

Enterprise and Entrepreneurship: Perspectives beyond the Pandemic

ISED Discussion Paper



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ISED Small Enterprise Observatory
Jointly with
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Preface

The Pandemic COVID-19, which has triggered disruption in lives and livelihoods globally, obviously, re-shapes the present as also the future of economies and of humanity as a whole. However, it is a challenge and opportunity for humanity to outlive such constraints. Shaping new development strategies and promotion of enterprise and entrepreneurship alone can be the solution to this impasse. That means, we need to start speaking of the impacts at the “bottom of the pyramid”, and plan for broad basing the mass base of entrepreneurship.

Under the India MSME Communication Programme(IMCP), the Observatory, in co operation with the various Knowledge Centres of the Institute, makes a rigorous analysis of the latest currents in the MSME constituency, leading to a unique ‘Development Report’. This study is a spill-over of this exercise of Development Reporting on micro, small and medium enterprises (MSMEs) at the ISED.

While the team of the Observatory did a meticulous job under the guidance and support of the Project Leaders, individual members of the Team, including the editors and the Associates, have made their special contribution in specific thematic areas. While this title is significant in the present context of the Indian economy , and of the MSME developments in specific, I hope it will contribute to wider discussions in the subject area.

As this title come out as a joint output of the Observatory and the ISED Centre for Enterprise Development, the Institute wishes to thank, without fail, the pains and efforts of the authors, and all who have supported it through inputs and suggestions. ISED has taken best efforts to ensure the quality and reliability of this paper. However, for the findings and views, the authors alone are responsible.



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Abstract

The Pandemic COVID-19, which has triggered disruption in lives and livelihoods globally, obviously, re-shapes the present as also the future of economies and of humanity as a whole. However, it is a challenge and opportunity for humanity to outlive such constraints. Shaping new development strategies and promotion of enterprise and entrepreneurship alone can be the solution to this impasse. That means, we need to start speaking of the impacts at the “bottom of the pyramid”, and plan for broad basing the mass base of entrepreneurship.

Key Words: enterprise, entrepreneurship, Covid 19.

1.0. Introduction

The critical issues to be debated on the global economy in 2021 are unequivocal. The Pandemic COVID-19 which has triggered a global disruption in lives and livelihoods, obviously, re-shapes the present as also the economies and of humanity as a whole. However, while appreciating such rigors, it is a challenge and opportunity for humanity to outlive such constraints. Shaping new development strategies and promotion of enterprise and entrepreneurship alone can be the solution to this impasse. That means, we need to start speaking of the impacts on the “bottom of the pyramid”, and to examine how they get shaped. The mass base of entrepreneurship is something that really matters in a country like India where mass unemployment is the critical problem that needs to be solved on a war footing. The ISED Small Enterprise Observatory at the ISED has been closely monitoring the developments on the enterprise scene, with special focus on the “bottom of the pyramid” since 1997. Based on such experience, we have been able to gain some understanding and to provide indications on the emerging scene. This has been regularly reported and communicated through the ‘India MSME Report’ series. This twenty-fourth report under the Series looks into lives and livelihoods, initiative and drive, and the evolving political economy of enterprise development with focus on MSMEs.

2.0. Global Economy in 2020

Ever since the Pandemic was announced by the World Health Organization (WHO) in January 2020,

the discussions on a “new normal” began to catch up. There has been extensive academic debates on the kind of recovery, V-shaped or not, and in terms of its intensity. There have also been such discussions on the distributional effects, country wise and among different sections of society. As rightly pointed out by various multilateral agencies such as the World Bank, IMF, ILO and the United Nations, the evolving global order is likely to be significantly iniquitous, and policy makers at the international and national levels need to be meticulous on bringing down such inequalities.

