrepreneurs.

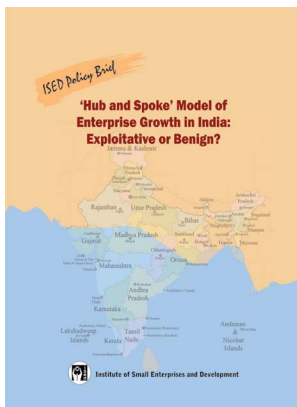


The contributions of ISED relating to economic governance reforms, at the national level, came essentially through participation in official committees. The Consultative Group on Unorganized sector, at the Prime Minister's Office, in the year 2001, was a significant opportunity for contributing some ideas relating to rural enterprise development. The contributions to the Dr. S .P. Gupta Committee at the Planning Commission, was an opportunity to make suggestions

on skill development, as also for strengthening the data base of the MSME sector. The Institute's recommendation of the year 2001 was, again, put before the Government of India, which has subsequently got realized in the form of the scheme of Udyog Aadhar Memorandum. ISED strategies on enterprise development in the backward areas of the country, got acceptance in the Twelfth Five Year Plan Working Group. Subsequently, the services of the Institute were requested by the Government of India, in connection with the work of the Committee on Small Enterprises, as Institutional Associate to the Committee.



At the State level, the Institute has been active with the public policy exercises mainly at two levels: First, with the State Planning Board, the Institute played a supportive role as Member of the Working Groups and Task Forces for several years. The latest in the series is the Working Group on Small scale Industries, for the Thirteenth Five Year Plan. Secondly, such supportive role has been performed, with regard to program development at the Directorate of Industries and Commerce. Apart from this, the Kerala Enterprise Development Report, as a special project, supports the work of the Department.

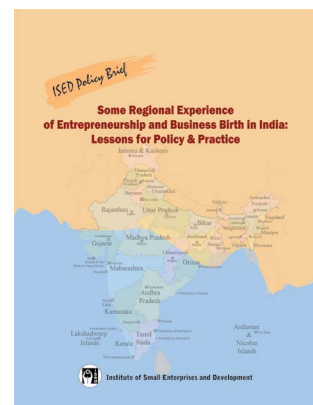


During the reporting year, an important ongoing project relates to the role of women entrepreneurship policy and strategy in the State. This project has been entrusted by the State Planning Board. At the sub regional level, the Institute collaborated with the Cochin Municipal Corporation, in conceptualizing and taking forward the concept of 'Social Enterprises'. While urban planning faces several contentious issues, the solutions to such problems need to be sought in terms of entrepreneurial interventions, ideally with enhanced people's participation. It is this spirit of partnership that has guided the collaboration between the Municipal Corporation and ISED.

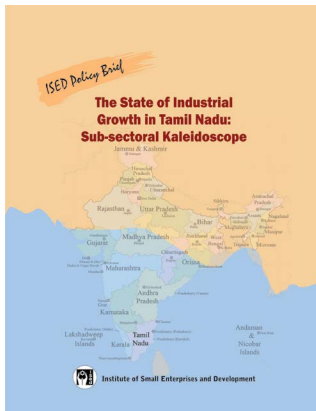
During the reporting year, the major reform ideas shared by the Institute, and taken forward with the relevant public authorities, belong to five broad areas: a) Udyami Panchayat; b) social enterprise; c) micro enterprise insurance system; d) Enterprise Observatory; and e) Enterprise Commission.

The outputs in the theme area, during the reporting year, have come out in the following documents:

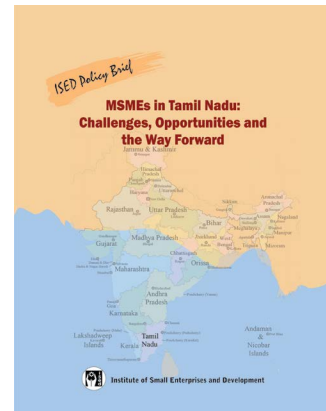
1. Making Sense of Business Demography Analysis: Evidences from India
2. Some Regional Experience of Entrepreneurship and Business Birth in India: Lessons for Policy and Practice
3. Public Programmes for Enterprise Development in Tamil Nadu: Some Lessons



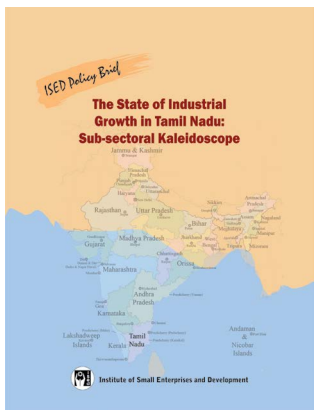
Sub Programme 2.2: Subsector Analysis and Strategies



‘Subsector’ is a focal point of analysis and policy today. Its strategic importance in the economy arises out of their position in the global value chains. A particular sub-sector itself has different constituent segments, that directly shape the total system in terms of the nature of output and the pattern of employment. Therefore, subsector policies have an important bearing on the macro economic variables of the country.

