

MSME and ‘Enterprise Security’ in India: Towards an Agenda 2019-24

ISED Policy Briefs

by
ISED Small Enterprise Observatory



Institute of Small Enterprises and Development

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About 'ISED Policy Briefs' Series

Brought out by the Institute's knowledge platform, the ISED Small Enterprise Observatory, titles under this Series are meant to stimulate a discussion on some of the latest developments in the economy and society. The contents of 'ISED Policy Briefs' emerge largely from the findings and experience of research work at the various Knowledge Centers of the Institute of Small Enterprises and Development. They are meant to be a backgrounder for policy debates and discussions at various levels.

Preface

The new millennium, has been marked by an enhanced realisation of the role of MSMEs in the macro economy. While this realization matters a lot in shaping a global agenda of SME development, especially in relation to sharing of best practices, the ball is still in the court of nations and their regions. Unless the leading questions of public policy are addressed by governments and their people, changes in the subject area are likely to remain rather difficult.

'Enterprise Security' is a new conceptual addition to the semantics of development studies. It refers to the challenges of maintaining an enterprise, healthy and robust, thereby providing sustainable incomes and employment opportunities. It is a concept, complementary to the now-well known concepts of 'livelihood security' and 'sustainable development'. It investigates the heightened vulnerability of enterprises, to some external stresses, which may be due to natural processes and phenomena as well as to unsustainable social activity.

The purpose of this Policy Brief is to propose a framework for the same. I hope this discussion initiated by the ISED Small Enterprise Observatory would be of interest to amateurs and professionals alike, and would lead to further enquiries and debates. This publication may also be useful to various stakeholders that are keen to uphold the role and relevance of small enterprises in the Indian economy. Researchers, policy makers, practitioners, and students belonging to the broad disciplines of Management, Economics, and public policy studies, also may find it useful.

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Cochin,
January 01, 2019

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Abstract

‘Enterprise security’ as a new terrain of

Enquiries in Development Studies, was pioneered by the early research by ISED small enterprise Observatory, in the year 2013. It is a relative concept, and is related to the structural and operational vulnerability of an enterprise. Apart from being a conceptual addition, it is important to take it to the operational plane. Such an exercise needs to follow four major steps: First, proposing the concept as the centre of an alternative analytical framework. Secondly, there is the task of bringing in conceptual clarity with other related analytical concepts and by establishing their linkages. Thirdly, moving from the conceptual phase, there is the need for presenting solid field evidences and indications, that can help to link the conceptual platform and the operational terrain. Fourthly, such an exercise needs to be useful in relation to the indications on the way forward. While the greatest achievement of the new millennium, on the thought and practice of SMEs, has been its universal acceptance as a powerful actor in the macro economy. However, lot more has to be done in order to ensure their sustainability.

Key words: *enterprise security, agenda, conceptual framework, operational plane.*

1.0. Introduction

Having discussed and outlined the conceptual foundations of ‘enterprise security’ as a new terrain of enquiries, there is the important task of taking it to the operational plane. Such an exercise needs to follow four major steps: First, proposing the concept as the centre of an alternative analytical framework. This was already made by the ISED Small Enterprise Observatory in the year 2013. Secondly, there is the task of bringing in conceptual clarity with other related analytical concepts and by establishing their linkages. Thirdly, moving from the conceptual phase, there is the need for presenting solid field evidences and indications, that can help to link the conceptual platform and the operational terrain. Fourthly, such an exercise needs to be useful in relation to the indications on the way forward.

2.0. Global Concern on SMEs

The emerging role of SMEs in the global development agenda provides important indications on how the SME role has to be situated in relation to the macro-economic developments and the prevailing policy regime.

The twentieth century witnessed a major transition in the global perceptions on the role of SMEs in the economy. However, these perceptions were essentially grounded on an understanding of their political potential, in relation to two key areas: First, the pattern of economic growth became increasingly job-displacing rather than

job-creating, which demanded greater responsibilities on the part of governments to create employment opportunities of a massive scale. Secondly, global production itself became increasingly space-neutral which, naturally, implied that several of the erstwhile processes of capitalist production could easily be managed at a significantly lower cost by engaging SMEs.

