Leading Issues in
MSME Policy & Practice

ISED Policy Briefs

by
ISED Small Enterprise Observatory
jointly with
ISED Centre for Public Policy Studies

Institute of Small Enterprises and Development

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About 'ISED Policy Briefs' Series

The purpose of 'ISED Policy Briefs' series, of the Institute of Small Enterprises and Development, is to present a short and informative analysis of some of the current issues relating to development of this constituency. It offers a brief background of issues, as also the latest analysis and findings. Monographs under this Series carry policy recommendations that can further be deliberated among policy circles, the media, and the general public.

Preface

The purpose of this Policy Brief is to bring to light some of the least known aspects of the subject. It is also meant to initiate a wider discussion on the subject so that it may contribute to public policy and strategies. While the MSME constituency has created substantial institutional structures over time, many of these institutions have outlived their purpose and relevance. While it is important that many such institutions have to reinvent themselves, there is a general lethargy in governance that, often, is not conducive to such changes. In such a context, it is the strength, dynamism, and vibrancy of public policy that helps necessary restructuring for the common good. India does not have a strong labour market policy. Naturally, the country cannot visualise an objective picture of its human resources at any point of time. Such a clarity would, naturally, provide both market signals and policy clarity.

This paper is the outcome of a project at the Institute of Small Enterprise and Development. The study was initiated by the ISED Center for Public Policy Studies, jointly with the ISED Small Enterprise Observatory. The support extended by the research team of the two Centers is gratefully acknowledged.

Cochin
February 23, 2017   P.M.Mathew

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Abstract

While the MSME constituency has created substantial institutional structures over time, many of these institutions have outlived their purpose and relevance. While it is important that many such institutions have to reinvent themselves, there is a general lethargy in governance, that often is not conducive to such changes. In such a context, it is the strength, dynamism, and vibrancy of public policy that helps necessary restructuring for the common good. India does not have a strong labour market policy. Naturally, the country cannot visualise an objective picture of its human resources at any point of time. Such a clarity would, naturally, provide both market signals and policy clarity. The public policy architecture in India so far, has been built around the so-called 'Committee System', which, structurally, has a built-in ad hocism. Unless this architecture undergoes a major change in favour of a system of evidence based policy making, the contribution of public policy to enterprise development in the country is likely to remain constrained.

Key words: Public policy, economic governance, evidence based policy making, policy architecture, Committee system

1.0. Introduction

To the layman, public policy simply means 'actions and inactions of the government'. While actions and inactions of the government are time-specific, and situation-specific, the relevance of a new policy can best be rationalized in terms of two important aspects: 1) the constraints and inadequacies of existing policies; and 2) the new and emerging issues that necessitates an improvement of existing policy or to arrive at the framework of alternative policies.

1.1. Understanding the Policy Process

How does a policy take shape from time to time ? The policy process is a cycle, each stage of which is influenced by a number of factors. But the general consensus today is that, policy need to be increasingly evidence- based. The purpose of our discussion here is, therefore, to deliberate on these aspects, from the point of view of arriving at a policy approach and its components that truly reflect the emerging requirements of sustainable enterprise development. This must, in turn, be against the larger agenda of enterprise and investment promotion outlined under the flagship programmes - 'Make in India', 'Start-up India', and 'Skill India'. The discussion here, therefore, aims: 1) to summarize the findings, learning, and recommendations from earlier policy exercises; and 2) to identify critical gaps, (3) to offer a meaningful policy approach, and (4) make suitable recommendations.

2.0. What is Public Policy?

Public policy is the means by which a government maintains order or addresses the needs of its citizens through actions mandated by the Constitution. It is generally not a tangible thing per se. It is a descriptive tool meant to describe a collection of laws, mandates, regulations, established through a political process. It is important to closely examine each of these concepts.

A conceptual framework, is needed to identify, and useful in linking factors that have potential to influence the process at different stages, in developing, disseminating, implementing, monitoring, evaluating, and making midstream modifications to reach the intended results. Such an approach to the policy process also helps to break down the policy cycle into its elements and to determine the different types of research or evidence that might be needed.