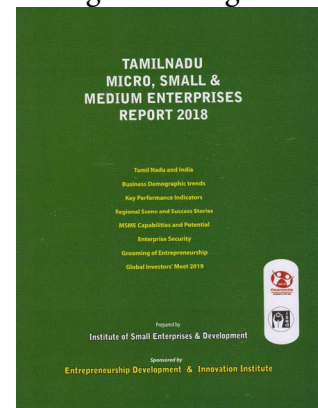


The Institute has given special focus on analysis and understanding of the subsectors, from time to time, in few major forms: 1) studies and interventions on particular subsectors of special interest. For example, the Institute initiated a series of programs spanning over a period of about a decade, on the ‘Bamboo and Rattan’ subsector in India. The ISED initiative was both contributory and instrumental on highlighting new opportunities and strategies relating to the



subsector, not only within India, but also at the international level. these initiatives have been documented in an ISED publication.

The second category of initiatives relating to subsectors is more generic in nature. As a part of the India MSME Communication Program(IMCP), the Institute highlights and analyses the latest developments in particular subsectors. During the reporting year, the Institute’s initiatives on the subject were more focused on the experience of a



particular State, Tamil Nadu. The analysis covered 12 subsectors under four subsector typologies, i.e., a) Legacy Subsectors; b) Manufacturing Subsectors; c) New Economy Subsectors; and d) Triple Bottom Line Subsectors. The coverage of the subsectors, examined during the year, include, leather and leather products, cashew, rice milling, printing, handlooms, handicrafts, metal ware, textiles and garments, fire crackers, automobiles and auto components, food and food products, paper and paper products, pharmaceuticals, plastics and rubber, paints, IT enabled services, bio technology, non-conventional energy, creative industry, and a variety of rural enterprises that belong to the triple bottom line subsector. The primary effort was to strengthen the knowledge base. Contributions to this area have come in the form of a set of publications; as follows

1) The State of Industrial Growth in Tamil Nadu: Subsectoral Kaleidoscope

In March 2019, the Institute initiated a formal structure of reporting on subsectors. Titled, India Enterprise Subsector Audit Program(IESAP), this new initiative envisages the creation of a continuous data base at the subsector level.

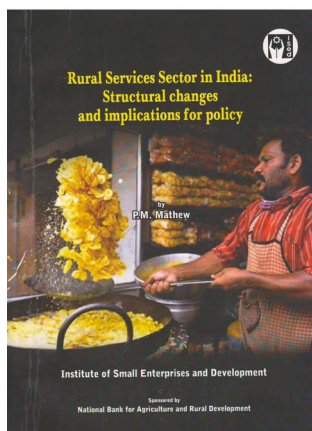
Sub Programme 2.3. Farm - off Farm Interface Development

Though there has been a significant formalisation of the Indian economy during recent times, India's rural reality is distinct. While agriculture itself is undergoing a major transformation, rural enterprises have a significant role in creating new livelihood opportunities and incomes. Technology and organisation, however, act as key change agents. The ISED initiative on MSME Communication act as a convergence mechanism and source of information in the rural setting.

Following the long association with NABARD and other agencies promoting rural development, the Institute has given a special emphasis on rural problems and opportunities. For the NABARD volume, Rural India Perspectives 2017, commissioned by the NABARD, the Institute was requested to prepare a special contribution entitled, Rural Enterprise in India: A Review. The paper has been widely discussed in academic and policy circles (See NABARD-OXFORD University Press, 2018).

A significant characteristic of rural enterprises is their heterogeneity, in terms of locale as also social categories. Therefore, any strategy of rural enterprise development need to be inclusive in character. ISED participates in the Government of India program called 'Stand up India' where the focus is on inclusive development of enterprises. As a nodal agency of SIDBI, which is the managing agency for 'Stand up India', ISED works closely with SIDBI.

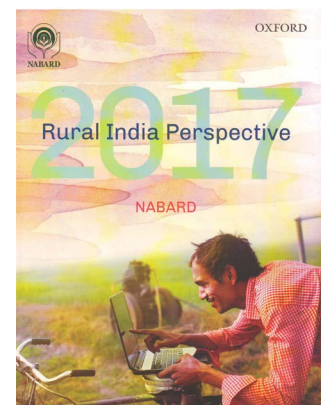
Among the agro subsectors having a significant enterprise linkage, is the coconut subsector. ISED has been extending support to the Coconut Development Board under the Coconut Technology Mission. During the reporting year, 98 business enquiries on the coconut subsector, were processed by the Institute. In addition to this, the Institute has approached the Board with a proposal to broad base the enterprise development component of the Coconut Technology Mission.



