



Institute of Small Enterprises and Development



Thirty-Fourth Annual Review

2021-22

“Knightian Uncertainty” & Enterprise Security



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Chairman's Message



Kamal Nayan Kabra

Indian economy has witnessed some major developments during the year 2021-22. 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. Beyond being rhetorical, there is a need for a meticulous understanding of the MSME problem today. The small steps taken by ISED during the year were on these lines.

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 a larger vision of "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 their trust, that strengthens our hands. Let me use this opportunity to thank one and all.

New Delhi
April 27, 2022

Kamal Nayan Kabra
Chairman



Director's Report




P.M.Mathew

This Report gives an overview of the activities and outputs of the Institute over the period April 1, 2021, to March 31, 2022. It was an extraordinary year for the Institute, an year of "Knightian uncertainty", as described by the Reserve Bank of India. Our responsibility as an institution, therefore, is tremendous.

Against its motto of 'Sustainable Development through Enterprise', the Institute focused its Programme and initiatives under nine thematic roles during the year. This Report seeks to explain the little bit we could do under such extraordinary circumstances; suggestions from the readers are welcome. That indeed is vital for justifying our social relevance and even our very existence. The nine thematic focal areas during the 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.

Our methodological approach is to learn from the people and to pay them back in the form of ideas and strategies. 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'.

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, makes it to take forward its relatively 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. The generous interest and support of governments, stakeholders, and partner institutions deserve a big thump.



Cochin,
April 27,2022

P.M.Mathew
Director

ABOUT US

Enterprise and entrepreneurship are permanent relations of human history. Without them being oiled with knowledge, the wheel of progress will come to a grinding halt. Institute of Small Enterprises and Development (ISED) contributes to and transacts in knowledge with a 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. Aligned with the United Nations 'Sustainable Development' agenda, its Mandate and Program have a cross-cutting relationship with these global Goals.

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.

The ISED campus is based in Cochin, ('Kochi'), 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.



Remembering K. Vijayachandran



Mr. K Vijayachandran, the first Chairman of Institute of Small Enterprises and Development, passed away on July 28, 2021. A technocrat with innovative ideas on enterprise development policy, and passionate on utilizing the potential of the public sector on innovative lines, Vijayachandran's early leadership and contributions to the Institute will be fondly remembered.

Vijayachandran started his career as a Design Engineer at the Bharath Heavy Electricals (BHEL), and subsequently, left the position to join the State Planning Board Kerala as Chief of its Industries Division. He took up the humble career of running his own management consultancy firm, from where he continued his contributions to development thought and practice relating to industrial development. He was appointed as Chairman of the Kerala State Industrial Development Corporation (KSIDC) where he brought in several innovative ideas to bring the Corporation into the limelight. The technocrat, subsequently, adorned the dual role of Secretary, Bureau of Public Enterprises, and twice as Advisor to the Minister for Industries and Commerce, Mrs. K.R.Gouri Amma.

Vijayachandran's upright positions on issues of development, especially in the context of Kerala, we hope, will give light to development planners and practitioners in the coming days.

A handwritten signature in dark ink, appearing to read 'P.M. Mathew'.

P.M.Mathew

Director



1 | ISED Program: An Introduction

The motto of the Institute of Small Enterprises and Development is “Sustainable Development through Enterprise”. While, the motto and the vision, as outlined in 1988, have experienced differently from time to time, it is more relevant today. According to ISED, the goal of 'Sustainable Development' 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.

The ISED programme is meant to nourish a milieu, as above, and to contribute to both the public policy process and action at various levels. It is this focus and understanding that makes it dynamic in letter and spirit, covering areas of knowledge creation, development communication and action through business development services. While these three areas are mutually reinforcing, as in 2021/22, the relevance of such reinforcement or convergence are significantly greater, against the challenges faced by the “Knightian uncertainty” of today.

The Indian economy remains highly disrupted today, against the global developments and their impact on the value chains. Life has become difficult and complex to the common man.



Sustainability of individuals and communities remains 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 essence, is “entrepreneurship” all about. But, in order to trigger entrepreneurship, it is important to have a holistic view of the social processes at large, on the one hand, and grass root level experience, on the other. This is the mission of ISED.

1. Knowledge Centres

The ISED program draws the contours of action at the Institute. It happens through the eight Knowledge Centers. ‘Knowledge Centers’ are thematic verticals of the Institute, where various activities and functions of the Institute concentrate according to its social objectives. These

The approaches towards the 'Sustainable Development Goals' differ. 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 'entrepreneurial drive' embedded in individuals and communities.

Centers have the responsibility of bringing together both evidence and action into a common platform, so that the benefits trickle down to the interests 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 cut 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

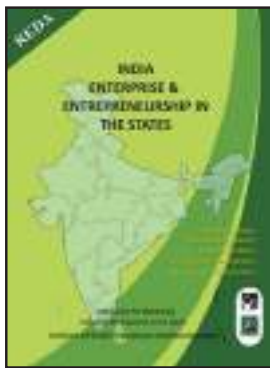


in itself, is a reflection of the society we live in. The importance of a focused attention on public policy lies in the fact that, it is a vital factor which shapes markets and human behaviour. Seen from this angle, the studies at this Centre are anchored on two aspects: (a) policy architecture; and (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.



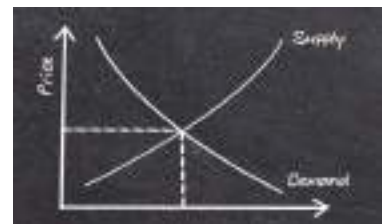
● **Centre for Monitoring Enterprise Development in the States (ISED-CMEDS):** In India, both the Union Government and the States design and implement various development programmes, now, a time has come, wherein, the State governments have to do a lot of



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 & 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 people's 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.



2. ISED Programme: How Unique is it?

The concern and strategic focus of ISED as an institution lies in its understanding on sustainability transition. Sustainability transitions are long-term, multi-dimensional, and fundamental transformation processes through 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. ISED constantly attempts to overcome such constraints. Therefore, what matters most for the Institute, is the combined outcomes and results that have come from its Knowledge Centres. Success is a relative concept. ISED believes that, it has to go miles as per the vision and mission it stands for.

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ISED programme has a special thrust on evidence-base. While a research-based program is theory-focused, 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, and create practical models. India MSME Communication

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. 'Sustainability' and 'enterprise' are cross-disciplinary, cross-cutting, and practice-oriented subjects. India MSME Communication Programme (IMCP), for example, is such a sizable and broad-based programme with significant potential.

Programme(IMCP), for example, is such a sizable 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.

3. Social Relevance & Responsibility

Against the above background, ISED perceives its institutional role as a change agent. Employment and livelihoods are aspirations of every individual; but 'enterprise' is identified as the way forward, only by a few. ISED considers inculcating a spirit of entrepreneurship in society and providing sign posts for policy and action as the key pillars of its institutional edifice.

4. New Perspectives & Strategies in 2022

Perspectives and strategies will, naturally, undergo change as per the emerging realities and historical experience. The world of enterprise and entrepreneurship have undergone major changes structurally and organically over the past two years. Naturally, the institutional response also need to assimilate them.

