



Institute of Small Enterprises and Development



Thirty-second Annual Review

2020-21

Disruption & Sustainability Transition

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Chairman's Message



Kamal Nayan Kabra

Indian economy has witnessed some major developments during the year 2020-21. To be understood against the wider canvas of global developments, triggered largely by the pandemic, Covid 19, it has significantly disrupted and impacted lives and livelihoods of people, and those at the “bottom of the pyramid”, in specific. Given the state of the government budgets today, it is going to be difficult times ahead for small enterprises and for the participants of this constituency to move forward. Let us hope for better days, both for the Indian economy and for the MSME constituency.

The above challenges have been the key concerns of the Institute for the present year and beyond. In India, the creativity of the common man is significant. Our social concern needs to be to harness this opportunity. The time demands thinking out-of-the-box by individuals and institutions. Ideas and energies need to be mobilized towards “sustainable development through enterprise”.

I am thankful to the whole ISED team for its initiatives and meticulous work during the year. Our partner institutions, governments, knowledge community and entrepreneurs, continued to believe us all through these years. After all, it is on their trust, that the Institute is able to take forward its programme meaningfully and sustainably.

New Delhi
April 25, 2021

Kamal Nayan Kabra
Chairman



Director's Report




P.M.Mathew

This thirty-third Annual Report of Institute of Small Enterprises and Development gives an overview of the activities and outputs of the period April 1, 2020 to March 31, 2021. This has been an extraordinary year for the Institute. The global fall-out of Covid 19, the Pandemic, has redrawn the contours of economic life in general, and raises questions on the agenda of 'Sustainable Development'. Against its institutional motto of 'Sustainable Development through Enterprise', the Institute focused its Programme and initiatives under nine thematic roles. The purpose, by no means, is to make a statement of achievements in numbers and graphs. It seeks to explain the little bit we could do under such extraordinary circumstances, along with the challenges ahead, so that the readers can suggest what initiatives of today to be continued, and what more could be done by the Institute as a socially responsible institution. That indeed, is vital for justifying our very existence. The nine thematic focal areas during year were as follows:

1. Championing the use of evidence for sustainable development through enterprise.
2. Familiarizing Development Experience: with focus on Policy & Practice in India.
3. Explaining the Business- Society Relationship from a Sustainable Development angle.
4. Communicating Development Experience, Concerns, and Imperatives
5. Demystifying Gender & Development
6. Familiarizing Regional Development & the Public Programmes
7. Analyzing and Simplifying Finance and Development to the Common Man
8. Situating and Analyzing Covid 19 & Enterprise Security
9. Collaborating across Stakeholders on Entrepreneurship & Enterprise Development

The discussion under themes and sub-themes run through the spectrum of activities carried out by the eight Knowledge Centers of the Institute, and therefore, this document may also be considered as a performance report of these



Centers. While their relative initiatives and outcomes vary, such variation needs to be understood in relation to the overall framework of ISED Programme, and of the various practical constraints of the year.

While the year was eventful globally, it is common knowledge that MSMEs form a sector that was worst affected. Irrespective of the regime, and the content of public policy, things happen in the SME constituency largely 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 to contribute their mite during this global crisis.

I am happy that, at this Institute, the ISED Small Enterprise Observatory and the India MSME Communication Program, constantly seek after practical ideas and solutions to address the concerns relating to enterprise and entrepreneurship, the nuts and bolts of 'Sustainable Development'.

Therefore, our methodological approach is to learn from the people, and to pay them back in the form of ideas and strategies. Following the announcement of the Pandemic, several initiatives were taken by the Institute to address the issues around that, in its own limited way. This includes a set of studies, and the search for ground level interventions, such as advisory and BDS, that can help to bring down the pains of small enterprises. Steps were taken to develop the idea of a Finance Clinic for Small Enterprises', which needs to be taken forward at the operational level.

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

Let me thank the members of the ISED team who have put in their meticulous effort to prepare this annual report into its present form. I hope that the "new normal" in India, will be one where the SMEs play a critical role in the larger global agenda of Sustainable Development.

Cochin,
April 25, 2021



P.M.Mathew
Director

ABOUT US

Institute of Small Enterprises and Development

ISED contributes to and transacts in knowledge with focus on “sustainable development through enterprise”. It draws on the expertise of its researchers, practical experience from the business world, and extensive interactions with the policy and academic community.

Our researchers work across domains including, but not limited to, economic growth and deprivation ,governance, finance & development, energy, natural resources and sustainability, and public policy. Much of our research output, evidence-base and policy recommendations are freely available for public use.

ISED is based in Cochin, Kerala, South India, and is registered as a scientific institution under the TCLSCS Act 1955. It is affiliated to the Indian Association of Social Science Institutions (IASSI), New Delhi, as its Permanent Member.





1 | ISED Program: An Introduction

Central to the program and activity spectrum of the Institute of Small Enterprises and Development, is its motto, “Sustainable Development through Enterprise”. While, the motto and the vision, as outlined in 1988, have experienced differently from time to time, upon changes in the objective environment, the core principles and concerns remain the same. Besides, they have become more relevant in the evolving objective environment, globally as also in India.

While “Sustainable Development” is an all-embracing concept, the approaches for realization of this goal differ. Besides, institutions, based on their orientation and track, initiate and shape a program that fits in with the wider global concern and agenda. For ISED, the concept of sustainability can best be realized through unleashing the spirit of creativity and entrepreneurship embedded in individuals and communities. Such spirit of creativity at the grass root level shapes the social milieu in which business entities sprout and grow. Such social milieu, along with public policy, creates the ‘framework conditions’ for entrepreneurship and enterprises to grow.



Given a development perspective as above, the activities that can and need to be initiated by the ISED to nourish such milieu, and to contribute to the public policy process. It is this understanding that makes the ISED programme dynamic in letter and spirit.

The canvas of the ISED program covers, knowledge creation, development communication and business development services. While these three areas are mutually reinforcing, as in 2020/21, the relevance of such reinforcement or convergence are significantly greater, against the challenges faced by India and the global community in fighting the “two-curves problem” on account of Covid-19, the Pandemic.

The Indian economy remains highly disrupted. Such disruption is against the backdrop of a global disruption, and consequent disruption of the global value chains. Life has become difficult and complex. Sustainability of individuals and communities remain a question mark. But there is hope at the end of the tunnel. It comes from the basic creativity of the human being, which in

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essence, is entrepreneurship all about. But, in order to trigger entrepreneurship, it is important to have a holistic view and examination of the social processes at large. This is the mission of ISED. This is what we have attempted at in the year under report.

The ISED program draws the contours of action at the Institute. At the ground level, these actions take place at the seven Knowledge Centers. These Centers have the responsibility of bringing together both evidence and action into a common platform, so that the benefits trickle down to the benefit of the society at large.

- **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 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.

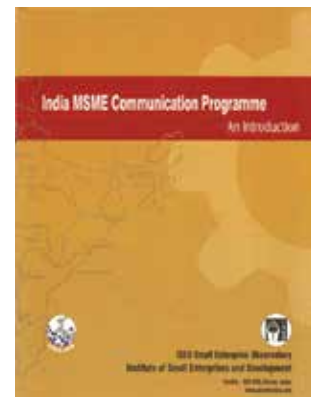
- **Centre for Social Development:** ‘Sustainable development’ means not only economic development of a sustainable nature, but also translating the fruits of development into enhanced quality of life. Therefore, the focus on social development is central in any ‘sustainable development’ approach. Centre 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 homework regarding design and implementation of such programmes, in a national canvas of ‘cooperative 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 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 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.

Given the objective constraints brought in by the Pandemic, the Institute’s programme and routine activities were significantly disrupted. However, within the constraints, the best efforts were taken in order to rise up to the expectations, as per the mission and mandate of the Institute.

Sustainable Development: Understanding & Strategic Approach

Between ‘research-based’ and ‘evidence-based’ programs, ISED identifies the latter as its forte. While a research-based program is a program designed based on scientific theories, it may not have sufficient evidence base to support its effectiveness. An evidence-based program on enterprise and entrepreneurship needs review and evaluation by experts in the field. Researchers test it in a controlled environment, collect and analyze data to support or refute its effectiveness

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and create practical models. India MSME Communication Programme(IMCP), for example, is such a sizeable and broad-based programme with significant potential. Although research-based programs may still hold credibility, evidence-based programs often hold a higher standard of validation and meet a different set of requirements to verify their effectiveness.

Uniqueness of ISED Programme

The concern and strategic focus of ISED lies in sustainability transitions.Sustainability transitions are long-term, multi-dimensional, and fundamental transformation processes through

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which established socio-technical systems shift to more sustainable modes of production and consumption. 'Sustainability' and 'enterprise' are cross-disciplinary, cross-cutting, and practice-oriented subjects. Therefore, the vibrancy and relevance of ISED Programme, based on its vision of 'Sustainable development through Enterprise', lies in its adaptive nature. Institutional structures often are slow to respond to real-world changes and imperatives. The Institute constantly attempts to overcome such constraints. Therefore, what matters most for the Institute, is the combined outcomes and results that have come from its eight Knowledge Centres. Success is a relative concept. We believe that, we have to go miles and miles to do something that is really significant and important for the vision and mission we stand for.



2 | **Championing the use of Evidence for Sustainable Development through enterprise**

The ‘Sustainable Development’ agenda, as put forward by the United Nations, specifically spells out the role of entrepreneurship and small business in the march towards development. The term enterprise denotes all economic activities that are initiated and taken forward by people on an entrepreneurial mode. Given this focus, their actual contribution to the development process depends on the evolving techno-economic paradigm. The present stage of the techno-economic paradigm is characterized by Industry 4.0, which means a revolution in production and exchange characterized by post digital factors. The post digital age is likely to change many of the existing natural processes into artificial processes. This would imply that income and employment opportunities, as we have today, will undergo a major transformation.

While the work processes themselves change, on what basis will people seek income opportunities? An increasing number of people choose to move on an entrepreneurial path, rather than to tread on as wage workers. How will the creativity of human being be unleashed into entrepreneurial ventures? An answer to this requires a constant monitoring of the world of work in relation to the specific objective situation of countries and regions.

An increasing number of people choose to move on an entrepreneurial path, rather than to tread on as wage workers. How can such a change contribute to the larger agenda of sustainable development? An answer to this question requires a constant monitoring of the world of work in relation to the specific objective situation of countries and regions. Not only that the emerging changes be understood, they need to be analyzed and interpreted into the context on a real-time basis. The ISED programme, in relation to its various activities, grapple with these dimensions of change.

Not only that the emerging changes be understood, such changes be analysed and interpreted into the context on a real-time basis. The ISED programme, in relation to its various activities, grapple with these dimensions of change. The Institute considers a framework of analysis and understanding around the five subthemes. Studies and other activities of the year were directed on such lines.

1. Enterprise Transition

The characteristics of industrialization include economic growth, more efficient division of labor, 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 of physical and knowledge capital and resources. Without a generous supply of these basic elements and the ability to organize them, a people cannot develop into an industrial society. The institutional motto of ISED is “Sustainable Development through Enterprise”. Hence, it is the mandate and responsibility of the Institute to constantly monitor changes in the economy, essentially from the point of view of development of enterprise and entrepreneurship.



From its traditional passive role, SMEs of late, adorn the centre- stage economic policy in many countries. The Institute has, to its credit, a few studies in the subject area. An important project that deserves mention, is the edited volume on ‘SME Policy, Practice and Transition in India’. The work on the volume has been towards its final stages, and is expected to be published during the next year. While a number of internationally reputed scholars

are contributors to the volume, it is expected to act as a complete documentation of MSME policy and practice in India since Independence.

The debate on ‘linear economy’ versus ‘circular economy’ is an emerging area of debates relating to enterprise transition. Recent studies and evidences indicate that, a pandemic such as Covid-19 has to be understood in close relation with the larger framework of climate change, and of the dominant paradigm of global development. The critiques of the ‘linear economy’, have contributed to laying down the basic building blocks of the ‘circular economy’. A scoping of this new paradigm is important in the Indian context today. ‘Circular Economy India: Scope and Opportunities’, a study by John Sebastian & J.M.I.Sait, looks into the opportunities of circular economy in the India context. Brought out by the ISED Small Enterprise Observatory, jointly with ISED Centre for Enterprise Development, looks into various aspects of ‘circular economy’ as a new concept.