A scientific development of linkages between the farm sector and the farm- plus activities is a major development imperative for a large country like India, where the majority of the people are rural and farm- dependent. While the Government of India has an ambitious program of doubling the farmers' income, it is important that strategies for the same need to be shaped strongly in a spatial setting. It involves development of strategies appropriate to the rural setting, while at the same time, that are truly in line with the realities of the market.

During the year, as a member of the Regional Advisory Group(RAG) of NABARD, the Institute made its concrete suggestions for re-energising the rural economy of Kerala. Following the Mega Flood of August 2018, the RAG meeting was held on October 9, 2018, where such recommendations specific to climate change were discussed. They were on the following lines:

- Given Kerala's track record of agricultural stagnation, especially in relation to sectors other than cash crops, the above findings



offer some highly significant potential for reorganizing agriculture, especially in the Post-Mega Flood period.



- The opportunity lies in developing a 'peri-urban agri-preneurship hub', with the urban centre acting as the nucleus.
- The initiatives for infrastructure development so far, as also, the social organization of production, such as, farmer producer companies and cooperatives, and their work, need thorough review and detailed studies from the point of view of developing a specific agri-preneurship model relevant to Kerala.
- The development of a strategy in the subject need to be based highly on the changes in the Kerala consumption basket, rather than as a supply side initiative.



This would imply that, the strategy need to be based on a thrust with import substitution, at its centre- stage.

The concept of regional development has been part and parcel of India's development policy since Independence. In this agenda, there is a special thrust on micro, small and medium enterprises, as they are characterized by a highly distributed locational pattern. Today, the concept of 'region' has become a more sensitive dimension in the agenda of enterprise strategies, essentially for two reasons; First, the concept itself has been redefined against the background of globalization of enterprise. Today, regional location of enterprise has become much less relevant. Secondly, as against this global trend, in India under its federal set up, the concept of 'region', is gaining more importance. The NITI AAYOG also encourages States to be more independent, as regards design and implementation of development programs.

At the ISED, a dedicated program called Regional Enterprise Development Audit (REDA) gives a special thrust on approaching the concept of 'region' from its multi dimensional opportunities. Under the REDA program, the SME development agenda and practice of Tamil Nadu



was analyzed and recommendations were made, under the Tamil Nadu MSME Report Project. Recommendations of the Report were utilized by the Government of TN, for shaping its latest MSME Policy 2019.

The outputs in the theme area, during the reporting year, get reflected in the following documents:

1. 'Hub and Spoke' Model of Enterprise Growth in India: Exploitative or Benign?
2. MSMEs in Tamil Nadu: Challenges, Opportunities and the Way Forward.



Programme Area 3.0.

Entrepreneurship and Society

Entrepreneurship is the outcome of the socio-economic processes in a country. It sprouts from the labour market. It is the mandate and concern of the Institute to understand such processes in the labour market, and to utilize its knowledge base and capabilities to promote employment and income opportunities at the grass root level. Hence, the Institute constantly monitors the trends and human aspirations that are reflective of the labour market processes. Where direct interventions are needed, the Institute does it in terms of guidance, training and mentoring services.

Sub Programme 3.1: Labour Market Analysis and Policy

For enthusiasts of entrepreneurship promotion, the labour market has been an active area of analysis and policy during recent times. While the supply and demand situation changes from time to time, the changing forms of labour utilization is critical in 'sustainable development' debates.

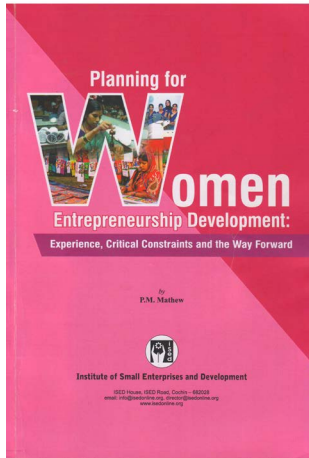
ISED has initiated several studies and action programs on the labour market. Self employment and its changing trends are, at a time, a reflection of the employment situation, as also the labour aspirations. During the year the Institute initiated inter-State empirical research on labour market behaviour with focus on self employment. The India MSME Report project made a critical analysis on the subject and offered recommendations for entrepreneurship promotion activities.