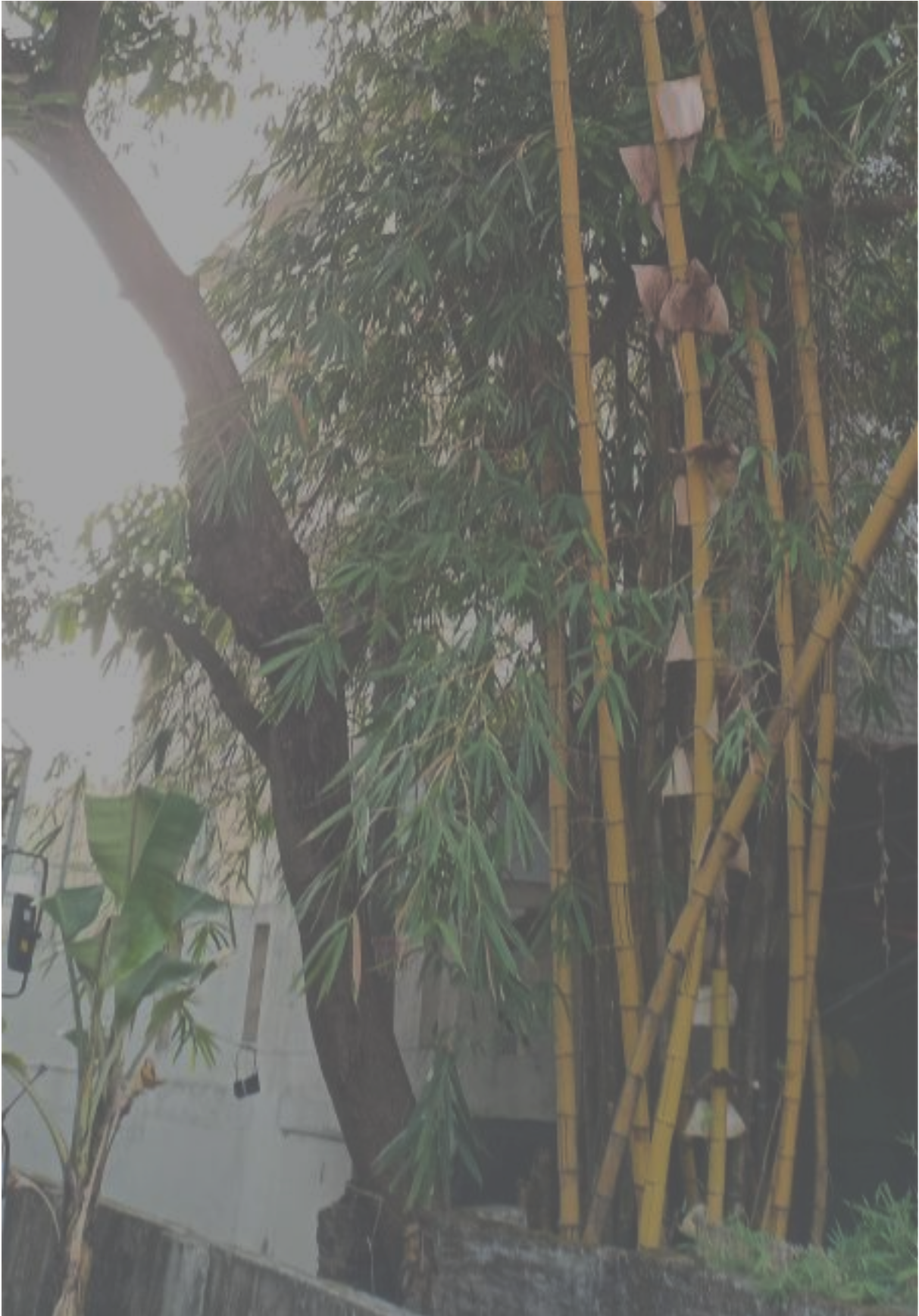
- ***Repositioning the Vision and Mission***

The emerging global developments, on the one hand, and the ground level reality on enterprise and entrepreneurship, on the other, necessitates a repositioning of the vision of the Institute. It is, undoubtedly, true that one needs to build upon India's history and legacy of enterprise development. However, one need to also identify the constraints and handicaps, and have to explore as to what works and what does not, at the ground level.

- ***Institutional Consolidation & Reorientation***

The domain of 'enterprise' and 'entrepreneurship' have got mainstreamed over time. It is important to demystify and reposition them to the complex context of rapid technological changes, integration of markets, and disruptive behaviour of the labour market. The Institute takes this new challenge at three levels: 1) demystifying relevant concepts and practices in a language that is easily intelligible to the common man; 2) proposing new and viable strategies; and 3) experimenting with new work styles that can contribute to enhanced productivity.







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

Evidence-base is crucial for taking forward the motto of ISED. The ‘Sustainable Development’ agenda, as put forward by the United Nations, specifically spells out the role of entrepreneurship and small businesses in the march towards sustainable 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.

An increasing number of people, today, 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, today, 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 on a real-time basis. The ISED programme, in relation to its various activities, grapple with these dimensions of change. The Institute’s framework of analysis and understanding during the year, hinges on seven sub-themes. Studies and other activities of the year were directed on such lines.

The crystallization of a variety of global problems, along with Covid-19 and its associated disruption, has led to a global economic crisis. The unique significance of this crisis is, as many

economists point out, a tendency towards widening inequalities in income and wealth. As ILO points out, employment and growth at the “bottom of the pyramid” have been seriously constrained. This demands new development strategies, which need to be based on ground-level experience.

1. Enterprise Transition

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 are crucial for industrialisation. 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. 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 center- 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 Reserve Bank of India has described the present situation in India as one of “Knightian uncertainty”. Such a situation, obviously, has significant distributive implications that demand real-time solutions relating to investments and income opportunities at the base level. ‘Social and Solidarity Economy’, is globally emerging as an alternative paradigm that has the potential of enhanced social and economic inclusion. ISED has undertaken some base-level research in the area, with special focus on the Indian experience, and has come out with some policy recommendations.

A Report brought out by the Centre for Social Development highlights the importance of harnessing voluntarism and its great potential in the present context of repeated and massive disruptions in the economy. The Pandemic, Covid-19, has exacerbated the pre-existing decent work deficits, increased poverty, widened inequalities, and exposed digital gaps within and among countries (ILO, 2022). The Indian economy is on the search for a realignment on the basis of new values and principles that facilitate income opportunities and social organisation of production. Enterprises based on principles and values of the social and solidarity economy (SSE) belong to such a category. They can immensely contribute to kick-start, or at the least, support the “bottom of the pyramid” during such a phase of sustainability transition through priorities on human dignity, environmental sustainability, and decent work, over the legitimate

quest for profit. The term ‘Voluntarism’, according to this Report, needs to be spelled out in a specific context. The focus needs to be on social innovations that lead to sustainable development. ‘Enterprise development’ is such a vital area having strategic importance.