Another study by P.M.Mathew, entitled ‘Development of Small and Medium Enterprises: the Emerging Global Agenda’ looks into the policy response to enterprise transition at the global level. According to this study, SMEs today are perceived to have a dual role in the economy, by providing the relevant linkages on the one hand, and offering a solution of harnessing the potential of the ‘job-seekers’ into ‘job creators’. Entrepreneurship and SME development are essentially labour market problems. However, the evolving global production structure visualizes a new role and relevance for SMEs. The paradigm of ‘Industry 4.0’ offers new opportunities as well as threats to SMEs. Accordingly, both the market place and work place have been redefined. The study points out that, the shift from ‘scale economies’ to ‘scope economies’ would demand a policy package that is discrete and specific to the particular socio-economic environment of countries.



2. Enterprise Security

Vulnerability of businesses on a real-time basis is as important as the sustainability of businesses. More precisely, while discussing sustainable enterprise development, vulnerability needs to be considered both in short term and in the long run. It is equally a matter of concern for individual businesses and for public policy. The recent global experience, especially in the context of the Pandemic, brings to the fore the concern for 'enterprise insecurity'. The investment climate



has been extremely clouded and eclipsed by the perils of the Pandemic. This is in addition to the specific short term and medium term problems faced by enterprises.

'Enterprise security' is a new conceptual addition to the semantics of development. At the ISED, research has been directed since 2013, on grappling with the complexity of the problem in this new analytical framework. During the reporting year, three specific studies relating to various aspects of enterprise security, were brought out. The discussion paper by P.M. Mathew and K. Nagarajan entitled, 'Enterprise Security' in India: The Emerging Picture of MSMEs' attempts to situate the theoretical and operational aspects of 'enterprise security' in the context of India's current economic slowdown. It advocates important structural changes under a concept of 'Pentagon Initiative'. The study by J.M.I. Sait and P.M. Mathew, entitled SMEs and 'Enterprise Security' in the 'Servitisation' Era' looks at the problem of enterprise security in the context of the trend towards decline of manufacturing and enhanced servitisation of the economy. Besides, the Institute flagship projects, India MSME Report 2020 also has emphasized on specific aspects of the problem in the Indian context.

3. Technology and Work Process

The year under report witnessed a crystallization of the objective environment in favor of enhanced use of technology in the work process, both for large businesses as also in small firms. For large businesses, the objective environment has been building up for the last half a decade, as the paradigm of Industry 4.0 was coming into prominence. Though this buildup of the new technological paradigm witnessed a temporary shock as Covid 19 paralyzed business processes across the globe, for small businesses, there was more of a compulsion to adopt and assimilate at least some borderline technologies in their business transactions. This includes online payment systems, enhanced use of communication technologies and platforms such as internet, What app etc. The change, obviously, is important for the future course of technology use in businesses. Against the background of Covid 19- related studies of the Institute, the



opportunities and threats in this connection, especially in the Indian context, have been brought out.

A major change, of contemporary relevance, has been the rapid transformation of work process. While the concept of 'factory' and the factory process have immensely changed over time, their development into a culture was relatively slow, until Covid-19 came as a compulsive sequence. During the reporting year, online work and gig jobs were increasingly deliberated globally as also in India. Apart from implications of the labour

market, these also imply a change in the current opportunities for small businesses as suppliers and service providers. The implications of such changes for policy and practice have been discussed by two of the titles brought out by the ISED Small Enterprise Observatory. The study by Animesh Halder and P.Sukumaran Nair, entitled 'The World of Work and SMEs Today' looks into the critical role of entrepreneurship in the changing paradigm of work process. While a discussion on small enterprises and their role in the economy needs to be based on the structure and trends in the labour market and the respective coping systems, poverty, as a real- world problem, speaks of the distribution of resources and capabilities. Therefore, an agenda of reduction of poverty needs to be grounded on enhancing the access to such resources and capabilities. Entrepreneurship has a critical role to play in this regard.

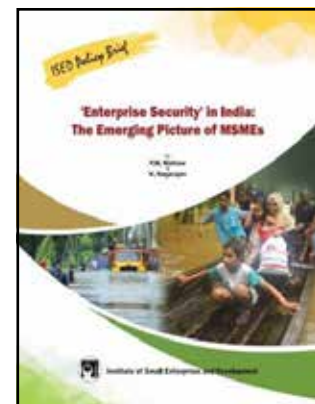
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Changing labour contracts is another critical area of research at the Institute. A study by K.S.Arun and P.Sukumaran Nair, entitled 'Flexible Production & the 'Gig Economy Today', looks into the new paradigm of the gig economy. Wage employment of the traditional form has come down; part-time work has increased over time. Work organisation, with enhanced focus on those having specific skill sets, the gigs, is the emerging paradigm. How does the gig economy emerge as a new trend? What are the key contributory factors? How will it unfold in the current circumstances? The study seeks to grapple with the new paradigm from the angle of development policy and practice. Besides these special studies, the India MSME Report 2020 also makes an extensive discussion on the subject.

The advances in science and technology have the potential of revolutionizing production, ensuring a greater integration of the markets, and of nourishing the supply chains. The impact of this on SMEs belonging to various sub sectors, in the short run and in the long run, is a key concern of policy. 'Servitisation of the economy, globally, is an area of current research interest. The research by J.M.I.Sait & P.M.Mathew, entitled, SMEs and 'Enterprise Security' in the 'Servitisation' Era, looks into the implications of such structural changes in the economy, to the context of SMEs. The purpose of the discussion is to examine the evolving techno-economics, on the one hand, and the external constraints, on the other, in shaping the prospects of SMEs globally and in India. The findings of the study have been brought out as a Discussion Paper, by ISED Small Enterprise Observatory, jointly with ISED Centre for Enterprise Development

4. External Influences

Globally a major challenge to sustainable enterprise development comes from external influences . On the one hand, climate change



has had a significant adverse impact on businesses, and especially the small businesses. For example, in States like Tamil Nadu and Kerala, the frequent floods have significantly damaged their small enterprise base. Subsequently, the massive disruption triggered by Covid 19 has had a much more devastating effect, for the local economy as a whole and for small businesses in specific. The special studies in the context of Covid 19 by the Institute lead into these aspects.

5. Rural Economy and Livelihoods

The impact of the rapid changes in technology and work process is not likely to be spatially neutral. The adverse impact is likely to be more in the rural economy. The study by Animesh Halder and John Sebastian entitled, 'enterprise and Entrepreneurship in Rural India: Experience of the Pandemic Days' discusses this issue. The worst impact of COVID 19 on the Indian economy has been in its rural sector. Therefore, it is important to have a spotlight on the key facets of the rural problem today. This discussion, first of all, tries to situate the problem in the larger context of rural economic transition. The second dimension relates to the problem of migration. Thirdly, the opportunities in the rural context are explored, and a strategic approach is proposed.





3 | **Sharing Development Experience & Contributing to Policy & Practice in India**

Public policy gives only the normative aspects or thumb rules of behavior 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 in its economy, namely, the coordination of policies and programmes to promote economic and social progress. Development is a participative process. By mandate and by 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 and of the community.

ISED Small Enterprise Observatory has a scheme of monitoring enterprise and entrepreneurship in India on a regular basis. Its flagship project, 'India MSME Report' does such an exercise with focus on the MSME sector. India MSME Report 2020 was formally released on the International SME Day, June 27, 2020. The report for the year has several important, but unique characteristics, that are worthy to be discussed.



Against an unprecedentedly fractured global economy, marked by distinct features like, the long trade war, the failure of multilateralism, weakening of the European Union, natural calamities, racist conflicts, and more recently, the multilateral agenda have taken a back seat. Climate change and Covid19 have forced the humanity to search for new solutions and for a new world order. The ensuing new world order is likely to have the following features: 1) enhanced digitalization of transactions, under a 'platform economy' framework; 2) a re-aligned 'sharing economy'; 3) formalization of labor flexibility under a legitimized 'gig model'; 4) growth of the 'circular economy', shaped under the hegemony of regional value chains.

The transition in the techno-economic paradigm from 'flexible specialization' to 'Industry 4.0' implies a significant shift as it relates to engagement of human resources. The knowledge economy has created illusions on the use of knowledge, and in many cases, sidelines the distributive aspect of knowledge as a tool of development. COVID 19 has necessitated a fresh

look at this distributive aspect from various angles: 1) the need for employment promotion; 2) the relevance of preserving and nourishing the local economy; and 3) the need to make an optimum use of technology.

The above imperatives can be addressed only against the decisive future paradigm of manufacture, despite the setbacks and disruption on the global value chains. 'Gig economy' is likely to grow, as casual employment is bound to increase. Moving from the rapid pace of 'servitisation' today, manufacturing base of countries like India need to be strengthened, both for their self-interest, and to build an equitable global order.

But, at the other end of the spectrum, consumption habits are likely to change drastically on a 'platform economy' mode. The demand constraints would prompt new forms of manufacturing. 'Smart manufacturing', which facilitates just-in-time outputs that are tailored to particular market segments, will become more prominent. The 'circular economy' will have a new logic for its sustainability-the demand constraint.

The Report spells out India's peculiar problems and opportunities against the above background. Though capital formation has constraints, the lessons given by the Pandemic has induced the country for a strengthening of local manufacturing base. The Report notes that the new circumstances demand more focused attention on subsectors and regional and local value chains.

India's MSME scene in 2020 was a continuation of the "slow-growth syndrome" of 2019. With the experience of COVID 19, it became a full circle. The current state of MSMEs, as in 2020, has some broad features: a) confidence crisis; b) damage of inventory; c) failure of logistics; d) backlog of slowdown; e) disruption of labour supplies; and f) market failure. The policy response has come in the form of a package involving fiscal relief measures, administrative reforms, and a financial package.

Finance is a key area of concern. Financing the fractured enterprise system would be an important challenge during the coming days. In a situation where liquidity was completely stalled through various factors, including delayed payments, lock down, and absolute contraction of market, such a response is natural. But, since structural problems of the industry still continue, such measures have not yielded significant results, especially for the small and micro units. The report recommends a strategy of debt restructuring would be required to save at least the marginally viable units from complete extinction.

India's MSME scene in 2020 according to the Report, was a continuation of the "slow-growth syndrome" of 2019. With the experience of COVID 19, it became a full circle. India MSME Report 2020 suggests that the country's imperatives on the MSME front involve two important imperatives: a) focus on entrepreneurship resources; and b) a discretionary approach to policy support. India's base of wealth and income, having been eroded substantially under the Pandemic, it can best be regained only with the active participation of wealth creators, the entrepreneurs. India also needs a broad based entrepreneurial base, which would demand a large number of small and medium enterprises on stream. The supply of sustainable entrepreneurship can best be ensured where there is a clear policy of treating entrepreneurship as a critical national resource.

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Unlike in the past, the year 2020 marks a convergence of several adverse factors, which makes India look forward to the strength and resilience of its entrepreneur community. It is time for the country to harness its MSME capabilities both at process and product levels. It will help India withstand the phenomenon of 'enterprise insecurity' occurring out of multiple factors; COVID 19 and its fall out are only a few. The structural weaknesses of India's enterprise system, and of the MSME system, in specific, are strongly felt, as we find China as not only an economic threat, but as a strong political threat as well.

The Report envisages a new economic order, which will have two major facets: 1) smart manufacture, and the associated 'invisible work place'; and 2) enterprise system with a significant "bottom of the pyramid"-the "visible work place". The latter is more prominent in the Indian context. Defining the value chains and engaging the local MSMEs are major challenges for India, especially from the angle of massive unemployment, migration, and the phenomenon of return migration.



"ISED has a good understanding of the difficult socio-economic, cultural and political context of the SMEs. With its balanced and nuanced perspective, the Institute has been able to make some well-founded policy conclusions and suggestions for the way forward, especially under crisis situations.