Looking back at the history of business cycles, it would be instructive to draw lessons from the early 20th century global experience. From the “roaring 1920s” to the Great Depression, the world has experienced and learned a lot of lessons in terms of trouble and tribulations in life, as also chronic poverty in many of the developing countries. It was the greatest attack on global capitalism. The two phases of prosperity on the one side, and massive disruption and decline that followed, within a limited period of about half a decade, gives enough lessons for the humanity. The “roaring 1920s” was triggered by the great spurt in technology: the automobile revolution. It was also a trigger of the prosperity of the United States on the manufacturing front. But technology and the consequent prosperity, again, led to the growth of a leisure class, which Torstein Veblen had warned in the 1880s itself (Veblen, 1899). The prosperity of the United States slowly fell into the trap of a rapid global decline, which practically shook the capital of world capitalism, the United Kingdom. This led

to meticulous enquiries on the policy front, leading to Keynesianism, which helped global capitalism to be on track.

Today, history is again getting repeated. Against automobile revolution, there is the paradigm of Industry 4.0., a huge technological spurt, which has the potential of a massive disruption in the labor market. The lesson drawn from COVID-19 is that, unless the new technology paradigm is used to its best, capitalism cannot survive. But while capitalism tries to survive, it needs to bring in substantial disruption in the labor market. Where both opportunities and constraints come up, how to optimize this, is the real challenge for humanity today. In the ultimate analysis, 'development' means meeting the aspirations of the masses, and for meeting such aspirations, their entrepreneurial drive needs to be unleashed. This is the vision put forward by the Brundtland Report (1987). The question, therefore, is how to unleash such potential, as against the several critical constraints as we see them today.

The scenario, as above, needs to be understood against the unprecedented global risks, as they have been visualized by the World Economic Forum (WEF). The Global Risks Report 2021[1] looks back at a year ravaged by a global pandemic, economic downturn, political turmoil and the ever-worsening climate crisis. It explores how countries and businesses can act in the face of these risks. The Report spells out the following key risk factors:

- Billions are at risk of missing out on the digital leap forward, as growing disparities challenge the social fabric.
- In the medium-term, the global economy will be threatened by the knock-on effects of the coronavirus crisis, while geopolitical stability will be critically fragile over the next 5 to 10 years.
- Environmental risks continue to threaten: they remain top risks by likelihood and impact in this year's survey.
- According to the Report, one of the big changes between 2020-2021, in terms of risks, has been brought about by the COVID-19 coronavirus pandemic. The risk posed by infectious

diseases is now ranked at number one, while in 2020 it came in 10th place.

3.0. Key Trends Leading to a New Normal

The search for the "new normal" has been there since January 2020; it still continues. In this context, it would be instructive to spell out and analyze the evolving major trends in global economy.

According to projections by the World Bank(2021),in its June 2021 Report, during the first week of June 2021,the global economy was expected to expand 5.6% in 2021, the fastest post-recession pace in 80 years, largely on strong rebounds from a few major economies. Despite the recovery, global output will be about 2% below pre-pandemic projections by the end of this year. Per capita income losses will not be unwound by 2022 for about two-thirds of emerging market and developing economies. Among low-income economies, where vaccination has lagged, the effects of the pandemic have reversed poverty reduction gains and aggravated insecurity and other long-standing challenges.

Among major economies, U.S. growth is projected to reach 6.8% this year, reflecting large-scale fiscal support and the easing of pandemic restrictions. Growth in other advanced economies is also firming, but to a lesser extent.

Many emerging market and developing economies continue to struggle with the COVID-19 pandemic and its aftermath. As a group, they are forecast to expand 6% this year, supported by higher demand and elevated commodity prices. The recovery is forecast to moderate to 4.7% in 2022. Even so, gains in this group of economies are not sufficient to recoup losses experienced during the 2020 recession, and output in 2022 is expected to be 4.1% below pre-pandemic projections. Per capita income in many of these economies is also expected to remain below pre-pandemic levels. China is anticipated to rebound to 8.5% this year, reflecting the release of pent-up demand. Economic activity in South Asia is projected to expand by 6.8% in 2021 and 6.8% in 2022.

Lowering trade costs such as cumbersome logistics and border procedures could help bolster the recovery among emerging market and developing economies by facilitating trade. Despite a decline