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. Shaping new development strategies and promotion of enterprise and entrepreneurship alone can be the solution to this impasse. How can the interests of the SME constituency be taken forward under a situation of massive disruption in the economy? An attempt towards harnessing the opportunities, and minimizing the adversities is, at a time, an exercise in policy and strategy. The paper entitled: ‘Enterprise and Entrepreneurship: Perspectives Beyond the Pandemic’, by J.M.I. Sait & P.M. Mathew looks into this critical area of policy relevance.



2. Enterprise Security

Sustainability of entrepreneurship and businesses is a crucial public policy issue. Therefore, vulnerability of businesses also needs to be captured on a real-time basis. More precisely, while discussing sustainable enterprise development, it 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.

ISED examines the problem of ‘enterprise insecurity; in relation to alternative strategies that contribute to ‘enterprise security’. The major security threats are examined in relation to some of the recent problems that are common to many Asian countries. This includes, natural calamities like earthquakes and floods, as also the disruptive behaviour of major technology interventions. This aspect has to be looked at from the financing angle as well. In this context, the Institute is exploring lessons from global thinking and best practices in the subject area. ISED has already exchanged ideas with the OECD and the OECD Development Centre on this subject. The Institute’s strategic approach is centered on the opportunities around the ‘Social and Solidarity Economy’.

Covid-19, the Pandemic, has set a new tradition of continuous disruption in the economies of the world. Unlike the usual business cycles, such disruption is marked by its poor predictability. There is a significant confidence crisis that cuts across all section of the society, and therefore, continues to have a negative impact on lives and livelihoods, and economic life in general. The evolving SME kaleidoscope, unlike in the past, is significantly global in nature. On the manufacturing front, it needs to be increasingly in tandem with the new manufacturing paradigm. Regarding service enterprises, they need to be content either with the limited space offered to them, or will have to grow



increasingly knowledge-oriented. While the role of the market is decisive, governments need to re-shape their strategies, in order to be of service to the interests of such businesses. The paper entitled: 'Covid-19: What is Unique of SMEs Today?', by P.M. Mathew & P. Sukumaran Nair discusses this problem against the backdrop of available global literature.

The multi-dimensional implications of the Pandemic for the markets, livelihoods, value chains, and for the labour market has been widely discussed today. Being the second largest sector of the Indian economy in relation to human participation, these dimensions, put together, against



the disruptive environment, poses both threats and opportunities for SMEs. These opportunities and threats, *ipso facto*, need to be identified and analysed, so that the forward-looking sections of the business community can explore strategic options. A paper by K.J. Johnson & Peter John entitled 'Entrepreneurship under Turbulent Times: From "Hobson's Choice" to Grabbing Opportunities', attempts to examine the problem from the point of view of existing businesses, their present constraints, and opportunities. Entrepreneurs need to practice some do's and don'ts as best practices; besides, they need to be raised and articulated to a higher level, as a 'public problem' alone can attract public policy solutions.

3. Technology Paradigm

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.

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 of small businesses as suppliers and service providers. While the change is evident and visible, the drive of the Institution is to demystify it.

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 influence of the 'Meta-World' signifies a global paradigm shift in enterprise and economic activities in general. Productivity, in general, would naturally go up. It also raises questions on how the existing economic activities and the new productivity enhancements co-relate in such a way that incomes and opportunities are enhanced. It also raises the question whether the enhanced productivity leads to concentration of income and wealth so that the income opportunities of the weaker links of the income stream are further weakened.



4. 'Time-bomb Analysis' & 'K-shaped' Recovery

The mounting inequalities, vertical and horizontal, following the Pandemic, has been brought out by the Time-bomb analysis, a new series of studies that have come up from U.S. economists. In India, economists like D. Subbarao have put forward such a hypothesis.

K-shaped recovery is likely to have a significant negative impact on the SME ecosystem in general. In India, productivity decline has happened in several sectors. The disruption has brought in as a net result, the disappearance of some products from the market. On the contrary, some products witnessed dwindling of the size of the market.



The shape of the economic recovery curve is a subject of heated academic debates today. The study by P.M. Mathew & K.K. Udayakumar entitled 'Enterprise & Entrepreneurship: Disruptive "New- Normal" & Survival Strategies', looks into the problem. The 'K-shaped recovery model', as it has been widely recognized, being in operation, further limits the choices and opportunities both for the government and for the people. The purpose of the study is three-fold: First, it attempts to provide 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 need to be initiated on a priority basis.

5. Rural Economy & Livelihoods

The spatial characteristics of the country, especially the large size of its rural sector, makes India's dream of enterprise development and entrepreneurship creation to be rural-centered. Ever since Independence, the importance of rural development and rural industrialisation has been highlighted in public policy and practice in India. However, the experience so far indicates that, despite significant allocation of resources and programmes, the rural urban divide still persists in relation to distribution of incomes and opportunities. Good intentions, by themselves, will not help the country to build up and entrepreneurship base that suits its development aspirations. Beyond national policies and strategies, there needs to be an enhanced thrust on sub-sectoral and regional strategies that, in the ultimate analysis, contribute to an enhancement of rural incomes.



The study entitled: 'Enterprise & Entrepreneurship in Rural India Today', by P. Laxminarayanan & P.M. Mathew, looks into various dimensions of the problem from a policy angle.

6. Social and Solidarity Economy

The lesson given by the Pandemic is that, there are several weak spots in technology, which can best be addressed by people's participation and solidarity. Despite the findings of several studies that have provided a picture of poverty and return migration associated with the Pandemic, there still remains an unclear picture on the rural dynamics of 'enterprise'. It has, by now, got proved that there is enormous need and scope for solidarity initiatives that can touch up on people's needs and for triggering the entrepreneurial spirit that meets these needs. In this context, it is necessary to look at the role of large institutional networks such as development banks in understanding the emerging situation and to act appropriately. The Institute will give an enhanced thrust on studies in the areas in 2022-23.

7. Enhancing Research Capability

The research capability in the areas of 'enterprise' and 'entrepreneurship' has to grow significantly in order to meet the emerging challenges. However, the academic community is neither adequately equipped to take up such a challenge, nor the designated institutional framework including development banks and promotional agencies, capable of creating a platform of cooperation on a win-win basis. Redefining and repositioning "enterprise development" is the challenge and opportunity for the country today. It needs an enhancement of research capacity. Besides, such enhancement of research capacity needs to be properly channelised as per the development priorities of the country. Within its capabilities and resource base, the Institute will make its best efforts in this vital area.



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

Both policy and practice are crucial for taking the agenda of sustainable development forward. Public policy gives only the normative 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 entrepreneurs and of the community.

1. Development Reporting

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 2021 was formally released on the International SME Day, June 27, 2021. The Report for the year has several important, but unique characteristics, that are worthy to be discussed.

The mission of the Report is three-fold: First, it attempts to provide a summarised view of the MSME constituency in India today. Secondly, it discusses the strategic options available to the country in this transitional stage. Thirdly, it analyses some of the key policy and strategy issues and options.



Evidences available from all major stakeholders, macro, regional and sub-sector levels have been used in this Report. The coverage includes individual entrepreneurs, membership organisations of SMEs, financing institutions, promotional agencies, consumers, and community organisations. Besides, all available macro and meso level data have been used appropriately.