George B. Assaf, *Former UNIDO Representative to the United Nations & Spokesperson of the UNIDO.*

According to MSMER 2020, India needs a dual development agenda: For the rural sector, it should thrust on enhanced labour absorption. The urban agenda need to be focused on smart and clean production, so that the benefits trickle down to a clean habitat. Production for the global market needs to be the strategy; but, self-sufficiency need to be the founding principle. Introspection on past policies, from this angle, would be needed. The strategic approach needs to be geared to four focal points: First, harnessing the country's legacy and capabilities, wherein, process capabilities need primary attention. Secondly, institutional reforms, especially in the financial sector, demand a greater development orientation, and vertical restructuring. Thirdly, based on the experience of COVID 19, the counter-cyclical role of SMEs needs greater policy attention. Fourthly, the greater developmental and participatory role of SMEs need to be harnessed through promotion of 'solidarity business model' involving all relevant stake holders. The overarching principle need to be the critical role of 'entrepreneurship' as a national resource, to be preserved and nourished.

Apart from the effort and findings of the India MSME Report 2020, a special study was initiated by the Observatory, jointly with the Centre for Enterprise Development, the report of which came out in December 2020. “India: Economy, Public Policy and SMEs under the Pandemic”, a study under the Policy Briefs series, initiated by K. Laxminarayananan & P.M.Mathew, makes a comprehensive assessment of the specific MSME issues against the backdrop of Covid 19, the Pandemic that has had a disruptive effect on the Indian economy.

The contemporary changes in science and technology have revolutionized resource allocation and capital formation, in many parts of the world, as also in India. However, entrepreneurship resources and their sustainable and broad-based development did not get adequate attention in policy and practice. Despite the significant policy priority accorded to SMEs in India, the potential of the country’s entrepreneurship resources still remains inadequately explored and utilized. The experience of Covid-19 raises much wider questions on ‘cohesive development’ in general and local economic development strategies in specific, as something that needs closer examination. This thrust and concern of the Institute comes through the ISED study entitled ‘Economy, Industry and Entrepreneurship: Battling with the “Two Curves Problem”, by P.M.Mathew, that came out on October 10, 2020.

1. SME Governance and Reforms

The Institute, from time to time, has come up with suggestions on governance reforms. 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, education and skilling, so that changes happen in a speedy manner, without hampering the interests of the society at large.



Participation in economic governance and programmes is an opportunity for translating the above problem into opportunities. 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, advisory and hand holding support services were offered to a selected number of twenty-one 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 One-man Committee

on Small Enterprises, as its Institutional Associate. Building upon such experience, two books on public policy from reputed publishers are getting in shape from the Institute.

During the reporting year, the major reform ideas shared by the Institute, are strongly related to the devastating experience of the Pandemic. A major study that deserves attention during the period is the Report on India's MSME Policy Architecture: A Discussion. This study by K. Viswanathan makes a critical review of India's track of MSME policy and programs, and of the major emerging issues. The MSME policy architecture in a country involves the legal and institutional frame work, as also the policy response. India has a huge infrastructure of MSME policy institutions and programs. However these need to help enhancing the 'collective 'and 'individual efficiency' strategies of enterprise development. However, there are several critical constraints which public policy seeks to address. Beyond the traditional strategies of cluster development, there is need for evolving new strategies of harnessing the potential of the entrepreneurs. Based on the more recent experience, issues such as climate change need to be factored seriously into MSME agenda of the country. This document provides a critical analysis of India's track of policy and programmes, and highlights some of the new and emerging issues.

2. Policy Reforms

The Institute has proposed a series of policy and governance reforms during the year. While these proposals related to reforms at the national, regional, and local levels, they were addressed to governments at the Union, State and local levels. The Institute proposed, against the National level Lockdown on account of Covid-19, a re-railing package, with focus on the special requirements of the industrial sector. The scoping paper, 'Covid 19: Towards a Re-railing Package for the MSME Economy of India', by P.M. Mathew & J.M.I. Sait, has come out with a four-stage package of opening up of the economy. The proposals were submitted to the Prime Minister. The unique capability of the country, according to this study, is its decentralized manufacturing system, where tools and components of big manufacturers come significantly from small factories and workshops. This is not the case with the industrialized countries of the Northern hemisphere, where, the SME stream is relatively new in focus, and is dominated by services. This implies that, along with its rich and diversified product structure, India's MSMEs have huge 'process capabilities' that are identified with several towns and cities, such as, Coimbatore, Tiruchirapalli, Tirupur, Bangalore, Chennai, Surat, Pune etc. Such process capabilities, however, are losing out, as observed from the recent industrial distress in some of these centers like, Thiruchirapalli, Coimbatore, Tirupur and Thiruvallur. This is the right time for introspection, the Document says. The ISED document advocates opening up of the MSME units of the country in four phases, the first phase being those manufacturing hubs that can offer the essential items for fighting COVID. While the global media predicts the pandemic to last for several months, this is a great opportunity for SMEs to nourish the national and global markets, by massive production of items like masks, gloves hospital equipment etc., the Paper says. It also advocates impact-oriented strategic moves at sub-sector level, for putting the SMEs on track, rather than having a blanket relief package.

Against the announcement of the Prime Minister of a 'self-reliance strategy' as the core approach of coming of the perils of Covid-19, the



Institute came out with a Policy Brief on the subject. The Policy Brief entitled, 'Self-reliance: MSME Economy of India and its Potential', by P.M.Mathew & J.M.I.Sait, elaborates the implications of self-reliance in the context of sustainable enterprise development in the country. The Document points out that the relevance of local capabilities in enterprise development



are often felt most when there is a crisis in the economy. This is because, human beings, primarily, live in communities. Despite the best advantages of a technology-driven society, its limits are brought to our mind by pandemics like covid-19. Therefore, a strategy of self-reliance, grounded on human skills and process capabilities, is vital for the Indian economy to move forward. In such a strategic approach to economic development, MSMEs have a critical role. Both for the Gandhian concept of 'Gram swaraj', and 'decentralised smart manufacturing' of the 21st century, knowledge and strategy are the two key words that are commonly relevant. This Paper puts forward the outline of a strategic approach on these lines.

3. Subsector Analysis and Strategies

'Subsector' is a focal point of analysis and policy today. The strategic importance of subsectors in the economy arises out of their position in the global value chains. A particular subsector 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, from time to time, has given special focus on analysis and understanding of the subsectors. Subsector issues in the specific context of the Pandemic were studied with support from 15 SME Associations across the country.

In March 2019, the Institute initiated a programme 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. The Institute has forcefully put forth this focus in the context of the Pandemic, Covid 19. India MSME Report 2019 covers a comprehensive analysis of selected representative subsectors of the country. The analysis falls under four key subsector categories: 1) legacy subsectors; 2) manufacturing subsectors; 3) New Economy subsectors; and 4) Triple bottom line subsectors. The changes happening in these various categories of subsectors have been closely monitored.



4. Farm-Off Farm Interface Development

Though there has been a significant formalization 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 organization, however, act as key change agents. The ISED initiative on MSME Communication act as a convergence mechanism and evidence-base in the rural setting. The



Institute's track in the area is one of inter-institutional collaborations. During the year under report, the Institute was invited to serve as Member of the Regional Advisory Group(RAG) of NABARD. It could make its contributions to the deliberations of the RAG, and have made concrete recommendations.

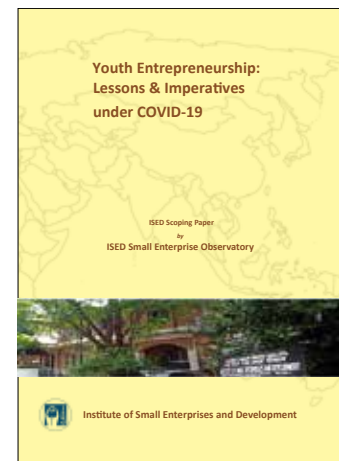
Rural youth is a focal social group for the activities of the Institute. The collaboration between ISED

and the Maastricht School of Management resulted in a study on youth entrepreneurship that has come out as an ISED report. The study by Mein Pieter van Dijk, entitled 'Entrepreneurship in Transition: Lessons for the Technology Start-ups & More', looks into the youth entrepreneurship problem from a comparative perspective and makes relevant recommendations. Youth



unemployment is a significant problem in India, especially in a context where higher education is getting increasingly broad-based. Technology based enterprises, or the so-called "start-ups", naturally, are an emerging interest in most developing countries, as also in India. This paper discusses entrepreneurship related activities of youth that have significant social and economic potential. Technology based enterprises and their potential, however, need to be discussed in a context. As such, it discusses the important changes that have taken place in the world of entrepreneurship. It is concluded that the aspiring entrepreneur needs to have the drive and be increasingly technology savvy, though certain skills can be acquired.

ISED Small Enterprise Observatory (ISED-SEO) at the Institute of Small Enterprises and Development, and the International Food Policy Research Institute, Washington, joined together on December 5, 2020 to deliberate on the global scene and imperatives on 'Youth Entrepreneurship' at a Workshop. With Dr. Suresh Babu, Senior Research Fellow & Head of Capacity Strengthening, International Food Policy Research Institute(IF-PRI), Washington, as the Key Speaker, the Session was moderated by P.M.Mathew, Senior Fellow & Director, Institute of Small Enterprises and Development. The Workshop also included several eminent speakers. The subject is specially significant in the context of India, where the role of young entrepreneurs today has largely been perceived in terms of technology based start ups. While such perception is based on the evolving global phenomenon of accelerated 'servitisation' of the economy, COVID-19, the Pandemic, has drastically changed the objective environment. Youth having an orientation for self-employment than wage employment, have a big role to play in this regard. Youth entrepreneurship in agricultural value chains and rural development, really matter in the context of this major transition in the global economy. Agriculture is the only sector that has succeeded in withstanding the ill effects of COVID-19, at least to some extent. As entrepreneurs, young people can play a major role in the transformation of agriculture. In developing countries, too few of them currently get the opportunity to start a business. But, developing country governments are now creating entrepreneurial agribusiness opportunities through new programs and policies. The private sector investors and non-profit organizations are also closely involved in





this. The Workshop sought to answer several questions that remained hitherto unanswered: How can the necessary business environment for youth entrepreneurship be strengthened? How can multi-stakeholder initiatives benefit most in starting and succeeding in business? What factors contribute to sustainable success in youth entrepreneurship? How can the policy makers, intermediary institutions, and local governments work together to develop inclusive youth entrepreneurship? These are pertinent questions that require answers, both from the angle of policy and practice.



ISED participates in the Government of India program called 'Stand up India' where the focus is on inclusive development of enterprises. 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, 16 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. It is important to note that the Government of India has an ambitious program of doubling the farmers' income.





4 | **Explaining the Evolving Business-Society Relationship from a Sustainable Development angle**

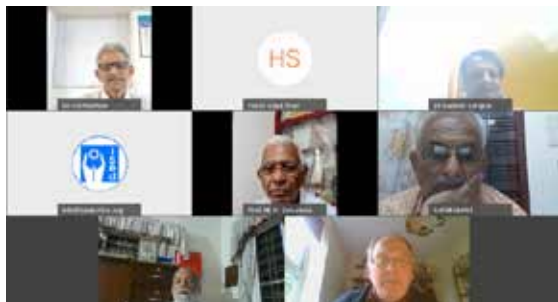
The relationship between business and society has two broad levels: business acting as the fountain heads of human livelihood and economic progress; and b) the social responsibility of business as a corporate citizen. The first aspect looks essentially into the labour market dimension. In the labour market, labour is utilized both as wage employment and self-employment. For both, the common thread is business. Therefore, from the angle of sustainable development, it is important to focus on the relationship between business and society. ISED perceives two main pillars of the 'business and society' relationship : a) inclusive entrepreneurship strategies;

From the angle of sustainable development, it is important to focus on the relationship between business and society. ISED perceives two main pillars of the 'business and society' relationship: a) inclusive entrepreneurship strategies; and b) responsible business practices. While the former is a subject of public policy, the latter relates to business policy.

and b) responsible business practices. While the former is a subject of public policy, the latter relates to business policy. The Institute has carried out studies on both the aspects during the reporting year.

1. Changing World of Work and its Implications

Labor market processes are crucial and decisive in defining the supply of entrepreneurship in any society. It is the mandate and concern of the Institute to understand such processes in the labor 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 labor market processes. Where direct interventions are needed, the Institute does it in terms of guidance, training and mentoring services.