Lasswell (1977), and the USAID's NGO_Connect Programme(2012), to the study of public policy disaggregates the process into a number of functional components. It is important to emphasise that policy processes are never as linear, or cyclical, as implied in the model. But, looking at the policy process in terms of various stages or functional elements can help us to understand how this process does (or should) work.

The success in influencing an agenda, for example, often requires a different kind of approach, than that needed for influencing the implementation of policy. Such a view of the policy process is meaningful for various reasons. It is not tied to a particular set of institutions, thus enabling the analysis of a range of actors (not just government) and the way they interact across policy issue, component of the process and time.
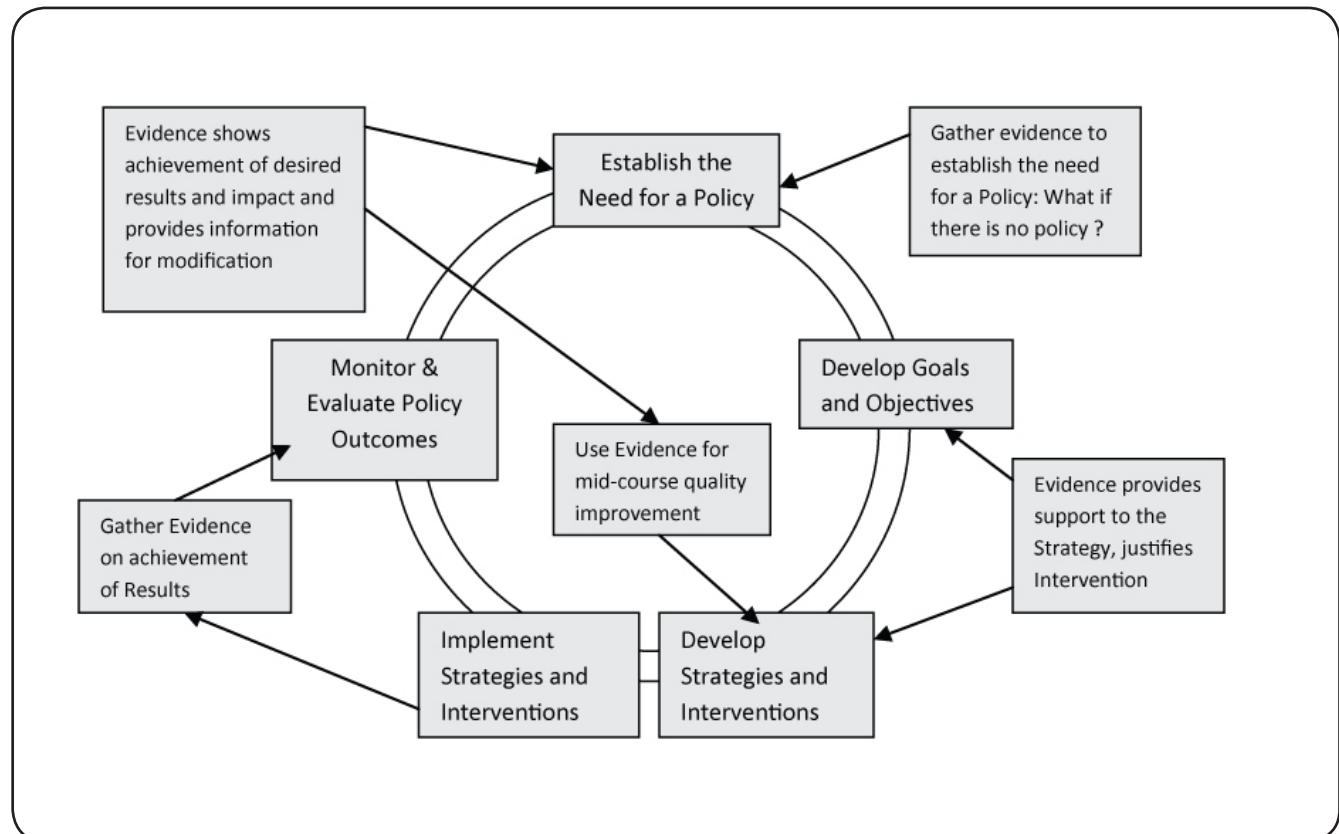
Evidence-based planning can be seen as the process by which decisions on the ways to address a problem are based on objective information so as to achieve the best possible results. It involves integrating the needs of the target community with, best possible research evidence related to design experience, and sector expertise. Evidence is drawn from a systematic exploration of relevant data and applying them to possible interventions or solutions.