The Report, in ten chapters, gives a comprehensive analysis of the developments in the global economy and in India, with focus on such

developments in the SME sector. Against an unprecedentedly fractured global economy, humanity has been forced to search for new solutions and for a new world order. According to the latest research findings, the global economy is moving towards a 'k-shaped recovery' process, involving significant unequal pattern of growth and distribution. The ensuing new world order in 2022 is likely to look like with the following features: 1) enhanced digitalization of transactions, under a 'platform economy' framework; 2) a re-aligned 'sharing economy', geared to cost reduction at all levels; 3) formalization of labor flexibility under a legitimized 'gig model'; 4) a hesitant pace of the Fourth Industrial revolution.

Despite a short break, the transition in the techno-economic paradigm from 'flexible specialization' to 'Industry 4.0' is likely to get accelerated. This would imply a unique shift in labor-use, and the distribution of knowledge. Smart manufacture and just-in-time production are likely to drastically change the manufacturing landscape, despite the setbacks and disruption on the global value chains. 'India has peculiar problems and opportunities against the above background. As per CMIE data, India's GDP has plummeted into a six-year low level; unemployment, as in June this year is 9.17 percent.

Globally, the evolving consensus in development theory and policy today, based on 'Time-bomb analysis', underscores a 'K-shaped recovery' as the reality. This trend is likely to exacerbate the rapid pace of 'servitisation' of the economy, on the one hand, and economic and social inequalities on the other. Countries and communities will have to think in terms of 'boot-strap development' strategies, which would essentially mean meticulous attempts to harness their natural advantages and capabilities, against the global market opportunities. Hence, there arises the imperative for strengthening manufacturing base of countries, both for their self-interest, and for building up an equitable global order. While capital formation has constraints, the new circumstances demand a more focused attention on sub-sectors and regional and local value chains.

India's MSME scene today is a continuation and acceleration of a tendency towards slow growth since 2019. The policy response has come in the form of fiscal relief measures, administrative reforms, and various financial and welfare packages by the Union government and the States.

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The uniqueness of India's manufacturing demography, characterized by its decentralized structure. The field level evidences cover the four broad structural categories of MSMEs: 1) outward-oriented units; 2) manufacturing ancillaries; 3) wage goods providers; and 4) decentralized services. While this enterprise geography has got evolved over time, much more on the strength of the

market forces along with policy support, the time has come for a review and consolidation of this base, and to improve upon it. The more recent field evidences, as in June 2021, on various MSME sub-sectors, provide useful insights. While the survey collected evidences from industry associations, such evidences were further validated through qualitative data collected from individual entrepreneurs belonging to such sub-sectors. While the constraints of field data collection are admitted, the survey covered twelve selected sub-sectors, belonging to the above four structural categories. The peer level data and evidences were cross checked on the basis of detailed case studies. The important findings of the current year are summarily as follows:

1. The Pandemic has had a two-stage effect on MSMEs. In Stage I (January-May, 2020), the liquidity effect was dominant; in Stage II (since May 2020), it has been a capacity utilization effect, depending upon partial or full shutdown of factories.
2. A unique and significant adverse impact was reported in the life history of most sub-sectors. Four critical problems stand out: a) liquidity; b) underutilization of capacity; c) labour shortage; and d) fluctuating raw material prices.
3. The spread of the pandemic into the rural areas has created a “scissors crisis” of lives on the one hand, and labour shortage in the MSME sector, leading to a cumulative poverty effect.



“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.*

4. Productivity enhancement is a partial answer to the capacity utilization crisis. Though strategies and methods of bringing down the transaction costs of MSMEs are critical, there are no sufficient evidences to conclude that these have been seriously discussed by promotional agencies and the development finance institutions (DFIs).
5. The second stage of the pandemic is characterized by the shortages and price hike of critical raw materials of strategic importance to MSMEs (oxygen, steel, PVC etc.).
6. Despite several initiatives by the Government, MSME receivables remain the key problem contributing to liquidity crisis.
7. MSMEs face the problem of high overheads and transaction costs, and thereby find it difficult to compete with the larger firms. Reasonable benefits of ‘ease of doing business’ (EoDB) strategies, at the State level, have not been reported.
8. A critical gap in the supply of ‘real services’ or business development services (BDS) has been reported. Entrepreneurs raise a number of issues and questions that can best be responded by qualified BDS providers.
9. The overall field observations and findings indicates a trend toward a ‘K-shaped recovery’

experience, with all its attendant constraints and challenges.

10. The potential of MSME Associations in delivering demand-driven services, during this crisis, remain underutilized.

How the SMEs respond to the emerging challenges is also important. Such Responses are in the following forms:

1. Most businesses belonging to sub-sectors surveyed by the Observatory show lack of clarity on the way forward. The scope of innovation remains unclear, where survival itself is a top priority. The Skill India' programme has helped significantly to bring down critical skill gap in the country. However, its supportive role in promotion of innovation requires serious examination.

2. The individual entrepreneurs are on a constant search for solutions to the emerging problems. In fact, many of these problems have generic dimensions. This wastage of energy and resources need to be resolved through appropriate institutional platforms. There is an urgent need for creating/ strengthening the government-business communication platforms at the sub-sector level.

3. Entrepreneurial perceptions, both at the firm level and at the level of SME Associations, was found to be relatively individualistic rather than collective. While the crisis demands a solidarity-oriented approach, reasons for such sectarian behaviour need critical analysis at the sub-sector and regional levels. Macro level policies are likely to be less effective unless they are supported by a meaningful engagement of these vital stakeholders.

4. The Pandemic has provided an unusual objective ground and opportunity for the creation of a solidarity platform for MSMEs in the local economy. This opportunity could not so far be meaningfully tapped. There is need for a massive entrepreneur education programme.

5. While the financial package, as announced by the Government and the RBI is an answer to the liquidity problem, at least in the second phase of the pandemic, the supply of 'real services' (business development services) have become extremely important.

6. While firms often remain ignorant or incompetent to handle productivity enhancement strategies and innovation, there are no evidences of such initiatives by the MSME associations.

The Report points out that, Covid-19 episode having already crossed two phases of its transition, the third phase is expected to be much more devastating in relation to its health dimension, and naturally, with disruptive economic effects. Translating such negatives into opportunities is the challenge both for businesses and for the country.

India has a unique strength of its MSMEs, based on the key industrial sub-sectors. ISED Small Enterprise Observatory proposes to utilize this strength for reviving and re-energizing the MSME constituency from its present development ratchet. The idea of the 'Structural Reforms Program' (SRP), as proposed, offers a joint platform for businesses of various size categories and governments of different tiers to come together with a common goal. The common goal should be to lift the total enterprise system from its present 'ratchet' to a level of sustainable development. This, again, offers an opportunity and need for different stake holders to come together on the basis of some shared interest- the need for innovation to take the Indian

economy forward. The challenge and opportunity is on harnessing 'collective efficiency' of the enterprise system, sub-sector-wise. SRP seeks to reduce the adverse effects of the pandemic, and to "keep the lights on" through a sustainability support, which implies long-term strategic measures, including sub-sector assessments and reporting, preparation of vision documents, recasting of schemes, and governance reforms, based on ground level experience and lessons.