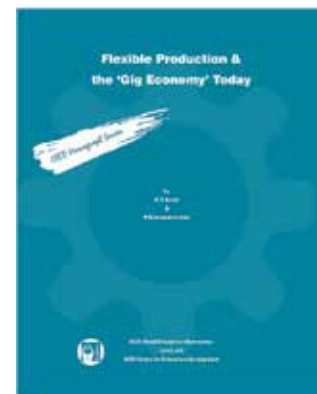


The changing forms of labor utilization are critical in 'sustainable development' debates. ISED has initiated several studies and action programs on the labor market. A study on the 'World of Work and SMEs Today' was initiated jointly by the ISED Small Enterprise Observatory and ISED Centre for Social Development. The study, carried out by Animesh Halder & P. Sukumaran Nair points out that the central theme of debates on poverty is the ways and means to overcome it. Such means need to be based on income opportunities. A discussion on small enterprises and their role in the economy needs to be based on the structure and trends in the labour market. The respective coping systems, have to consider the distribution of resources and

capabilities. Therefore, an agenda of reduction of poverty needs to be grounded on enhancing the access to such resources and capabilities. Entrepreneurship has a critical role to play in this regard. It is against this background that the ISED programme gives a special thrust on business development services since 1995. While the Institute had originally planned six EDPs for the year 2020-21, these could not be implemented due to the Covid 19 situation.

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Another critical area of policy concern in the modern world is the changing nature of the labour process, against the rapid changes in the technological paradigm. A study on 'Flexible Production and Gig Economy Today', by K.S Arun & P. Sukumaran Nair, examines the implications of such changes both for employment creation in general, as also of the capability of small enterprises to come up as job creators. The past two decades have witnessed a major transformation in the labour market. Technology, apart from changing the scope of income opportunities at the absolute level, has also led to structural changes in such opportunities. Wage employment of the traditional form has come down; part-time work has increased over time. Work organisation, with enhanced focus on those having specific skill sets, the gigs, is the emerging paradigm. How does the gig economy emerge as a new trend? What are the key contributory factors? How will it unfold in the current circumstances? This pioneering study, besides giving answers to these questions, provides an overall view of the changing paradigm of work in the Indian context.



2. Changing Structure of Production and its Implications

The relationship between business and society is also reflective In relation to the use of scarce resources among alternative uses. In this context the role of 'circular economy' and 'social enterprises' become critical areas. While these two are cross-cutting areas of responsible business and inclusiveness, their role is ever increasing. The study entitled 'Circular Economy in India:

Scope and Opportunities', by John Sebastian and J.M.I.Sait, outlines the opportunities around this new constituency in the context of India's policy approach, especially on the automobile industry.



The increasing demand for resources 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'. In a 'circular economy', the focus is on reusing and regenerating resources as much and as long as possible, so as to make them sustainable. ISED visualizes a long-term project,

with several components involving: 1) conceptualization; 2) establishing a business case; 3) demonstration; 4) development of financial products; 5) global reporting and dissemination; and 6) contributing to the global agenda through the GRI process. India MSME Report 2020 discusses this global trend in the specific context of India.

3. Sustainable Entrepreneurship Development

There is a new wave of entrepreneurship globally as also in India. But, the sustainability of entrepreneurship is becoming increasingly a problem area. ISED Small Enterprise Observatory has been monitoring issues relating to this on a regular basis. The issue of 'sustainable entrepreneurship' has been dealt with by the Institute not only at the macro level, but under the REDA Program, it 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 Development Institutes, Entrepreneurship Education Centers, and specialized projects like Incubation Centers. Two of the States had shown interest in the REDA programme during the year, of which, one was expected to be launched. However, due to Covid 19 regulations, this could not be taken forward.

The great debate on the role of start-ups, vis-a-vis traditional forms of entrepreneurship development strategies is universal. Entrepreneurship in Transition:

'Lessons for the Technology Start-ups & More', the research by Meine Pieter van Dijk, looks into the relevance of innovation in the thinking and practice of entrepreneurship development. Van Dijk's examination of the problem is in the specific context of youth unemployment. Youth unemployment is a significant problem in the Indian context.

Technology based enterprises, or the so-called "start-ups", naturally, are an emerging interest in most developing countries, as also in India. This study discusses entrepreneurship related activities of youth that have significant social and economic potential. Technology based enterprises and their potential, however, need



to be discussed in a context. As such, it discusses the important changes that have taken place in the world of entrepreneurship. It is concluded that the aspiring entrepreneur needs to have the drive and be increasingly technology savvy, though certain skills can be acquired.

During the reporting year, against the COVID 19 related disruption and economic slowdown, sustainable development has gained accelerated relevance. As a response, the 'India MSME Report' project has evolved a long term agenda of focusing on the subject in its forthcoming issues.

'Social and Solidarity Economy' is an upcoming area in the context of business organization and has significant relevance in the context of the ongoing global economic crisis. The Institute initiated a long term research programme on the subject. It has come out with a Scoping Paper on the subject.

4. Open Entrepreneurship

While the Government of Kerala has declared, through the State Budget 2021, its policy of transforming the State into a 'knowledge economy', ISED highlights on the need for actively engaging and equipping municipalities in such an agenda. The Institute, jointly with the Leicester Castle Business School, U.K., and in association with the Centre for Budget Studies, at the Cochin University of Science & Technology (CUSAT), organized an Indo-British Interactive Session on 'Open Entrepreneurship and Innovation' on January 30, 2021. The Session was addressed by speakers from U.K and India. Prof. David Rae, who is also Director of the Centre for Enterprise & Innovation, at the Business School will be the Key Speaker. Dr. P.M. Mathew, Senior Fellow & Director, ISED, spoke on the Indian experience in the subject area. Cochin Mayor, Mr. M. Anil Kumar made the introductory remarks. Mr. R. Fernandez, Head, Political, Economic & Public Affairs, at the British Deputy High Commission, Chennai, commented on Indo-British Economic Relations, with focus on Innovation & Entrepreneurship Development. Prof. M.K. Sukumaran Nair, Director, Centre for Budget Studies, moderated the discussion.



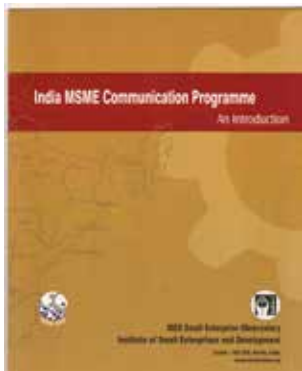
The objective of the Interactive Session was to bring to light the importance of 'Open Entrepreneurship' in the context of the post-Covid 19 "new normal" and share experience in an international setting. 'Open Entrepreneurship', in essence, is a state-of-the-art concept that places innovation as the center-point of entrepreneurship education, research and

practice. Hence, it is critical to embrace and assimilate the concept in the agenda of enterprise promotion in the coming days, says the ISED Scoping Paper entitled Entrepreneurship in an Urban Setting: Indo-British Experience in 'Open Entrepreneurship' & its Relevance to Kerala, South India. The Institute raises four key issues relating to Open Entrepreneurship in the Indian context, especially against the background of the ongoing Pandemic: a) how to promote it?; b) how it can be used as a tool for reducing urban unemployment?; c) how research, innovation, and job creation can be linked?; and d) how can links among research institutions, businesses and local governments be strengthened in a productive manner? ISED believes that answers to these questions demand global learning and sharing of experience, rather than initiatives in silos.



5 | **Communicating Development experience, concerns and imperatives**

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. 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 stake holders. It 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 characterized by their “invisibility syndrome”. India MSME Communication Programme (IMCP), is meant to address this problem through the unique platform of the Institute, the ‘ISED Small Enterprise Observatory’.



1. **Development Reporting-India MSME Report Series**

A ‘Sustainable Development’ agenda of MSMEs demands 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 creation of evidence-base and its communication has to happen on a regular basis. At the Institute, this is the basic philosophy underlying two of its major programs: 1) India MSME Communication Program; and 2) REDA Program. While the activities under these two home-grown programmes are mutually reinforcing, they have gained substantial recognition in relevant circles over time.



The deliberations of the Institute’s flagship project, MSMER were launched on December 1, 2019. The following were the major milestones in this regard:

Consultative Meets: The experience of COVID 19, the Pandemic, has brought evidence based policy making as an indispensable and crucial area in development management. Reporting on

the micro, small and medium enterprise (MSME) sector is quite an innovative experience in the developing world. This new trend owes significantly to the initiatives of a specialized platform within the Institute of Small Enterprises and Development, the ISED-Small Enterprise Observatory. International and National Consultative Meets were held on February 12& 13, 2021, respectively. The Meets deliberated on the agenda and methodology of preparation of the Report, and drew up a plan of action regarding the content and programme.



The Observatory Global Debate 2021 was on the theme, 'New Normal' in India's SMEs Under Global Perspective – Count-down for International SME Day (June 27)'. The National Debate held on February 13, was on the theme, 'India Marching towards the SME Day in a Pandemic Year'. The Meetings provided significant ideas and inputs for shaping the thematic framework of the forthcoming Report.

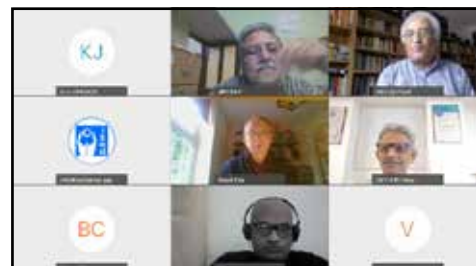
Theme Areas: The following were identified as the theme areas of the Report, to be arranged in ten chapters:

1. Review of developments in the global economy
2. Review of labour market trends: global and in India
3. Review of the evolving SME kaleidoscope
4. India's MSME developments & imperatives
5. Developments in rural enterprise & entrepreneurship in India
6. Developments in youth entrepreneurship
7. Scoping of a gender & enterprise agenda
8. Review of credit delivery in India, with focus on SMEs
9. ISED suggestions and practical tips for entrepreneurs
10. Recommendations on MSME policy and strategic approaches for year 2021 and beyond.

Deployment of Research Teams: Specific Teams, at the desk level and field level, were deployed for preparation of notes and other research materials in support of the final editing task, and for collection of field data.

Discussion on the Initial Draft: The Editorial Team met several times as appropriately to deliberate on the chapter scheme. Further, the initial draft was discussed at the full meeting of the Editorial Team, and the draft report was finalized.

Discussions with the National Partnership Network: While the project could remain sustainable thanks to the support of the National Partnership Network(NPN),

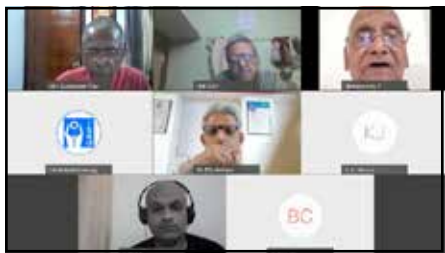


close interaction with individual members of the NPN were ensured on a one-to-one basis. This exercise was closely overseen by the Project Director.

2. MSMER Dissemination

A major component of the India MSME Communication Programme is the dissemination activities relating to the India MSME Report. Considering the constraints associated with the social distancing norms of the government, 'India MSME Darshan' could not be organized in its routine form. However, virtual meets were organized to deliberate on the Report.

Regarding MSME communication, the year has produced some remarkable outputs. Under the regular annual reporting programme of the Institute, India MSME Report, came out with its twenty-third volume on June 27, 2020. The focal themes of the Report are as follows:



The Report has a balanced view of India's growth story. The concept of India as a nation, and as a major global player, need to be highlighted and broadcasted through enhanced social inclusion, and by focusing on diversity as an asset. The comprehensive Report in ten chapters also identifies the individual entrepreneur as the beginning and end of change. Apart from its wide circulation in major policy

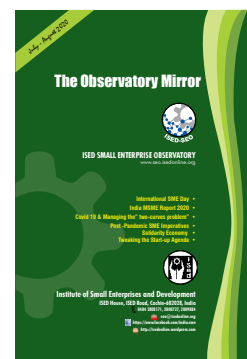
platforms, such as the NITI AAYOG, Ministry of MSME, and the Reserve Bank of India, it has been subscribed by several leading libraries, institutions and individuals, within the country and abroad.