In the new millennium, under the ‘Millennium Development Goals’, such role of the SMEs became more broad-based, in relation to scope rather than scale. As such, the ‘Sustainable Development’ agenda offered an alternative framework within which, the SMEs were brought in with new responsibilities as well as opportunities. In the year 2015, the 2030 Agenda for sustainable development, was put forward by the United Nations. It demonstrated the joint commitment of Member States to free the humanity from poverty, secure a healthy and sustainable planet, and to build peace and inclusive societies that promote prosperity and dignity for all. In achieving the above agenda, the SME role really matters, as these enterprises constitute the huge majority of all enterprises, and act as the major employment provider. Besides their direct economic role, SMEs can allocate capital to environmental and social investments, as also for inclusive finance initiatives.

Understanding the SMEs in a global canvas, in relation to the ‘Sustainable Development Goals’, is going to influence global policy making in future. The

The Global Agenda on SME Development

Box No: 1

Understanding the SMEs in such a global canvas, in relation to the 'Sustainable Development Goals', is going to influence global policy making in future. The involvement and commitment of the United Nations General Assembly, expressed through its Resolution No. (A/71/L60), is a path-breaking initiative. It reads:

"By designating 27 June as the annual Micro-, Small and Medium-sized Enterprises Day, the UN General Assembly has recognized the importance of these enterprises in achieving the SDGs – especially by promoting innovation, creativity and decent work for all (SDG 8)."

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The above Resolution recognizes the importance of encouraging the formalization and growth of SMEs in international, regional and local markets, including through access for all, to capacity building and financial services. The alignment of SME sustainability strategies, with the global agenda of sustainable development goals, represent a productive first step, within a global multidimensional framework. It is expected that, this will only continue to grow in the coming years, as advocacy focuses on the role of SMEs in attaining the Agenda 2030.

Supporting the United Nations Agenda, research at the World Bank and the OECD underscore the critical role of SMEs in achieving the Sustainable Development Goals. The seventeen sustainable development goals are integrated and indivisible. However, the interesting part is that, development of SMEs may impact on all the SDGs, though in different degrees. The research findings throw light upon the following important dimensions that can reinforce a global perspective on SMEs:

1. MSMEs take a major role in most national economies, particularly in developing countries. Formal MSMEs contribute up to 45% of total employment and up to 33% of Gross Domestic Product (GDP) in emerging market economies. These numbers would be significantly higher when informal MSMEs are included.
2. According to World Bank studies, 600 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, 4 out of 5 new

positions were created by MSMEs, which is about 90% of total employment, in the formal sector.

3. OECD research also notes that MSMEs will take a leading role in meeting most economic related goals of the SDGs. This includes, promotion of inclusive and sustainable economic growth, increasing employment opportunities, and decent work especially for the poor, in addition to promoting sustainable industrialization and innovation, and creating a positive push for higher quality of life, better education and good health for all.
4. A large proportion of MSMEs in most developing countries often have little or no financial resources, and face tremendous barriers in accessing conventional financial institutions for start-up businesses due to their poverty and lack of collateral assets. This financial challenge is particularly affecting entrepreneurs among rural women and other socially disadvantaged groups. The development of MSMEs is therefore, crucial to the "Leaving-No-One Behind" principle, central to the 2030 Agenda.

2.1. Key Issues

Development of SMEs in India, despite its enhanced significance in macro economic policy, still remains confined to a few of the public programmes implemented by the Ministry of MSME. It requires moving beyond this programme approach, and requires to be treated as an integral part of macro-economic policy. The knowledge base on SMEs created by specialized public bodies in countries like the United States, Canada, Japan, Korea, and the UK, deserve special mention from a comparative perspective.

Going beyond a limited programme approach, these country examples demonstrate an integrated view of the SME role in their economies. For example, 'Think SMEs First' is an integrated programme of the European Union that cuts across all public programmes, and covers the whole spectrum of the EU budget. Such a view is, obviously, useful for guiding policy making