A response and solution to the emerging complex labour market problems in India is not easy. The ISED contributions have come in four major forms: 1) skill development; 2) entrepreneurship modeling and imparting; 3) support given to National Policy on Entrepreneurship and Skill Development; and 4) advisory role with the Asian Development Bank, in support of the Additional Skills Acquisition Program, a joint project of the Government of Kerala, in association with the Asian Development Bank.

In addition to the above, new trends such as, 'gig economy' also forms the compass of ISED research during the year.

Sub Programme 3.2: Gender and Enterprise

Economic empowerment of women is a global agenda today. Entrepreneurship development has been considered to be the centre point of strategy in the subject area. As pointed out by



several evaluation studies, in the agenda of gender budgeting, entrepreneurship is often a weak spot. As such, both at the national level and in the States, the resources of the government departments and ministries are thinly spread over a large number of programs, often having doubtful relevance and impacts.

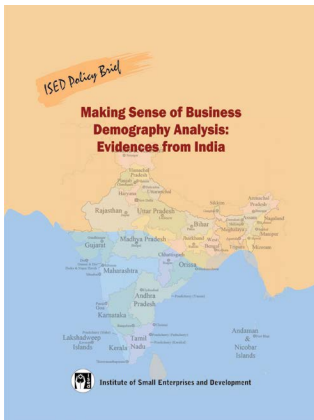
The Government of Kerala, under its Thirteenth Five Year Plan, took a special effort to understand the problems of women enterprises and their dimensions at the ground level. Under a project commissioned by the State Planning Board, a detailed study on the subject, has been in progress at the Institute.

The Institute has taken a special interest in ‘Gender and Enterprise’ constituency since 1995, and has initiated two base level studies at the national level: 1) Performance of Women Enterprises; and 2) Women and the Labour Market. While both these studies were based on the experience of Kerala, the Institutes attempt to create a comprehensive knowledge base on the subject continued. In 2012, the Union Ministry Women and Child Development requested the services of the Institute to outline a framework on the concept of Gender and Enterprise Observatory, which was originally evolved by Institute.



A major output in the theme area, during the reporting year, is the report entitled, “Plannig for Women Entrepreneurship Development: Experience, Critical Constraints, and the Way Forward”.

Sub Programme 3.3: Sustainable Entrepreneurship Development



While entrepreneurship development is a focal theme and area of interest for Governments and educational institutions today, the sustainability of entrepreneurship is becoming increasingly a problem area. The ISED Small Enterprise Observatory has been monitoring issue on a regular basis, on the basis of business demography analysis. The latest findings of such analysis has been brought out by India MSME Report 2018.

The issue of sustainable entrepreneurship has been dealt with by the Institute not only at the macro level. Under the REDA Program, the Institute has taken special efforts to examine the problem in selected States. Under the Tamil Nadu MSME Report project, a special effort was taken to review the Entrepreneurship Development policies at the State level and of the working of entrepreneurship developments Institutes, entrepreneurship education centers, and specialized projects like incubation centers.

In terms of concrete contributions relating to policy and strategies, the Institute landmarks of the year belong to three broad areas:

- a) **Institutional Development:** While institutions are the creation of a particular context, their relevance gets reduced demanding innovations. The Institute's research during the year, through MSMER and other studies, has highlighted this problem, and has made policy recommendations.
- b) **Entrepreneurship Resource Policy:** The Institute's research and training interventions, from time to time, has convinced the serious damage to entrepreneurship resources in India due to various reasons. Through the MSMER and the REDA projects in various States, the problem has been brought to the limelight by the Institute, and recommendations have been made.
- c) **Entrepreneurship Fund:** Even the best of ideas in entrepreneurship cannot be successful, without having a proper support of financial products. Recommendations in this context have been put forth by the Institute.

Sub Programme 3.4: Responsible Business & the Circular Economy

By 2050, the world's population will touch 9.7 billion and the per capita resource need will be up by 71 per cent.; it is a threat to India as well. The increasing demand for resources, such as materials, energy, water and land, is a critical problem, as the physical quality of life of the people increases. On the one hand, it will impact adversely the availability of these resources, with implications on production systems, economic growth, environmental sustainability and ultimately, human well-being. The second impact would be that climate change and its dire consequences are likely to remain perennial, as it has been experienced in various parts of India recently.

From a 'Linear-Economy' Model, where natural resources are used to make products and, after their life cycle, get discarded, the world is now looking at an unfolding 'Circular Economy'. The United Nations Agenda 2030 has rightly underscored the importance of this subject.

In a 'circular economy', the focus is on reusing and regenerating resources as much and as long as possible so as to make the resources sustainable. This involves substantial opportunities of translating the menace of these negative development spill-over into business opportunities, often as small businesses.