The unique contributions of India MSME Report 2020 are the following:

1. Elucidation of the evolving techno-economic paradigm in the context of MSMEs in India.
2. Discussion of the 'two-curves problem' in the context of MSMEs.
3. Inclusive entrepreneurship strategies
4. labour market flexibility and the gig economy.
5. Responsible Banking' as a new paradigm of MSME finance.

3. Observatory Mirror

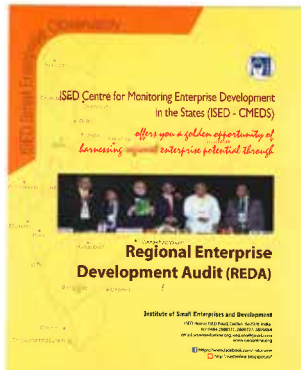
Another important communication initiative of the Institute has been its monthly publication, the Observatory Mirror. It has been published regularly, and gets circulated among around 50,000 readers.



4. Regional Enterprise Development Audit (REDA)

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 levels. 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.

Project REDA has gained significant credibility at the sub-national levels. Apart from the initiatives with various State governments in the past, the year 2020 was marked by relatively low activities under this project.



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 Project is expected to be broad based and developed into a Regional Investment Manual, useful for investment promotion activities, as also for investors.

5. Knowledge Hub-the Observatory

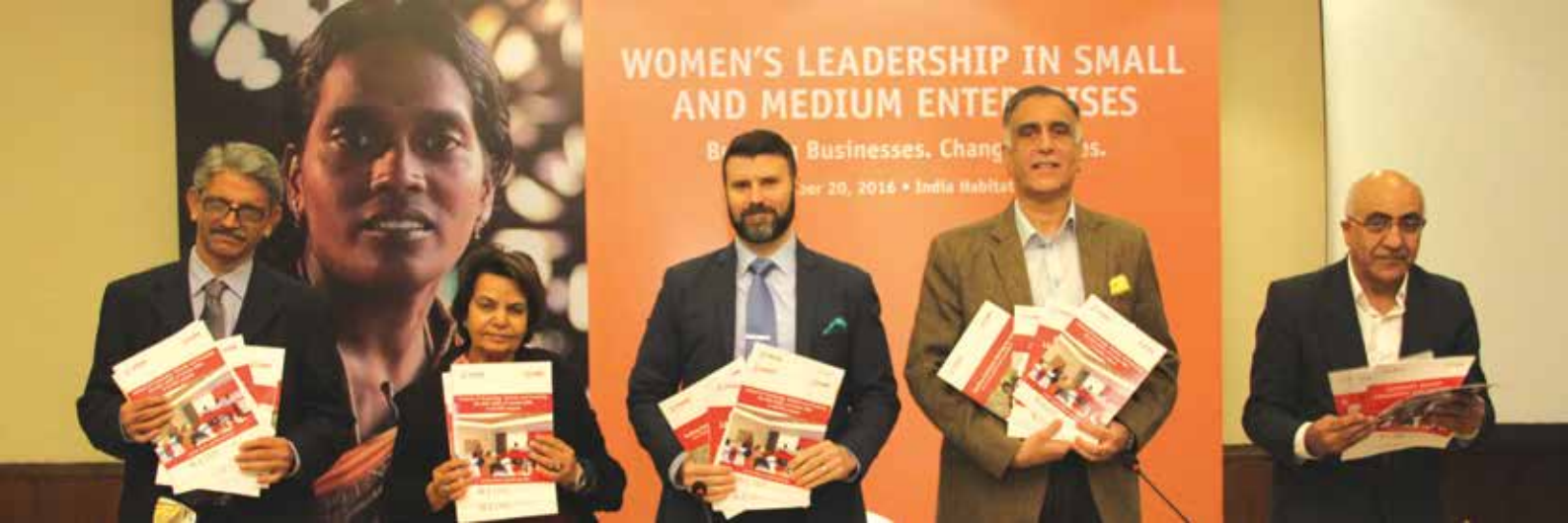
Data that forms a major part of 'evidence –base' in a knowledge economy, are need-based. The need arises from designing and running of programmes. An 'Enterprise Observatory' is a knowledge platform that can visualize and co-ordinate data for the requirements of enterprise planners and administrators. 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 broad base its 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 other interested researchers. While the Silver Jubilee of the Observatory falls during the next reporting year, it is important to streamline the data system and to broadbase its activities.



The Observatory has come out with eighteen publications during the year. All these studies were initiated by the Observatory in collaboration with one or more of the Knowledge Centres of the Institute. Apart from this, it has a unique data base on the MSME system of the country.

6. 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 help to bring together especially the young people from different educational and cultural backgrounds and nationalities. Apart from being complementary to other activities and Programmes 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 five candidates.



6 | **Demystifying Gender & Development**

The lead role of the Programme on 'Gender & Development' is for the ISED Centre for Social Development. The Centre, jointly with other Knowledge Centres of the Institute, initiated several programmes of relevance in this area during the year.

1. **Policy & Programmes**

Public policy and programmes are critical in shaping and maintain the gender agenda into the development process. The objective of the Institute in the area, during the year, were essentially in the form of research and publications.



Public policy on women's economic empowerment often end up in programmes that are focused on numbers. The focus of studies at ISED are largely on the content of women empowerment programmes from from the angle of their inclusiveness, and integration with the larger national level programmes. The study by Mahesh Shenoy and Thomas John, entitled 'Gender: How Does it Matter for Business Demography and Entrepreneurship?', has such an approach. Where gender is considered as a crucial dimension of economic development policy, it is undoubtedly necessary to identify a business case in gender sensitive economic programmes. Where gender budgeting is the corner stone of public policy and practice, it is necessary to examine enterprises in relation to its various facets: stock-flow relationship, age and health status. These inter related aspects have been discussed by the academic discipline of Business Demography. It considers women enterprises not simply as economic entities, but also as entities that are organic in nature.

2. **Financing Women**

'Finance' is a critical theme of a number of gender studies, where the economic role of women is discussed. Global studies, as also those in the Indian context, have indicated the exclusionary nature of business finance, especially SME finance, against women. The study by K. Sivakumar, entitled 'Inclusive Finance: Gender & the Business Case' looks into this problem, based on his field research in Kerala. The concept of 'inclusive finance' has gained significant global acceptability over

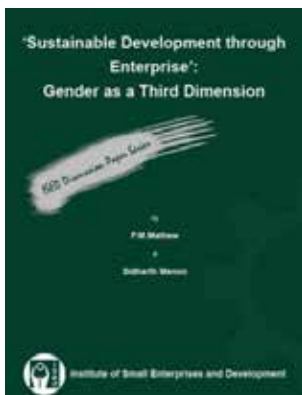


the past two decades. Apart from its ideological premises, the practice of this highly socially relevant concept is difficult and complex. While the credit manager in any bank is at the receiving end of such a complex task, it is important to focus on public policy and strategies with great care. As gender budgeting has become the order of the day in most of the public programs, there is a gender component in to which credit should naturally flow. Even the public financial institutions have their dedicated gender programs. To what extent the

financial institutions find a business case with such programs? Besides, what is the experience of such programs in relation to bankability and sustainability. It is important that the bankers dilemma is reduced to the minimum with the help of a strong evidence base. Such an initiative is critical from the point of view of ensuring the credibility of gender-sensitive public programs for enterprise development, and to ensure accelerated credit flow into such businesses.

3. Sustainability: Women and Covid-19

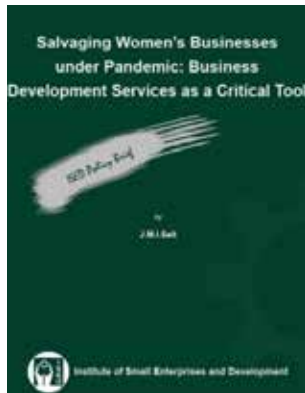
Unlike in the past, entrepreneurship development has been considered to be the centre point of strategies for women economic empowerment today. As pointed out by several evaluation studies, in the agenda of gender budgeting, entrepreneurship is often a weak spot. As such, both at the national level and 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 Institute has taken a special interest in the 'Gender and Enterprise' constituency since 1995, and activities in this area are co-ordinated by the iSED Centre for Social Development.



While 'Gender and Enterprise'(G&E) is a critical theme in development debates today, a major forthcoming output is the book, 'Genderpreneurship and Sustainable Development through Enterprise: Experience and New Perspectives'. 'Genderpreneurship' can be summarized in terms of two key aspects: While economic empowerment of women through the entrepreneurship route is accepted as a global agenda, there are ongoing debates on the strategies. This book critically examines the Indian experience, and argues that, 'path dependency' is a serious bias prevailing in the country. From the angle of building the gender dimension into the overall agenda of sustainable development, it is necessary to have a critical look at the ongoing schemes and the implicit strategies. The book also argues for a futuristic approach.

While the key concern of the year under report was the impact of Covid 19 on women and their economic activities, a special study was initiated by the Institute, in order to take stock of the economics of women's business enterprises and to offer strategic suggestions. Salvaging Women's Businesses under Pandemic: Business Development Services as a Critical Tool, by J.M.I.Sait, is a comprehensive report on the subject. According to Sait, providing a range of business advice, information, and assistance to the sector, as well as stimulating sustainable MSME development by improving the general business environment are critical areas. BDS are effectively a range of services designed to assist enterprises and entrepreneurs to operate efficiently and grow their businesses with the aim of contributing to economic growth, employment generation

and poverty alleviation. The definition of Business Development Services, put forward by the Institute, is more broad based. ISED proposes an alternative workable definition for business development services: In the context of this study, BDS is defined as those services (both operational and strategic) and products offered, both directly and indirectly, for meeting the needs of individual businesses and the business community, at various stages of their business needs, and for other actors in shaping policies and strategies. In a relative sense, considering their objective constraints, women need an integrated package of real services for ensuring the sustainability of the existing enterprises, and to attract new entrants. It is important that in the gender based public programs, this element take a prominent place in the coming years.



Enterprise insecurity is a relative issue. It affects most in the case of businesses that are owned by social groups that are relatively weak. 'Salvaging Women's Businesses under the Pandemic: Business Development Services as a Critical Tool', by J.M.I. Sait, also looks into the problem of enterprise security in the context of gender. While, it is well known that SMEs are prone to several vulnerabilities because of objective and subjective reasons, the solutions to the same cannot be arrived at on a stand-alone basis. This is more so in the case of women enterprises that are prone to several additional constraints. Apart from an individual approach, there need to be an integrated framework of analysis and policies that can lead to meaningful strategies and

projects. The imperative for such a research agenda is all the more important today, especially in a context where, apart from their potential and rich contributions, as some evaluation studies indicate, gender has become a policy convenience. Conceptual clarity and measurable and operationally meaningful indicators need to be the key principles of a new analytical approach.

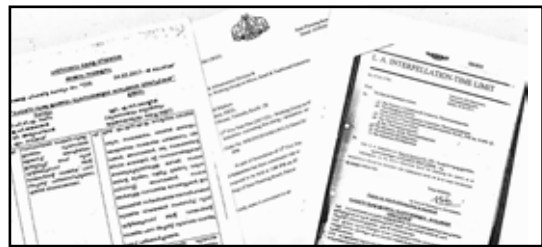
4. 'Gender & Enterprise' Observatory

As a thematic area of active interest to the Institute, ISED proposed the idea of a 'Gender and Enterprise' Observatory a couple of years back. Subsequently, at the instance of the Ministry of Women and Child Development, Government of India, the concept was further developed on operational lines. As part of the ISED Small Enterprise Observatory, the 'Gender & Enterprise' Observatory was set up by the Institute. During the reporting year, the activities of the Observatory were stepped up with new publications and addition of data bases.