This Report examines and discusses the components of the SRP under ten focal areas. While, each of these components demands the lead role of a particular stakeholder, the Programme visualises a coordinated initiative at the sub-sector level.

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The evolving experience of economic recovery, out of the Pandemic, is likely to be significantly iniquitous. MSME 2022 makes a special attempt to look into the MSME relevance in the context of two selected social categories: women and youth. While the nature of this problem is essentially structural, it is important to examine its dimensions. With a substantial rural urban divide in development, it is now time for the country to debate on a dual development agenda: For the rural sector, it should thrust on enhanced labor absorption, wherein, the role of its legacy industries is critical. The urban agenda need to be focused on smart and clean production, so that it leads to sustainable benefits. Such an approach can contribute to a more resilient MSME constituency in the country.

2. SME Governance and 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.

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 twelve 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 recommendations were 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 governance and regulatory policy. Globally, following the Covid-19 experience, SME sector and its role needs to be examined in relation to a paradigm of sustainability transition. It requires, apart from thumb rules, strong regulatory tools that can channelize the role of economic actors.

3. Public Policy Scan & Initiatives

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.

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.



4. Sub-sector Scan

'Sub-sector' is a focal point of analysis and policy today. The strategic importance of sub-sectors in the economy arises out of their position in the global value chains. A particular sub-sector itself has different constituent segments that directly shape the total system in terms of the

nature of output and the pattern of employment. Therefore, sub-sector 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 sub-sectors. Sub-sector issues in the specific context of the Pandemic were studied with support from 20 SME Associations across the country.



In March 2019, the Institute initiated a programme of reporting on sub-sectors. Titled, India Enterprise Sub-sector Audit Program (IESAP), this new initiative envisages the creation of a continuous data base at the sub-sector 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 sub-sectors of the country. The analysis falls under four key sub-sector categories: 1) legacy sub-sectors; 2) manufacturing sub-sectors; 3) New Economy sub-sectors; and 4) Triple bottom line sub-sectors. The changes happening in these various categories of sub-sectors have been closely monitored.



India's economic and social experience in 2021 leaves behind it, a history of accelerated disruption and damages under a full year of the Pandemic, Covid-19. The irony and significance of the MSME experience, as in 2021, is that it indicates the need and relevance for a 'bootstrap development' approach. A "Tortoise and Hare strategy", the Observatory believes, is the way forward for the country. India's policy approach to management of its economy through the ongoing Pandemic has been widely debated. However, considering their structural complexities and contribution to the economy, a sub-sector understanding of MSME role is critical today. Shaping public policy and a strategic approach to helping the MSMEs through this crisis, is undoubtedly a difficult exercise. There are two key imperatives in this regard. First, to capture the complexity in terms of inter-industry and inter-sectoral linkages. Secondly, it is vital to harness sub-sector potential, with the active participation of industry associations. The paper entitled: 'India's MSMEs: Recent Developments & Imperatives', by K.S. Arun & P.M. Mathew, proposes some policy guidelines and a strategic approach in this regard.

5. Rural Economy and Enterprise 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. 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 participates in the Government of India program called ‘Stand up India’ where the focus is on inclusive development of enterprises. Among the agro sub-sectors having a significant enterprise linkage, is the coconut sub-sector.

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 sub-sector 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.



6. Technology, New Opportunities, & Critical Constraints

Size-productivity relationship is generally considered to be positive in mainstream academic debates. It is also generally assumed that, greater infusion of technology adds to productivity significantly and thereby contributes to profitability. However, recent studies at the Institute provide indications that do not fit in with such an argument to a significant extent. The experience emerging from the field shows that, the use of technology has been influenced significantly by the size of the unit, which, essentially means a technology constraint. On the other hand, there has also been a base-level of technology infusion in all sizes of units so that the benefits of the same flow in a more or less equal fashion to all such businesses. Beyond this minimum level, it is ‘organisation’ that defines productivity and profitability. The critical role of organisation appears in the form of, scraping of unviable products. Integration of production and marketing, re-definition of scale, and introduction of new putting out systems. The result of all these changes get reflected in the form of the all together disappearance of some of the product from the market, and the introduction of some new products that do not often present themselves as a true substitute. Field studies were initiated by the ISED Small Enterprise Observatory, in order to capture the ground-level situation in the market. These have been documented and have been published.

7. Longitudinal Assessment and Lessons

Unlike in the case of many other countries, MSMEs in India adorn a prominent place in its manufacturing map. The very fact that India has emerged as a key player in the global economy,

necessitates a fresh look at the opportunities as also the constraints of this vital sector of the economy. Though the story of the MSME economy, over the last two decades, show a mixed picture of gains and losses, leaps and slow-downs, it has demonstrated some basic resilience. The purpose of the 'India MSME Report' series, is to bring to the limelight a scholarly view of the latest scene of MSMEs in the country, besides presenting pointers to the emerging scene. This reporting exercise, over the last 24 years, has done a significant job relating to this primary task, besides initiating a role of bringing together the relevant stake holders into a single knowledge platform. The paper entitled: 'Lessons & Imperatives from Quarter of a Century India's Micro, Small & Medium Enterprises (1997-2022)', by P.M. Mathew offers a glimpse of that lengthy debate. This paper comes out with some important findings.



“Ideas shape the course of history”, says economist John Mynard Keynes). With its legacy of decentralized enterprise development strategies, and their umbilical relationship with the 'Freedom Movement', India's experience and experiments in the area of SME development stand out. This is an all the more important model for the rest of the world, as the country has a huge pyramidal industrial structure today, the base of which is significantly strong and diverse. Having been closely monitoring the growth and transition of this huge structure for the past quarter of a century, the ISED Small Enterprise Observatory finds areas of both strengths and weaknesses that need to be discussed. While these issues relate to institutions and policy, the unprecedented experience of Covid-19 takes us back to the need for a new 'glocal' paradigm of survival and sustainability, “Sustainable Development through Enterprise”, as it was pioneered into the semantics of development debates, way back in 1988, by the Institute of Small Enterprises and Development. Against the dire experience of the Pandemic, this paper explores the policy options and strategic imperatives for taking the industrial structure and entrepreneurial morale of India forward.

8. Plans for the Future

Policy and practice are two vital areas where the Institute is expected to demonstrate its leadership role. Apart from the methodological practices that are routinely followed by various States in the country, there are opportunities for designing and implementing flagship programmes that can have a long-term impact. Under "Cooperative Federalism", it is these unique programmes that can besides a national impact, demonstrate the goodwill of particular States. Such a competitive spirit needs to be instilled through an evidence-based approach to programme design and implementation. Given the several constraints of the states, this does not often take place. Through its various programmes, especially REDA, the Institute proposes to help the State governments in this critical area. The efforts in 2022 and beyond will be to gain the confidence of the State governments and various other actors in this vital area, and to develop a consultative platform through which new ideas can be shared and feasible ones taken forward.