ISED visualises a long-term project, with several components involving: 1) Conceptualisation; 2) establishing a business case; 3) demonstration; 4) development of financial products; 5) global reporting and dissemination; 6) contributing to the global agenda through the GRI process. A Discussion Paper has been brought out on the subject.



Programme Area 4.0.

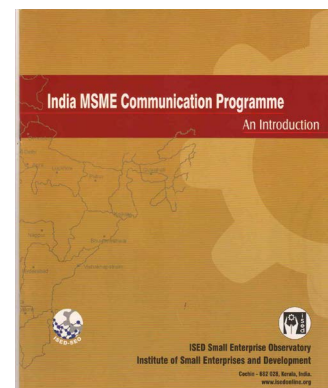
Knowledge-Skills Interface & Communication

While knowledge creation is critical for sustainable enterprise development, it is important that such knowledge be continuously translated into human skills. While many institutions often focus on either of the two, the mission of ISED is to create an interface through its projects and activities. Good user-interface design facilitates finishing the task at hand without drawing unnecessary attention to abstract knowledge. The design process must balance technical functionality and visual elements, to create a system that is not only operational, but also usable and adaptable to changing user needs. Creation of such an interface, brings with it as a corollary, the role of communication.

The global 'sustainable development' agenda demands, as a key imperative, effective communication among the various stakeholders. Effective communication is about dialogue on the basis of an appreciation of the positions and constraints of each other, and not 'media management', top-down pronouncements, advertising and 'spin'. Support for communication in the context of sustainable development, therefore, involves promoting dialogue in which power-holders listen to consider, respect and use the knowledge and views of those having less power. SMEs belong to such a deprived category. Their powerlessness arises especially because of the "invisibility syndrome" that is characteristic of them. This invisibility can be overcome best by effective communication strategies. India MSME Communication Programme (IMCP), at the ISED, is a multi-stakeholder platform meant for this.

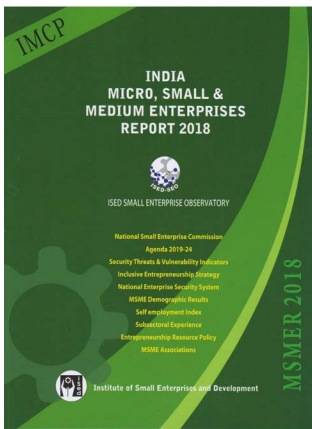
Sub Programme 4.1: Development Reporting

As a focal area of the ISED programme, MSME communication is rationalised on the Institutes perception relating to the so called "invisibility syndrome" that is characteristic of this vital sector of the economy. A 'sustainable development' agenda of MSMEs demand a continuous flow of information that act as the nutrient for policy and action. While policy making is an issue related to government and governance, action takes place both at the level of the government and of industry. Therefore, it is important that a circular flow of information, and an initiative for communicating information, has to happen on a regular basis. At the Institute, this is the basic philosophy underlying three of the major programs: 1) the India MSME Communication Program; 2)





REDA Program; and 3) ISED Small Enterprise Observatory. The work of all the three programs are mutually reinforcing.



It is important to note that, all the above three programs are original ideas that got evolved at the Institute over the last three decades. They have gained substantial recognition in relevant circles over time.

Regarding MSME communication, the year under reference has produced some remarkable outputs. The regular annual reporting, India MSME Report, came out with its 21st Report in December 2018. It was formally released on January 7, 2019, at a major event, the South India MSME Conclave, held at Bangalore. The Report, with its focal theme of 'enterprise security', has been widely discussed in relevant circles. Apart from its wide circulation in major policy platforms, such as the NITI AAYOG, Ministry of MSME, and the Reserve Bank of India, it has been subscribed by several leading libraries, institutions and individuals, with in the country and abroad.

Another important communication initiative of the Institute has been the monthly publication, the Observatory Mirror. It has been published regularly, and gets circulated among around 50 thousand readers.

The outputs in the theme area, during the reporting year, have come out in the following documents;

1. India Micro, Small and Medium Enterprise Report 2018
2. Tamil Nadu MSME Report 2018

Sub Programme 4.2: Regional Enterprise Development Audit

This program of the Institute is meant to have a close monitoring of enterprise development activities at the sub national level. It seeks to examine the opportunities and problems of enterprise development



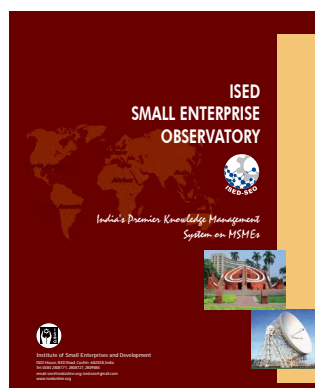
at the State, district and the Municipal/Panchayat level. the term Enterprise development audit implies, a participative exercise of understanding problems and development of action strategies. REDA has been operational in three States, ie., Gujarat, Tamil Nadu and Kerala. a few of the other States have already shown interest in the project.