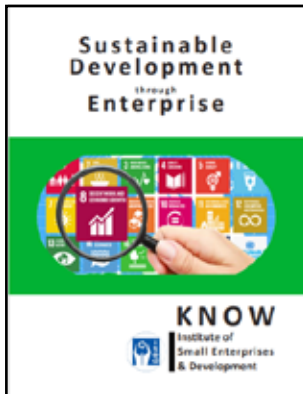
7 | Familiarising Regional Development & Public Programmes

Both globally as also in India, regional development have traditionally been considered as a focal objective for development of enterprise and entrepreneurship. The traditional argument has been in terms of employment promotion and utilization of local natural resources. Of late, the focus has undergone a major shift, as in a globalized situation, economic development has become an aspiration of the masses. The new crave for ‘regional development’ requires massive investment in infrastructure that can ensure spillover effects in all regions and countries, though this need not necessarily ensure inclusive development in society. The ISED programme, under this caption, looks into both the economics and the social sustainability of development programmes and policies. As such, it looks into how public policy gets shaped, the way programmes have been structured, as also the implementation and effects. Research has been carried out on a regular basis at the Observatory, and reporting has been done through the India MSME Report. There are five specialized studies that have dealt with various aspects of regional development.



The developments in the rural economy of India, par excellence, during the year was the Pandemic, Covid 19. It has seriously disrupted the rural economy of the country through the congruence of several factors, such as closure of business activities, displacement of labour, mass migration, and massive health catastrophe. Therefore, it is important to have a spotlight on the key facets of the rural problem today. This discussion, first of all, tries to situate the problem in the larger context of rural economic transition. The second dimension relates to the problem of migration. Thirdly, the opportunities in the rural context are explored, and a strategic approach is proposed.

A study entitled, Enterprise & Entrepreneurship in Rural India: Experience of the Pandemic Days, by Animesh Halder & John Sebastian, looks into various aspects of the problem. The project was



initiated by the ISED Small Enterprise Observatory, Jointly with ISED Centre for Enterprise Development

Along with these studies, the Institute's other activities, as follows, have tried to make use of these insights to the realm of practice:

i). Business Development Services

The concept of 'Finance Clinic', developed by the Institute, has been a response to the local reality of advisory support and mentoring needed by local entrepreneurs in the context of Covid-19. Despite the significant demand for the services of the Clinic, there is a resource constraint as well. While, initially, some of the public sector banks had shown active interest in the subject, the sustainability of the Clinic depends on sponsorship, as the paying capacity of many business units are limited.

ii). Entrepreneurship Development Programmes

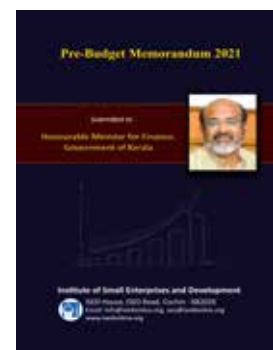
Following the 'REDP Model' of entrepreneurship development programmes that were actively mooted by the ISED, jointly with NABARD and SIDBI, the Institute has significant contributions for EDP modeling. However, considering the constraints of Covid 19, EDPs planned during the year could not take forward.

iii). Motivational Programmes

Motivational programmes of the Institute were tweaked to the context of the Pandemic, and four Community Sensitization Programmes were organized during the year.

iv. Communication Programme

Public programmes are an interface that connect public policy and the regional/local reality. The Institute closely monitors the public schemes in terms of their content and experience of implementation at the regional/local level. Policy Briefs brought out by the ISED Small Enterprise Observatory are addressed to the policy community. The Institute has come out with a selected number of 'Policy Briefs' during the year. These have been widely circulated among the policy institutions, such as NITI Aayog, Ministries, and the Reserve Bank of India. Besides, such documents have been widely published in the form of press briefs and articles.



v). Pre-Budget Memorandum

Apart from the above, the Institute also submitted its usual pre-Budget Memorandum to the Minister for Finance, at the Union level and in the State of Kerala.



8

Analysing and Simplifying ‘Finance & Development’ to the Common Man



In India’s enterprise development agenda, finance operates at three levels: First, is the Government Budget. As the prime mover of allocation of resources, it 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 macro-economic 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 into its regular activities relating to in-house research, and engagement with other stake holders.

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 needs 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, 2020, covered a variety of topical issues relating to SMEs and entrepreneurship. The focal theme 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. It was a follow up of the Memorandum submitted to the Prime Minister on April 5, 2020.



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 the India Micro, Small and Medium Enterprise Report 2020. The Report carries a full-fledged chapter on rural economy, a critical area of concern both for RBI and the NABARD.

2 Credit Delivery and Credit Absorption

Credit delivery and credit absorption are important from the angle of policy and action for MSME 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 all banks in the country under the IMCP. It provides practical inputs and leads to banks for expanding their credit off-take 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.

ISED is working on an institutional solution for the problem of credit delivery. It proposes a BDS platform that specifically addresses the finance related issues. The concept of a Finance Clinic has been evolved. Discussions with financial institutions and other stake holders were initiated, and the Clinic was opened with effect from April 5,2020.

Financial inclusion is a focal area in policy and practice today. However, at the ground level, there are several issues faced by the lending institutions, considering the prudential norms in banking. The study entitled, ‘Inclusive Finance: Gender and the Business Case’, looks into these aspects. Apart from its ideological premises, the practice of this socially relevant concept is difficult and complex. While the credit manager is at the receiving end of such a complex task, it is important to focus on public policy and strategies with great care. As ‘gender budgeting’ has become the order of the day, in most of the public programs, there is a gender component into which credit should naturally flow. Even the public financial institutions have their dedicated gender programs. To what extent the financial institutions find a business case with such programs? Besides, what is the experience of such programs in relation to bankability and sustainability? It is important that the banker’s dilemma is reduced to the minimum with the help of a strong evidence base. Such an initiative is critical from the point of view of ensuring the credibility of gender sensitive public programs for enterprise development, and to ensure accelerated credit flow into such businesses.



While the role of the financial system is critical in evolving strategies for a comeback of the economy and of enterprises, banks have been crippled by bad debts, and poor off take of credit. A study entitled, Financing a Fractured Enterprise System: Search for New Strategies, by J.M.I.



Sait, looks into these aspects. Setting a right balance between epidemiological compulsions and keeping the development process going, is the challenge of Pandemic Economics. Sustaining the health, growth and sustainability of the MSMEs, a sector that really matter in India's development agenda, in terms of output, employment, and opportunities, is critical

today. While sustaining agriculture is vital to ensuring food security during the Pandemic and beyond, the health of the MSMEs is critical to the dynamics of the local economy. Financing such a fractured enterprise system is a challenge as well as an opportunity .



9 | **Situating and analyzing Covid 19 & Enterprise Security**

The institutional response of ISED to the major disruptive environment on account of Covid 19, the Pandemic, needs to be understood in terms of two main aspects: a) the Programme and special activities of the Institute; and b) deployment of human resources. The programme of the Institute did not undergo any major change, except



for the constraints on field oriented projects and activities. Given the Institute’s focus on a hybrid work culture, it was easier to switch over to platform oriented work during the periods of the Lock down, as also that of statutory regulations and controls on mobility and social activities. The activities of the Institute were focused on two areas during the period: a) sensitizing governments and public authorities as also the business community on the necessary strategies and corrective activities that help to bring down the pains of the Pandemic; and b) research on critical themes of immediate policy and strategy interest.

1. Research

The key issues and concerns for the Institute’s programme and activities during the reporting year was Covid-19 the Pandemic, and its impact on the regional and national economy of the country. Given the mandate and programme of the Institute, such activities and interests were focused on enterprises, and small enterprises in specific. A series of studies and special enquires and interventions were made by the Institute in the subject area.

Titled ‘Economy, Industry and Entrepreneurship: Battling with the “Two Curves Problem”, a Policy Brief by P.M.Mathew, looks at the Covid battling strategies with respect to small enterprises. Under globalization, where technology and economic growth are increasingly space-neutral, the opportunities of SMEs are likely to be more complex. While SMEs, by nature, are space bound rather than space neutral, the disruption associated with Covid 19,





the Pandemic, and the so called “two-curves problem”, leaves them with mixed opportunities. However, the subject today is discussed and approached more in a space-bound manner, as against the blind belief in global value chains.

Survival strategies are critical for micro and tiny enterprises that are prone to significant damage against any long run tremors in the economy. This segment of enterprises was an area of special interest to the Institute during the year. A study by P. Sukumaran Nair, entitled, Enterprise Scene in India Today: Search for Survival Strategies, offers a strategic approach having operational relevance to many enterprises.

Against the background of the on-going Pandemic, it is important to carefully understand the scenario of labour market behavior, and of MSME performance in India, as the new survival strategies need to be explored and supported. The study contributes at three levels: First, it provides a summarized view of the MSME constituency in India today. Secondly, it discusses the strategic options available to the country in this transitional stage. Thirdly, it looks into some of the key steps relating to policy and strategies that needs to be initiated on a priority basis.

2. Business Development Services

At the operational level, a major initiative of the Institute was the ‘Finance Clinic for Small Enterprises’. This, in fact, is an extension of the concept of Finance Park, initiated by the Institute in 2012. This dedicated window of the ISED Centre for Financial Education and Research, is meant to service the interests of MSMEs, entrepreneurial aspirants, such as return migrants, start-ups, and women entrepreneurs.

ISED-FCSE is a social responsibility initiative of the Institute, and considers it as a professional support to the Government of Kerala and the Union Government in their meticulous efforts for fire-fighting and managing the pandemic economics of COVID-19. The Finance Clinic is equipped with a multi-disciplinary team of experts. In the context of the ongoing Pandemic, the services are mostly offered on-line. The professional services of the Centre are fully free, except for some specialized tasks.



3. Re-railing and Revitalization



The outbreak of Covid-19, in the context of Kerala, was marked by the following developments: 1) the inflow of return migrants in large numbers; 2) the fact that most of the flights carry at least one Covid case; 3) the opening up of long-distance railway traffic by the Union Government; 4) the likely lifting of Lock-down on the 17th of this month, and the opening up of local bus transport system, along with that. These developments indicated an extremely risky situation, of an accelerated velocity of local public transport, and a possible unbridled social mixing. It was feared that Kerala’s commendable initial achievements could be washed away in no time, and the current bus transport system can be the major contributor to that. In this context,



the Institute, the Institute submitted its recommendations to the Government of Kerala. The Memorandum submitted to the Chief Minister, entitled 'Guidelines for Rebooting City Transport System of Kerala', dated May 11, 2020, recommended a 'Trilateral Model' of passenger safety, transport facility, and business viability. The Memorandum offered 'Community Transport' as a viable model in this context.

Kerala Industrial Reforms & Rejuvenation Mission is a proposal submitted by the Institute to the Government of Kerala, in order to revitalize the industrial sector that was severely affected by the massive disruption in the economy. The proposal, submitted to the Chief Minister on May 04, 2020, carried a Nine-Point Agenda.

Against the three weeks' Lock-down announced by the Prime Minister, Mr. Narendra Modi, on March 24, 2020, ISED submitted its detailed recommendations on the reopening strategy for the MSME sector. The estimated 42.50 million (registered and unregistered together) MSMEs, employing 40 per cent of India's work force, and turning out about 8000 varied products, was demanding a comprehensive relief package from the government.

The ISED Scoping Paper entitled, "Towards a Rerailing Package for the MSME Economy of India" brought out the dimensions of the MSME problem in the country, and reviewed the mitigation strategies adopted by various countries. Authored by P.M.Mathew, ISED Director, and J.M.I. Sait, Senior Fellow and former Country Director of the United Nations Industrial Development Organization (UNIDO), the document pointed out that, the Pandemic offers a great opportunity for India to harness some of its hidden potential. The unique capability of the country is its decentralized manufacturing system, where tools and components of big manufacturers come significantly from small factories and workshops. This is not the case with the industrialized countries of the Northern hemisphere, where, the SME stream is relatively new in focus, and is dominated by services, such as restaurants and retail outlets. This implies that, along with its rich and diversified product structure, India's MSMEs have huge process capabilities, that are identified with several towns and cities, such as, Coimbatore, Tiruchirapalli, Tirupur, Bangalore, Chennai, Surat, Pune etc. Such process capabilities, however, are losing out, as observed from the recent industrial distress in some of these centers like, Thiruchirapalli, Coimbatore, Tirupur and Thiruvallur. The document proposed the crisis in the economy as the right time for introspection and evolution of new strategies. The ISED document advocated opening up of the MSME units of the country in four phases.