The Government of Kerala has declared the year 2022 as the "Year of Entrepreneurship". Having its long track record of active association with the State Planning Board and the Department of Industries and Commerce, ISED considers it as its moral responsibility to work with the relevant departments and contribute to this laudable agenda. An important item of the Institute's

action plan in this context is to rejuvenate the Kerala Enterprise Development Report Project. The Project, initiated in 2016, at the instance of the Directorate of Industries and Commerce is to have a regular longitudinal reporting system for the enterprise economy of the State.





4 | **Explaining Business-Society Relationship from a ‘Sustainable Development’ angle**

Sustainable Development, as the global agenda of today, speaks of business-society relationship. The relationship between business and society has two broad levels: business acting as the fountain head of human livelihood and economic progress; and b) the social responsibility of businesses as a corporate citizens. The first aspect looks essentially into the labour market dimension. In the labour market, labour is utilized both as wage work 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;

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. The initiatives in the former area were undertaken by the Centre for Enterprise Development; the latter was taken care of by the Centre for Responsible Business.

1. Changing World of Work

ISED considers defining the supply of entrepreneurship in any society as crucial to its mandate and programme. 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.

Any discussion on small enterprises need to be grounded on the specifics of the labour market. While the fundamental choice to be a wage worker or self-employed is of the individual, this choice is again influenced by the ecosystem. In the exercise of policy making as also for initiating and implementing programmes for enterprise development, it is necessary to spell out the latest trends in the labour market. How do the above broad trends in the labour market affect MSMEs?

It can be explained in relation to two roles: a) as employers; and b) as entrepreneurs. Most SMEs employ one or two employees. On the other hand, for most of the SME entrepreneurs, business means a source of livelihood. Understanding this mutuality is crucial for nurturing SMEs as a powerful tool for employment generation. The paper entitled: 'Labour Market: the Covid 19 Balance Sheet', by J.M.I. Sait & Animesh Halder discusses this issue.



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 on this foundation that the ISED initiatives in the area of Entrepreneurship have been designed and structured.

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.

The massive disruption of work and value chains associated with Covid-19 the Pandemic, has brought in several explorations on the reorganization of work and work processes around the world. The discussion on 'hybrid work' and 'gig jobs' have become both subjects of experiments and debates. The recent literature and field evidences indicate that the concept of hybrid work and online work has become a subject of extensive reviews by companies and institutions, based on feedback on productivity data. While the debates are largely confined to the context of the corporate sector, there is no satisfactory understanding or evidences on the experience of MSMEs and Small Establishments. The limited evidences available to the Institute so far indicate that, in the MSME sector and in small establishments, there is a strong resistance against

platform work and hybrid work. This indicates that, while on the one side the experience of the corporate sector creates illusions in the labour market, the beaten track of SMEs and small establishments, and the kind of prevailing primordial labour relations led to difficulties in innovative workplace practices. A shift from the concept of a 'workplace' to a 'workspace' being the imperative of the day, the resistance to such a change is significant in MSMEs and small establishments. The Research plan of the Institute will focus on this dimension from the point of view of actionable strategies.

2. New paradigm of Production

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 has discussed this global trend in the specific context of India.

3. Entrepreneurship: Growth and Sustainability

Despite the new wave of entrepreneurship globally as also in India, sustainability of entrepreneurship is becoming increasingly problematic. 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 as well; 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 role of start-ups, vis-a-vis traditional forms of entrepreneurship development strategies, is widely debated today.



‘Entrepreneurship in Transition: Lessons for the Technology Start-ups & More’, the research by Meine Pieter van Dijk, was brought out by the Institute last year. The relevance of innovation in the thinking and practice of entrepreneurship development. Following this, a new research agenda around Entrepreneurship crisis has been initiated. This research will look into India’s experience against the global developments.

Technology based enterprises, or the so-called “start-ups”, naturally, are an emerging interest in most developing countries, as also in India. The new research agenda will discuss 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 disruptive environment 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 has initiated a long term research programme on the subject, and has come out with a Scoping Paper on the subject.

4. New Labour Market Trends

The labour market is undergoing a slow but steady churning. The characteristics of such a change have been closely monitored by the ISED Small Enterprise Observatory. One of the focal areas has been the role of ‘Platform Economy’. While the Platform Economy has been globally accepted today, it has been undergoing organic changes. The structure of such organic changes has been studied and documented by the Observatory. The relevance to the SME sector is significant. While the cost of labour significantly goes up as a result of the market processes, and collective bargaining on the one hand and regulatory measures on the other support such an escalation, the productivity aspect takes a back seat. It is in this context that the organic composition of the platforms become crucial. While this unique aspect has not yet been properly studied, the forthcoming issue of ‘India MSME Report’ will specifically deal with this aspect.



5. Youth Entrepreneurship

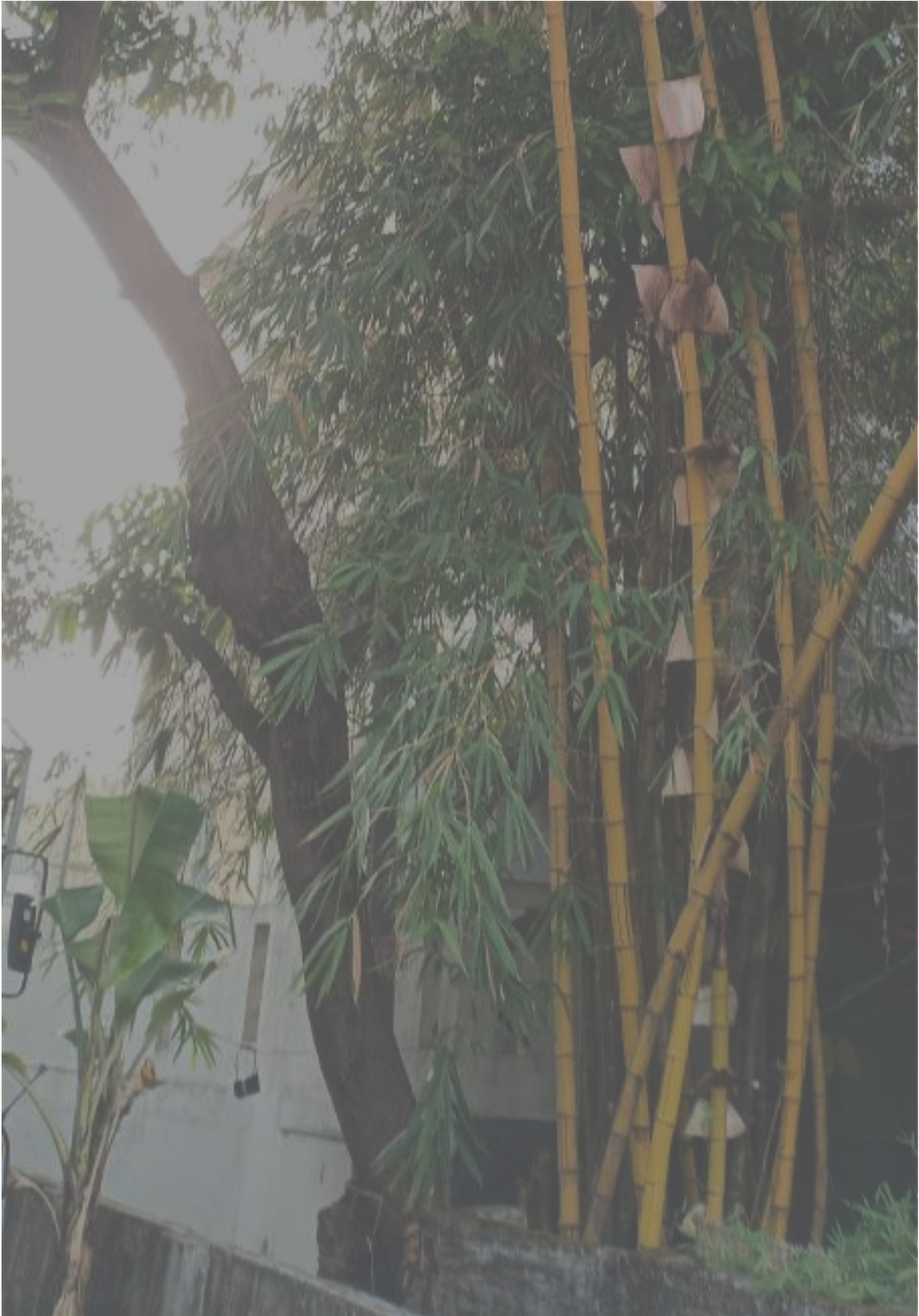
The new millennium is characterized by the predominant role of youth in the economy and in social life. Besides, the ‘Z- generation’ is familiar with the new level of technology, which is above the one that was used by their predecessors in day-to-day transactions. The occupational choices of the youth population, which are more oriented towards entrepreneurship, is based on the objective reality of a weak participation in the labour market. However, youth happen to be a social category that has been badly affected by the present disruption in the economy. As against this, they have a great potential as innovators who can transform this crisis into op-