Figure 1 : MSME Policy Tree : Policy Development and Information Flow
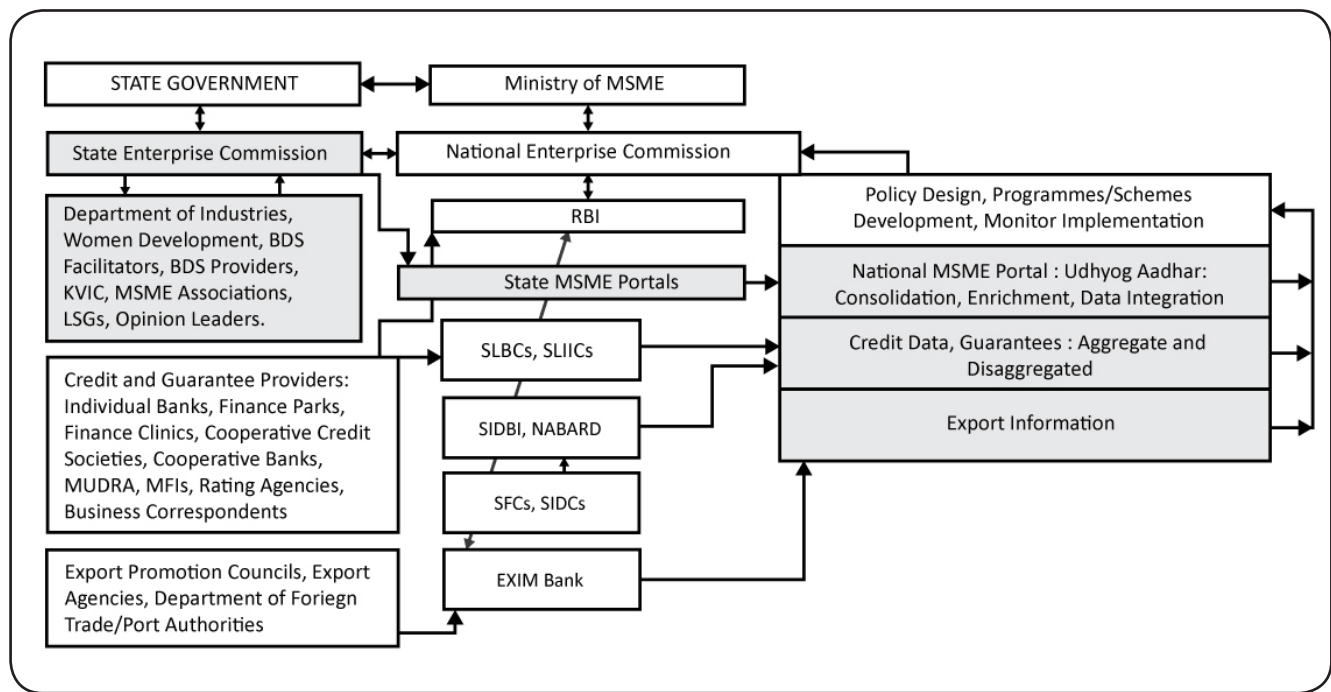
Source: ISED Small Enterprise Observatory

Fig 2: Policy Cycle

Source: ISED Small Enterprise Observatory