The Discussion Paper, 'Covid 19 and Cohesive Development: A New Perspective on Enterprise and Livelihoods Development', by P.M.Mathew, raises some important questions on livelihoods scene and development challenges at the bottom of the Pyramid. Against a global perspective, the Paper proposes an alternative analytical and policy approach to the problem, having implications for fighting the "two-curves problem".



4. Exploring the 'Self-reliance' Context

While in the evolving global economic order, trade and investment are expected to be driven by global value chains, the experience of Covid 19, the pandemic, has brought to the fore a new relevance and context of 'self-reliance'. Government of India has taken forward this idea through the pronouncements by the Prime Minister. While the foundations of India's MSME policy are significantly grounded on the idea of 'gram swaraj', the time has come for a reinterpretation of the concept in a new context. The ISED Scoping Paper, 'Self reliance: MSME Economy of India and its Potential', by P.M.Mathew and J.M.I.Sait, discusses the problem and its various dimensions.



10 | Collaborating across Stakeholders on Entrepreneurship & Enterprise Development

The way in which research is undertaken really matters. ISED collaborates innovatively across various disciplines and stakes. It works with governments, businesses, nongovernmental organisations, civil society and communities. Through these collaborations, it generates and apply evidence in ways that ultimately make a difference to people’s lives.

In 2019, the ISED Small Enterprise Observatory had analysed the polarised growth of SMEs in India, on a “Tortoise and Hare” model. The strategic approach of the Institute has proved to be relevant, as the Pandemic, Covid 19 brought in a massive disruption having serious distributive consequences.

Extending our legacy on participatory methods, we have collaborated with India’s most marginalised enterprises to help ensure that their voices are heard and shape the policies intended to ensure that they are not left behind. The Institute’s comprehensive report under REDA programme in 2018 has focused on tiny and nano industries in the State of Tamil Nadu. The Institute also initiated some follow up studies on the subject and have come out as follows:



- Enterprise Security’ in India: The Emerging Picture of MSMEs
By P.M.Mathew & K.Nagarajan
- MSMEs in the Subsector Kaleidoscope
by P.M. Mathew & J.M.I.Sait
- MSME Vulnerability and ‘ Enterprise Security In India:
Key Issues to be debated
- Towards an ‘Enterprise Security ‘System in India:
Case for a National Enterprise Security Act

1. Business Membership Organisations

Follow up of the subsectors under interest, as above, continued during the reporting year. ISED has organised four follow up Workshops, along with MSME Associations during the year. The Institute continues its close interaction with leading MSME Associations and Business Chambers in the country.

Under the REDA Programme , special efforts were taken during the year to interact with subsector and regional MSME Associations of the country, and to document the latest developments.

2. Research Community



The global scene of MSME development, with focus on youth was the focal area of the Institute during the year. Two global events in this context deserve special mention:

The ISED-IFPRI(Washington) Workshop on Youth Entrepreneurship, held on December 5,2020, was a significant event. Agriculture is the only sector that has succeeded in withstanding the ill effects of COVID-19, at least to some extent. As entrepreneurs, young people can play a major role in the transformation of agriculture. In developing countries, too few of them currently get the opportunity to start a business. But, developing country governments are now creating entrepreneurial agribusiness opportunities through new programs and policies. The private sector investors and non-profit organizations are also closely involved in this. However, several questions remain unanswered: 1) How can the necessary business environment for youth entrepreneurship be strengthened? How can multi-stakeholder initiatives benefit most in starting and succeeding in business? 2) What factors contribute to sustainable success in youth entrepreneurship? 3) How can the policy makers, intermediary institutions, and local governments work together to develop inclusive youth entrepreneurship? The Workshop considered these as pertinent questions that required answers, both from the angle of policy and practice.



While the Government of Kerala has declared, through the State Budget, its policy of transforming the State into a ‘knowledge economy’, Institute of Small Enterprises and Development highlighted on the need for actively engaging and equipping municipalities in such an agenda. The Institute, jointly with the Leicester Castle Business School, and in association with the Centre for Budget Studies, at the Cochin University of Science & Technology (CUSAT), organized an Indo-British Interactive Session on ‘Open Entrepreneurship and Innovation’, with speakers from U.K and India. The key Speaker was Prof. David Rae, who is also Director of the Centre for Enterprise & Innovation, at the Business School. P.M. Mathew, Senior Fellow & Director, ISED, spoke on the Indian experience in the subject area. Cochin Mayor, M. Anil Kumar made the introductory remarks. Mr. R. Fernandez, Head, Political, Economic & Public Affairs, at the British Deputy High Commission, Chennai, commented on Indo-British Economic Relations, with focus on Innovation & Entrepreneurship Development. Prof. M.K.Sukumaran Nair, Director, Centre for Budget Studies, moderated the discussion.



Active professional interactions with the financial sector at five levels, ie., Central Bank,DFIs, Commercial Banks, Small Banking sector and Training & Research institutions, continued. Such interactions have immensely helped to enhance the research capabilities of the Institute, on the one hand, and nourishment of the knowledge platforms, especially of the ISED Small Enterprise Observatory.A major achievement of the year has been the focus on ‘Responsible Finance’ as a focal area , in the special context of the ongoing Pandemic.

3. Professional Community

The policy challenges thrown up by Covid 19 and the associated disruption in economies, at global, national and regional levels, have crystallised into three major developments among the professional community. First, beyond disciplinary bounds, the strategic relevance of the SME sector in the economy has gained general acceptance. Secondly, the Institute's consistent record and constituency focus spanning three decades has been commended. Thirdly, a significant number of professionals, irrespective of their official affiliations, have shown significant solidarity with the institutional mission of ISED: "Sustainable Development through Enterprise". These significant developments are expected to be contributory to strengthening the ISED Programme in the coming days.



4. Governments & Public Promotional Agencies



A major contribution of ISED Programme has been its consistent position on the need for policy and governance reforms. While public policy reforms take place best at the convergence of "trigger factors", governance systems can undergo changes when "path dependency" syndrome is addressed with strong evidence base. It is a matter of complacency to the Institute that, some of the key elements of the Institute's approaches to public policy and strategy have gained greater acceptance against the current experience of slowdown

in the Indian economy. The Institute's constant interactions and participation in official programmes in the form of studies and advisory services continued during the year. The interest and support of NITI Aayog, Office of the DC (MSME), Department of MSME, Government of Tamil Nadu, and the State Planning Board, Kerala, are gratefully acknowledged.



5. Educational System

Inculcating values of entrepreneurship in Education is a new and emerging trend in India. The Institute's interactions with EDClubs, Incubators/Accelerators in educational institutions continued. Besides, the Institute's advisory role with various such institutions, this has also helped to enrich the Youth Programme of the ISED. (eg: Bharathidasan University Entrepreneurship, Innovation and Career Hub (BECH)).

6. Media Community

ISED, since inception in 1988, has strived to take along the media community towards a constituency focus on MSMEs, in the larger common interests of development debates and action. While the Institute was blessed with significant media co operation and support from time to time, the ISED impact has been visible in the case of the enhanced interest of local media on MSME issue. The Institute's policy recommendations and submissions in the context of Covid 19 related disruptions have gained significant attention and policy response, thanks to the support given by the national and regional media.





11 | **ISED Impact Areas: An Excursion**

At the ISED, we transform the knowledge, action and leadership needed for more equitable and sustainable development, with focus on enterprise and entrepreneurship. We do this through our programme, specific to the seven Knowledge Centres, covering research, development communication, and business development services and through maintenance of a knowledge system, the Observatory.

Downstream Impacts & Achievements

S.No.	Key Initiatives	Output	Outcome
1	Originally Advocated by ISED (Unique Identification Number, 2001)	Udyog Aadhar	Implemented by Govt. of India
2	Mooted by ISED (1997)	Small Enterprise Commission	Discussed in policy circles; formally recommended by Kerala State Planning Board
3	Mooted by ISED (2002)	Three-tier Reporting on MSMEs	Implemented by ISED
4	Mooted by India MSME Report (1997)	Micro Enterprise Clinic	Implemented by Govt. of Kerala
5	Mooted by India MSME Report (2011)	Enterprenurship as a critical Resource	Discussed in Plicy circles
6	Mooted by India MSME Report (2012)	National Enterprenurship policy	Implemented by Govt. of India
7	Mooted by India MSME Report (2012)	Start-up Policy	Implemented by Govt. of India
8	Mooted by the ISED	MSME Knowledge System	Discussed in policy circles; implemented by ISED
9	Mooted by ISED (1997)	MSME Observatory	Implemented by ISED
10	Mooted by ISED (2003)	Biotechnology Policy	Implemented by Govt. of India
11	Mooted by ISED (2002)	Energy Enterprenurship Policy	Implemented by Govt. of India
12	Mootd by India MSME Report (2014)	MSME Life Cycle Approach	Implemented by RBI
13	Mooted by India MSME Report (2015)	MSMEs in LED Model	Implemented by ISED
14	Mooted by ISED (2014)	Universalization of MSME Registration	Actively discussed in policy circles
15	Mooted by ISED (1997)	Craft Clinics	Implemented by Govt. of India
16	Mooted by ISED (1995)	Bamboo Village Network	Cencept Implemented in Kerala and Assam
17	Mooted by ISED (1995)	Local Level Skill Mapping	Implemented by ISED, and by various State Govts.
18	Mooted by ISED (2010)	National BDS Model	Implemented by Govt of India (RUGMY)

Over the last thirty-three years, we have worked on an extended partnership platform to support policy and action for development. It covers governments, international organisations, financial institutions and promotional agencies, philanthropic foundations, academic institutions and civil society organisations. The ISED operational strategy includes:

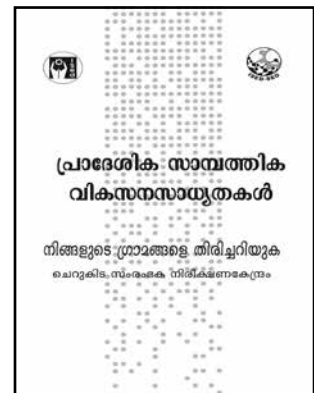
- contributing to changes in policy and practice;
- helping to shift attitudes and behaviours around issues;
- helping to build the research and knowledge-sharing capacity of academics, practitioners, and policy makers; and
- developing and strengthening the research and knowledge networks.



These interventions and activities are based on the core mandates of the Institute. In an era of unprecedented environmental, social, political, economic and technological disruptions, we are committed to understanding the objective reality of people’s experiences, with special focus on entrepreneurship and livelihoods. Such understanding, ultimately, is meant to improve policy and practice.

1. Responding to Crises

Our ability to rapidly mobilise decades of existing knowledge and our own track spanning three decades, has helped us to present a balanced and sustained approach to management of crisis on account of the Pandemic, Covid 19. The analytical framework of ‘Enterprise Security’ and the strategic approach of ‘Tortoise and Hare’ are unique contributions of ISED. The warnings and suggestions of the Institute in 2019 have turned out to be topical and timely soon after. During the year under report, the Institute’s programme was reoriented to take stock of the contingency arising out of the Pandemic, and special studies on the ‘Lock down’ effect were initiated. The findings and recommendations of the Institute on the trend towards ‘Nano privatisation’ in the regional economies of India, is a follow up of the Institute’s own previous studies relating to ‘Micro privatisation’ in the context of the economic reforms of 1990s. Based on such findings, a Memorandum was submitted to the Prime Minister and to the Ministry of Finance on January 12.



2. Contributing to Sustainable Development

ISED research has also contributed to integrated long-term development approaches and strategies relating to entrepreneurship promotion and economic governance. Entrepreneurship Resource Policy, Decentralised Entrepreneurship Development Model, and Integrated Life Cycle Model of Enterprise Development are unique to the Institute, and more specifically to

the think-tank initiatives of the ISED. These have gained significant acceptability at the national level and in selected States of the country (eg: Tamil Nadu, Punjab).

3. Supporting Capabilities that contribute to pro-poor economic growth

We have helped foster innovative ideas and partnerships around pro-poor economic growth through the entrepreneurship route. Local level Skill Mapping (Kalady Model, 1995) and Urban Micro enterprise Development Model (1996) have gained wide acceptance with the Union and State governments (eg: Swarna Jayanti Gram Swarozgar Yojana, Kudumbashree Model, Kerala).