portunities. The challenge and opportunity for India today is to plan for the labour market, in such a way that job creators are encouraged and job seekers are discouraged. This is the ultimate solution for solving the problem of unemployment that is characteristically complex. The paper entitled: 'Youth Entrepreneurship in India: Critical Issues' by Animesh Halder & John Sebastian looks into the problem of youth entrepreneurship from a policy angle. It comes out some with some recommendations that are of high policy relevance.

6. Plans for the Future

The business-society relationship has significantly come to the fore in 2021-22, essentially following the experience of the massive disruption associated with the Pandemic. The relevance of communities and neighbourhoods, which is central to any agenda of enterprise development at the grass root level, has become all the more a subject of debates. It is important that this debate be taken forward, leading to strategies that are relevant to the present context. To what extent human beings become a social animal beyond being an "economic man", is the issue that needs to be discussed. Besides, a related question is on the relevance of "solidarity" behaviour, even while 'economic men' compete against each other. ISED plans to take this discussion forward through various means, such as publications, social media interventions, and through an advisory role. The role of the "Social and Solidarity Economy" will be highlighted by the Institute, and for which opportunities of collaborative work will be explored.







5 | **Communicating Development Experience, Concerns & Imperatives**

Knowledge is the key driver of development in a knowledge economy. While knowledge creation is critical for sustainable enterprise development, it is important that such knowledge be continuously translated into human skills. The mission of ISED is to create an interface through its projects and activities. Communication is a vital link in this regard. The global ‘Sustainable Development’ agenda demands, as a key imperative, effective communication among the various stake holders. It essentially means 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.

1. Development Reporting

A continuous flow of information that act as the nutrient for policy and action. While policy making is an issue related to government, 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. This is the basic philosophy underlying two of the major ISED programs: 1) India MSME Communication Program; and 2) REDA. 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, ‘India MSME Report’ were launched on December 1, 2021. The project activities were taken forward on the following lines:

Consultative Meets: 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 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 its content and programme.

Doyens Speak on the Report

- *“This report has a good understanding of the difficult socio-economic, cultural and political context of the SMEs. Having a balanced and nuanced perspective, it offers very useful analytical tools and typologies; naturally, it leads to some well-founded policy conclusions and suggestions for the way forward. All serious policy makers should read and inwardly digest them”.*
George Assaf, Former UNIDO Spokesman & Representative to the United Nations.
- *“----- This Report is a very comprehensive, informative and useful reference book for all those who do re-search, apart from being a tool for decision and policy makers”*
Global Business Review
- *“Started in 1997, MSMER Series is a unique initiative of its kind in India ----”*
Manpower Journal
- *“India’s only state-of-the-art reporting on Micro Small and Medium Enterprises -----”*
The Hindu Daily
- *“The contribution of ISED stands out ----. This Report gives significant lessons for development policy and prac-tice in developing countries”*
Global SME, Kula Lumpur
- *“ Besides a world-class analysis of India’s SMEs, it also gives a good picture of the country’s growth story in general----”*
The Economist

Theme Areas:

Arranged in ten chapters, the following were the theme areas of the Report:

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
6. Developments in youth entrepreneurship
7. Scoping of a gender & enterprise agenda
8. Review of credit delivery, with focus on SMEs
9. ISED suggestions and practical tips for entrepreneurs
10. Recommendations on MSME policy and strategic approaches.



Deployment of Research Teams: Specific Teams, at the desk level and field level, were deployed for preparation of notes and for collection of field data. An initial draft was prepared by the Editorial Team on the basis of such resources and evidences.

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.

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-fourth volume on June 27, 2021. 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 2021 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.

As a unique reporting series, India MSME Report offers a rich source of longitudinal knowledge. The Institute will take special efforts during the Jubilee year to propagate this legacy and to make its contribution among all relevant circle.

2. MSME 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 during the year. However, virtual meets were organized to deliberate on the Report.

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 / Panchayath 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, i.e., Gujarat, Tamil Nadu and Kerala. A few of the other States have already shown interest in the project.

5. ISED Small Enterprise 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 broad-base its activities.

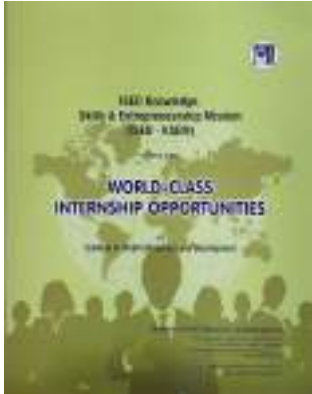


The work of the Observatory got a special thrust in the reporting year, along with its Silver Jubilee celebrations. The year-long celebration will mark a series of new initiatives and projects of significance to the overall program of the Institute.

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.