During the reporting year, the Cochin Municipal Corporation sought the services of the Institute, under the REDA Program. The project relating to Cochin city involved a focus on mapping of enterprises in the city, with special focus on micro ventures and social enterprises.

Under the REDA program, a remarkable project of the year was Tamil Nadu MSME Report. The project was commissioned by the Industries and Commerce Department of the Government of Tamil Nadu through the EDII, Chennai. The report was extensively used by the Government as a backgrounder for the preparation of the Tamil Nadu MSME Policy 2019.

A major initiative of the Institute during the year was the conceptual and operational steps towards mapping of enterprises in a regional context. The concept of 'Regional Enterprise Atlas' was initiated by the Institute, as a pilot project. Under this phase of the project, the Atlas was prepared for Ernakulam district Kerala. While the usefulness of the Atlas, as a planning tool at the local level, has been widely appreciated, it is important to take forward this tool to the context of design and implementation of enterprise development programs. The idea of the Atlas need to be understood against the concept of 'Enterprise Density', that has great relevance in planning for enterprise development at the regional level.

Sub Programme 4.3: Knowledge Hub-The Observatory

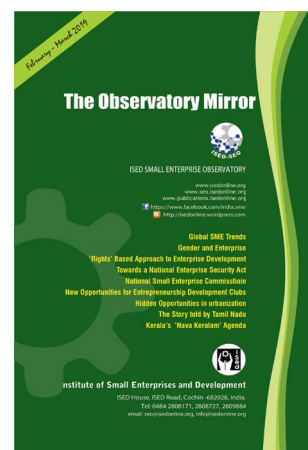


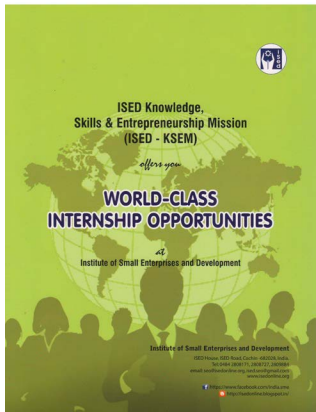
We are living in a knowledge economy today. Data needs arise from the need for information and knowledge for designing and running programmes. Therefore, the task of such a realistic assessment can best be made by an Observatory, which is essentially a knowledge platform. An 'Enterprise Observatory' is a knowledge platform that can visualize and co-ordinate data for the requirements of enterprise planners and administrators.

ISED small Enterprise Observatory (ISED-SEO) is India's unique knowledge hub on enterprise and entrepreneurship development. Following the 'China Jubilee' celebrations in 2017, the Observatory initiated several steps to strengthen this platform in terms of its membership base and spectrum of activities. Besides addition of several rare data sets into its repository, steps were taken to systematize the data sets for regular use by various Centers of the Institute, as also for use by interested researchers.

The work of an Observatory, however, is really complex. Its purpose is to support the development practitioner. First of all, it needs to understand the requirements of the planners and administrators. On the other hand, it should also understand the nitty-gritty of data sources and data generation process, working both on the demand side and

ISED small Enterprise Observatory (ISED-SEO) is India's unique knowledge hub on enterprise and entrepreneurship development. Following the 'China Jubilee' celebrations in 2017, the Observatory initiated several





supply side. The task of the Observatory is essentially an exercise in match- making.

Data, by no means, is an abstract material; it has a purpose, both social and economic. In the development agenda in a democracy, social categories such as gender, age, caste, community etc. matter. In the economic sphere, the concerns often relate to enhancing domestic production, boosting exports, creating entrepreneurial base etc. Data, in its original form, simply cannot address all these complexities. Demystifying these complexities is the job of subject-specialist platforms like the Observatory.

Sub Programme 4.4: Knowledge, Skills & Entrepreneurship Mission

In the modern world, the relationship between education, entrepreneurship creation, and industry are highly inter- related, and are mutually reinforcing. However, in India, there are several missing links in the area. The purpose of ISED Knowledge, Skills and Entrepreneurship Mission (ISED-KSEM) is to bridge this critical gap, and to trigger achievement motivation among the younger generation. The Mission has a program of world- class Internship opportunities that helps to bring together especially the young people from different educational and cultural backgrounds and nationalities. Apart from being complementary to other activities and Programme of the Institute in general, such Internship opportunities form part of the Social Responsibility initiative of the Institute. During the year under Report, mid-term and short-term internship opportunities were offered to six candidates.