4. Progressive economic governance systems



Udyog Aadhar, India's unique MSME registration system for MSMEs, is related to the ISED Model 'Unique Numbering System for Small Enterprises', recommended by ISED as a Member of the Dr. S.P. Gupta Committee on Development of small Enterprises, Planning Commission, New Delhi.

5. Research Capacity & Academic Capabilities

ISED, over the last three decades, has significantly contributed to an ecosystem impact relating to research capacity building contributing to academic capabilities at the ground level. A number of researchers have got attracted to the otherwise least attended, domain of MSMEs as an area of significant research potential.

6. Partnership Development








Despite the realisation of development as a sustained process demanding continuous support, development action often remains piecemeal in nature. ISED has been able to establish a credible alternative through its National Partnership Network (NPN), under the India MSME Communication Programme. While many leading promotion and development agencies of the country are Partners of the Network, the Institute has been able to sensitise several new agencies and institutions into this critical constituency, and to make them its votaries.











12

ISED Publications 2020-21

	<p>India Micro Small and Medium Enterprises Report - 2020</p>	<p>ISED-SEO</p>	<p>2020</p>	<p>MSMER 2020</p>
<p>Web-Link https://isedpublications.org/product-detail.php?books_id=413</p>				
	<p>Entrepreneurship in Transition: Lessons for the Technology Start-ups & More</p>	<p>Meine Pieter van Dijk</p>	<p>2021</p>	<p>ISED-372</p>
<p>Web-Link https://isedpublications.org/product-detail.php?books_id=456</p>				
	<p>Salvaging Women's Businesses under Pandemic: Business Development Services as a Critical Tool</p>	<p>J.M.I.Sait</p>	<p>2020</p>	<p>ISED-363</p>
<p>Web-Link https://isedpublications.org/product-detail.php?books_id=447</p>				
	<p>How Does it Matter for Business demography & Entrepreneurship?</p>	<p>Mahesh Shenoy & Thomas John</p>	<p>2021</p>	<p>ISED-361</p>
<p>Web-Link https://isedpublications.org/product-detail.php?books_id=445</p>				
	<p>Inclusive Finance', Gender & the Business Case</p>	<p>K. Shivakumar</p>	<p>2020</p>	<p>ISED-366</p>
<p>Web-Link https://isedpublications.org/product-detail.php?books_id=450</p>				

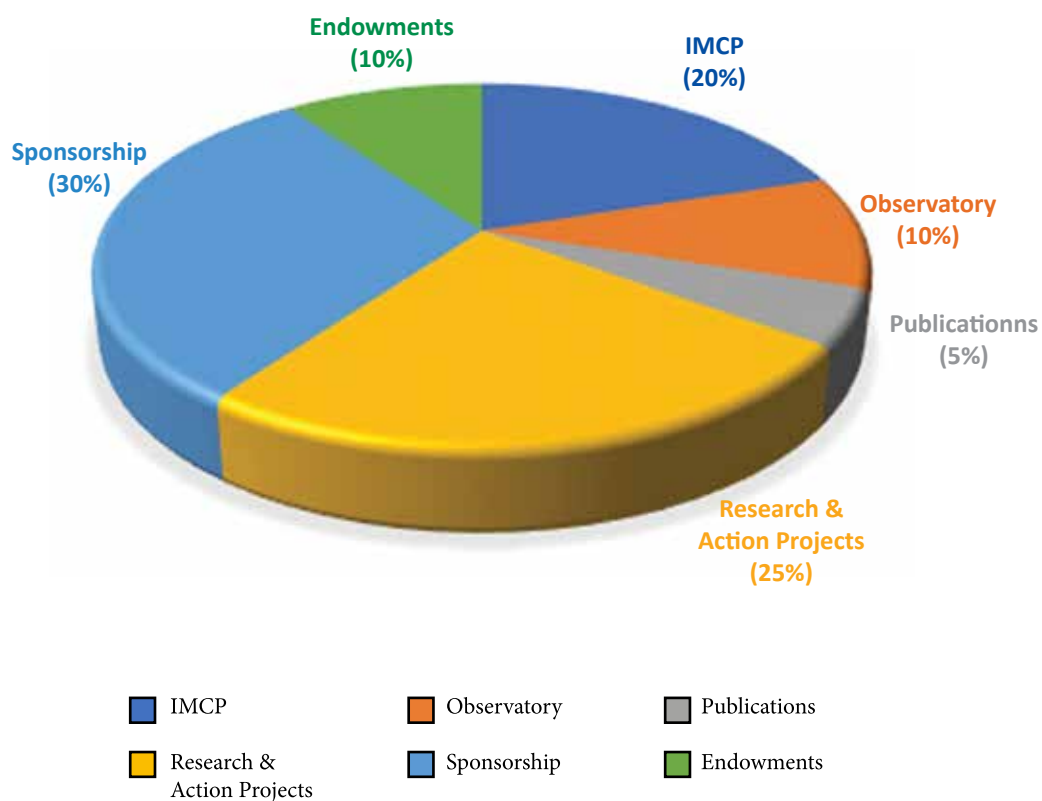
	Enterprise Security' in India: The Emerging Picture of MSMEs	P.M.Mathew & K.Nagarajan	2020	ISED-336
Web-Link https://isedpublications.org/product-detail.php?books_id=419				
	India's MSME Policy Architecture: A discussion	K.Viswanathan	2020	ISED-337
Web-Link https://isedpublications.org/product-detail.php?books_id=420				
	India's Scene of Micro, Small & Medium Enterprise Today	P.M.Mathew & Jovel Johnson	2020	ISED-338
Web-Link https://isedpublications.org/product-detail.php?books_id=421				
	Development of Small & Medium Enterprises: The Emerging Global Agenda	P.M.Mathew	2020	ISED-332
Web-Link https://isedpublications.org/product-detail.php?books_id=415				
	Economy, Industry and Entrepreneurship: Battling with the "Two Curves Problem"	P.M.Mathew	2020	ISED-339
Web-Link https://isedpublications.org/product-detail.php?books_id=422				
	SMEs and 'Enterprise Security' in the 'Servitisation' Era	J.M.I.Sait & P.M.Mathew	2020	ISED-340
Web-Link https://isedpublications.org/product-detail.php?books_id=423				
	The World of Work and SMEs Today	Animesh Halder & P.Sukumaran Nair	2020	ISED-341
Web-Link https://isedpublications.org/product-detail.php?books_id=424				
	Flexible Production and Gig Economy Today	K.S Arun & P.Sukumaran Nair	2020	ISED-342
Web-Link https://isedpublications.org/product-detail.php?books_id=425				

	India: Economy, Public Policy and SMEs under the Pandemic	K. Laxminarayanan & P.M.Mathew	2020	ISED-343
Web-Link https://isedpublications.org/product-detail.php?books_id=426				
	Enterprise & Entrepreneurship in Rural India: Experience of the Pandemic Days	Animesh Halder & John Sebastian	2020	ISED-344
Web-Link https://isedpublications.org/product-detail.php?books_id=427				
	Circular Economy India: Scope and Opportunities	John Sebastian & J.M.I.Sait	2020	ISED-345
Web-Link https://isedpublications.org/product-detail.php?books_id=428				
	Financing a Fractured Enterprise System: Search for New Strategies	J.M.I.Sait	2020	ISED-346
Web-Link https://isedpublications.org/product-detail.php?books_id=429				
	Enterprise Scene in India Today: Search for Survival Strategies	P. Sukumaran Nair	2020	ISED-347
Web-Link https://isedpublications.org/product-detail.php?books_id=430				
	Covid-19 and Good Economics with Empathy: 'Finance Clinic' for Small Enterprises	P.M.Mathew & M.Suresh Kumar	2020	ISED-379
Web-Link https://isedpublications.org/product-detail.php?books_id=463				
	COVID 19 Calls for a New Economics: 'Sustainable Development through Enterprise'	P.M.Mathew & B. Naval Kishore	2020	ISED-380
Web-Link https://isedpublications.org/product-detail.php?books_id=464				
	Guidelines for Rebooting City Transport System under Covid-19: A Tripod Model for Kerala	P.M.Mathew & J.M.I.Sait	2020	ISED-381
Web-Link https://isedpublications.org/product-detail.php?books_id=465				
	COVID-19: Towards A Re-railing Package for the MSME Economy in India	P.M.Mathew & J.M.I.Sait	2020	ISED-382
Web-Link https://isedpublications.org/product-detail.php?books_id=466				



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Budget Overview 2020-21





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IMCP National Partnership Network

- All India Association of Industries, Mumbai
- Axis Bank
- Bureau of Energy Efficiency
- Bank of India
- Bank of Maharashtra
- Central Bank of India
- City Union Bank
- Cane and Bamboo Technology Center
- Centre for Entrepreneurship Development, Tamil Nadu
- Coir Board
- Canara Bank
- CSB Bank Ltd
- Commonwealth Secretariat, Commonwealth Youth Centre, Chandigarh
- Council for Leather Exports
- ESAF Small Finance Bank
- Exim Bank India
- ECGC Ltd.
- Entrepreneurship Development Institute of India
- Federal Bank Ltd.
- Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI)
- Federation of Indian Chambers of Commerce and Industry(FICCI)
- Federation of Karnataka Chambers of Commerce & Industry (FKCCI)

- Federation of Madhya Pradesh Chambers of Commerce and Industry (FMPCCI)
- Federation of Indian Export Organisations
- Footwear Park Association, Bahadurgarh
- Gujarat Chamber of Commerce and Industry
- Gujarat Industrial Development Corporation
- GAIL (India Ltd)
- IDBI Bank
- ICICI Bank
- Indian Bank
- Indus Ind Bank
- Indian Overseas Bank
- International Labour Organisation (ILO)
- Indian Institute of Entrepreneurship, Guwahati
- Indian Professional Service Organisation (IPSO), Kolkata
- Karnataka State Small-scale Industries Association
- Kerala Financial Corporation
- Kerala State Industrial Development Corporation
- Kerala State Infrastructure Development Corporation (KINFRA)
- Kerala State Small Industries Association
- Kerala State Financial Enterprises Ltd.
- Kerala Gramin Bank
- Kanoria Group of Companies, Kolkata
- Kanara Small-scale Industries Association
- Karur Vysya Bank
- Life Insurance Corporation of India
- Madhya Pradesh Laghu Udyog Sangh
- Madhya Pradesh Industrial Development Corporation
- Madurai District Tiny and Small Scale Industries Association (MSDITSSIA)
- Maharashtra Industrial Development Corporation
- Maharashtra Centre for Entrepreneurship Development
- Maratha Chamber of Commerce, Industry and Agriculture
- Marwar Chamber of Commerce and Industry

- Marwar Steel Re-rollers Association
- Mohali Industries Association
- National Bank for Agriculture and Rural Development
- National Small Industries Corporation
- National Institute of Bank Management
- North Eastern Council
- PHD Chamber of Commerce
- Peenya Industries Association, Bangalore
- Pimpri- Chinchwad Industries Association
- PSG Institute of Management
- Punjab National Bank (PNB)
- Punjab State Industrial Development Corporation
- Rajasthan Chamber of Commerce and Industry
- Rajasthan Steel Re-rollers Association
- Siribissi Small Industries Association
- Small Industries Development Bank of India
- South Indian Bank Ltd.
- South Gujarat Chamber of Commerce and Industry, Surat
- State Bank of India
- Tamil Nadu Small and Tiny Industries Association (TANSTIA)
- Tamil Nadu Institute of Entrepreneurship Development
- Tamil Nadu Small Industries Development Corporation Ltd (TANSIDCO)
- Tiruchirapalli Small-scale and Tiny Industries Association
- Thane Small-scale Industries Association
- The Associated Chamber of Commerce and Industry of India (ASSOCHAM)
- The Malabar Chamber of Commerce, Calicut.
- Textile Association of India.
- UCO Bank
- UP State Industrial Development Corporation
- United Cycle Manufacturers' Association, Ludhiana
- United India Insurance Company Ltd.
- World Trade Center, Mumbai
- ZDH / SEQUA Partnership Program



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