Programme Area 5.0.

Finance & Sustainable Enterprise Development

Finance is the jugular vein of enterprise development. In any economy, it operates at three levels: First, is the Government Budget. It is the prime mover of allocation of resources, plays a major role. Secondly, the financial sector, under the regulatory role of the Reserve Bank of India, plays a decisive role in the structure and tempo of credit delivery. Thirdly, under the overall macroeconomic environment, the savings and investment behavior of individuals, shape the enterprise system as we see it today. Under its goal of 'Sustainable Development through Enterprise', ISED examines the trend and progress at all the three levels, from time to time, and takes such feedback in to its regular activities relating to in-house research, and engagement with other stake holders.

Sub Programme 5.1: Enterprise, Entrepreneurship and Finance

The Institute makes regular support to the Union Finance Ministry and for the Ministry of Finance, Government of Kerala, in their exercises relating to preparation of the Government Budget. The Pre-Budget Memorandum is a comprehensive analytical document, that need to be understood in continuation with the Institute's regular reporting initiatives.

The Pre-Budget Memorandum submitted to the Union Finance Minister, on December 5, 2018, covered a variety of topical issues relating to SMEs and entrepreneurship. The focal theme

Enterprise Development in Kerala:
Present Scene and Expectations
from the State Budget



Institute of Small Enterprises and Development

of the Memorandum was the overall situation of enterprise security, with special focus on structural problems, and climate change and its impact on the SMEs. The document also carries a strategic approach for dealing with the situation, along with a 15 point action agenda.

The Centre for Budget Studies at the Cochin University of Science and Technology, organised a seminar on Kerala Budget in March 2019. The Institute was invited to make a presentation on the subject. The paper entitled, 'Kerala Budget: An MSME Spotlight', was presented in the

India's MSMEs:
Present Scene and Expectations
from the Union Budget



Institute of Small Enterprises and Development

seminar.

The active partnership of the Institute with the leading financial institutions of the country, under the India MSME Communication Program, offers a significant platform for bringing to the lime light, some of the topical issues of MSME development. The Institute actively engaged with Reserve Bank of India, as also with the two development finance institutions i.e., NABARD and SIDBI, during the year.

The outputs in the theme area, during the reporting year, have come out mainly through:

1. India Micro, Small and Medium Enterprise Report 2018

Sub Program 5.2 Credit Delivery and Credit Absorption.

For MSMEs, the pattern of credit delivery, as also their absorption capacity, are important from the angle of policy and action for development. The following four questions are relevant:

- 1) What constrains credit delivery in some subsectors, as against others?
- 2) What can be done to enhance credit flow in such sectors?
- 3) What is the experience of credit- use?
- 4) What kind of financial advisory services are needed for particular classes of enterprises?

Answers to these questions are important for expanding the entrepreneurship base of the country, as also to expand the performance of India's enterprises, especially the small enterprises. The Institute works closely with the banks under the IMCP. It provides practical inputs and leads to banks for expanding their credit base and to reduce the volume of NPAs.

In addition to the above activities, the Institute considers Financial Literacy, and delayed payments of MSMEs as two critical areas deserving immediate interventions. Steps will be taken to go ahead with focused initiatives in the forthcoming year.



Programme Area 6.0.

Sustainable Development: Research, Policy & Practice

Since the announcement of sustainable development goals by the United Nations, it has become the central theme of India's development policy. While these goals are broad based and global in nature, the dimension of enterprise development forms only a subset of the same. Unless the meaning and scope of sustainable development is understood in its totality, it would be difficult to arrive at forward looking policies. The basic ground for such a broad based platform of research was laid down during the reporting year, under this new program. the Institute plans to initiate more in-depth research and other activities on the subject during the coming years.

ISED KNOWLEDGE CENTRES & PROGRAMME

The ISED programme is translated into projects and activities through its Knowledge Centers

Centre for Enterprise Development

It co-ordinates various activities focused on enterprise creation and entrepreneurship. The supply of enterprises and entrepreneurship is central to 'sustainable development' throughout the world. A prerequisite in this regard, is an entrepreneurial approach in the development process. Action for enterprise development should be focused on releasing the entrepreneurial potential of individuals and communities, such that these, in turn, get translated into income-earning opportunities. Hence, the talk about reducing poverty and enhancing quality of life of the people should be preceded by creation of an entrepreneurial approach across society. This, in turn, gets translated into incomes and employment. Enterprises are not simply the concern of entrepreneurs and the government. The whole community should participate in enriching the right values, attitudes and capabilities. On the other hand, industry should respond positively to the concerns and urges of the society. Hence, researching, kindling the entrepreneurial spirit through interventions, and providing relevant knowledge base, are central to the process of enterprise creation in any economy. This Centre, therefore, focuses on knowledge creation, dissemination and communication.

Centre for Social Development

'Sustainable development' means not only economic development of a sustainable nature, but also translating the fruits of development into enhanced quality of life. Therefore, the focus on social development is central in any 'sustainable development' approach. Centre for Social Development seeks to translate this vision into practice through studies, HRD interventions and other activities related to social development. Areas such as health, education, and social capital, are crucial in this regard. This Centre also deals with the social dimensions of enterprise development. Enterprise as a subject cuts across the traditional economic sectors, and hence, one can decipher an entrepreneurial approach even in the so-called 'social sectors'. Labour market, for instance, is a vital area which links enterprise and education, which often has been discussed under the rubric, 'services'. The Institute, since inception, has undertaken several studies on various social sectors, and, in some cases, have contributed to policy making in the country.

Centre for Public Policy Studies

In much of the development discourses, the role of public policy has not been adequately addressed. Irrespective of the concerns and good intentions of programmes and interventions, it is public policy which shapes the society into what it is. On the other hand, policy in itself, is a reflection of the society we live in. The importance of a focused attention on public policy lies in the fact that, it is a vital factor which shapes markets and human behaviour. Seen from this angle, the studies at this Centre are anchored on two aspects: (a) policy architecture; and (b) the impact of policies.

Centre for Responsible Business

The Institute realizes the fact that a “responsible business” approach is crucial for making ‘enterprise’ a sustainable activity which shapes the history of countries and peoples. While businesses need to be socially responsible in terms of internationally accepted principles of corporate social responsibility (CSR), it is also important that such social responsibility should encourage emergence of new businesses at the “bottom of the pyramid “. The primary mission and major task of the Centre is to reinterpret the ‘responsible business ‘agenda in the context of local economic development and nurturing of entrepreneurial capabilities at the local level.

Centre for Monitoring Enterprise Development in the States(ISED-CMEDS)

In India, both the Union Government and the States design and implement various development programmes, now, a time has come, wherein, the State governments have to do a lot of home work regarding design and implementation of such programmes, in a national canvas of ‘co operative federalism.’ The situation today is one of competition among the States, rather than falling in line with pre determined thumb rules. Therefore, branding the States has become all the more important.

‘Enterprise Development Audit’ (REDA) as a programme of the Institute of Small Enterprise and Development (ISED), is meant to support governments by analyzing the track record of their enterprise development activities, and by offering innovative solutions. The term ‘government’ specially means, State, District Administration and Local governments, such as municipalities and panchayaths.

This innovative programme, to the particular context of India, was designed by the Institute of Small Enterprise and Development. It has been implemented by the ISED Small Enterprise Observatory, the specialized knowledge platform at the Institute, jointly with the ISED Centre for Monitoring Enterprise Development in the States (ISED - CMEDS)

The Audit team includes, top level expertise available with the Institute, and outside, including economists, management professionals, public policy experts, finance professionals and technocrats

ISED Centre for Economic Research

Economics is a hard-core discipline relevant to the programme areas of the Institute. Besides, it also has an Economics orientation of its programme and personnel. ISED has a special interest in grooming young professionals in the area of the Economics discipline. One of the methods is the promotion of research in this discipline both for young scholars and mid-career enthusiasts. The Institute encourages scholars to pursue their Ph.D. and M.Phil research in Economics. Such opportunities relate to any area in the Economics discipline; however, special focus is given on the key mandate areas of the Institute. Enquiries should be addressed to the Director, ISED. (email: director@isedonline.org).

New Economy & Local Economic Development Centre

The logic of globalization, on the one hand, and local economic development, on the other, are often distinct. The relationship between the two need concrete thinking and action. The ‘new

economy' is a reality. How to make it useful to the interests of the masses, is a challenge. This requires a new policy approach, quite different from the traditional "balanced regional development" approach.

Centre for Financial Education and Research

Access to finance is a critical factor which influences the distributive dimension of economic growth. However, this dimension is conditioned by both subjective and objective factors. While 'financial inclusion' is a laudable objective of public policy in many countries, the constraints to this are often examined at the peripheral level. While, on the one hand, there is inadequacy of knowledge and practice, which limits peoples integration with the financial system, the mainstreaming of finance with the entrepreneurial power of the community does not happen spontaneously. This demands interventions, including research, financial education, and initiatives for strengthening synergies between finance, and economic activities. This Centre is on a continuous search for such areas of intervention.

OVERVIEW OF INCOME AND EXPENDITURE