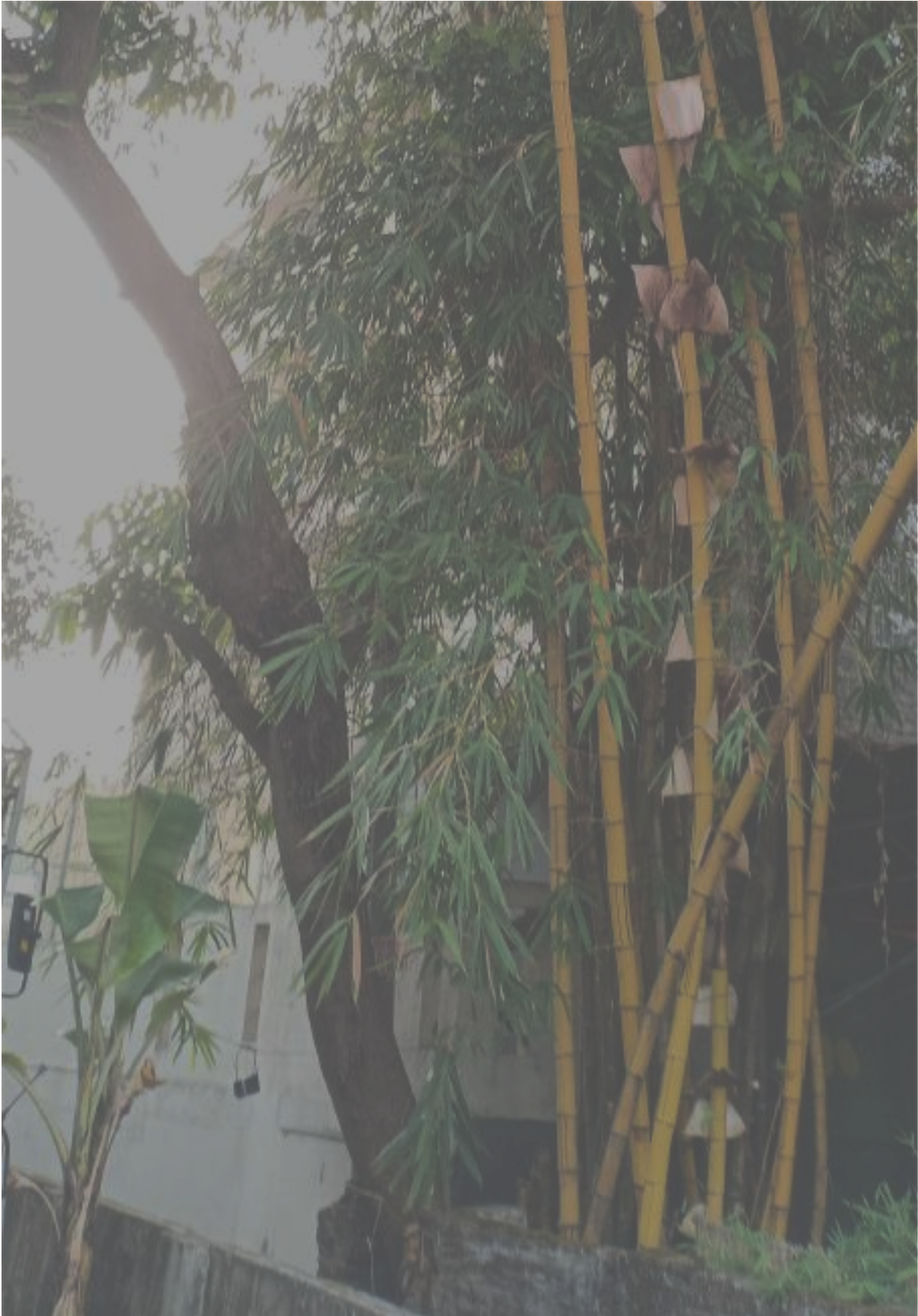
6. Knowledge, Skills & Entrepreneurship Mission

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 six candidates.



7. Challenges Ahead and Plans for the Future

Communicating development experience and imperatives is a major challenge in the modern world. It requires strong evidence-base, on the one hand, and appropriate means for communicating such evidences through an effective platform. Given this imperative, the Institute plans to broaden its initiatives in development communication at two levels. Firstly, It seeks to broaden the stakeholder base by deepening the participation of all relevant stakeholders. This is expected to happen both through direct and indirect means. In direct terms, all such stakeholders will be contacted from time to time to gather their views and thereby, will put such views into the exercise of the reporting round. Secondly, efforts will also be made to disseminate the findings and recommendations as they come out from the Observatory for ground-level discussions and debates. For both these kinds of initiatives, there is need for an enhanced resource base. Taking this imperative into consideration, the year ahead will be devoted to strengthen the resource base of the Observatory.





6 | **Demystifying Gender & Development**

ISED considers the gender dimension of the labour market as an area of huge potential from the angle of policy and strategy. The ISED Centre for Social Development, jointly with other Knowledge Centres of the Institute, initiated several programmes of relevance in this area during the year.

1. Public Policy & Programmes

Mainstreaming 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.

In development debates on women entrepreneurship in India today, the focus has been on two key aspects: 1) economic empowerment of women through the entrepreneurship route; and 2) contribution to the creation of an appropriate enterprise ecosystem. The practice, however, is often confined to two key areas: a) awareness creation; and b) financing. In fact, public programmes for women entrepreneurship development, in many cases, are structured to legitimize some 'Gender Budget'; they are much less demand-driven. A Study entitled 'Women Entrepreneurship Development: Policy Perceptions & Practice' by the Centre for Social Development looks into the current state of the subject. According to Anne Mary Joseph & K. Pradeep Kumar, gender imbalance in the domain of industry and enterprise development, are essentially the outcome of structural factors, such as the dynamics of labour market behaviour, inter-industry linkages, social discrimination, and the limited effectiveness of policy interventions. They conclude that there needs to be a structural analysis of the problem, rather than treating 'gender' as a stand-alone subject.



It is a well-known fact that, economic programmes meant for women often have a significant populist flavour attached to it, and the business case often takes a back seat. The above study, based on the experience of Kerala, examines the strengths and weaknesses of database relating to women's entrepreneurial role and of their businesses. It points out that even while one has to confine to the skeletal data often available with public programmes, the way they are collected

and maintained has to be meticulously looked into. Such data can be used for policy making, only as part of the overall evidence-base. The researcher's best judgment, added to this, can be useful.

2. Gender and Enterprise

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.



'Gender and enterprise', today has gained the position of a constituency in itself, so that in strategies of enterprise and entrepreneurship promotion, this dimension has been seriously incorporated. While 'Gender and Enterprise' is a multidimensional theme, it is important to capture the complexity of the subject in an operationally meaningful manner. Such operational meaningfulness demands circumscribing the central theme of entrepreneurship in the specific context of gender. Human behaviour and the behaviour of the market are the two major facets demanding closer attention. The paper entitled 'Gender & Enterprise - Towards a New Agenda', by the Centre for Social Development, jointly with ISED Small Enterprise Observatory (authors: T. Laxmi Devi & K.S.Arun), discusses this perspective in the

context of design of gender sensitive programmes and their implementation. While Gender is the overall context in which such behaviour is analysed, the focus of this research is on how women entrepreneurship experience differs from the state of entrepreneurship in general.

3. Survival and Sustainability

Entrepreneurship development has been considered to be the center 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.

A major forthcoming output in the subject area 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.

The impact of Covid-19 on women and their economic activities has been a focal theme of research this year. 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.

Unlike the prevailing definitions of 'business development services (BDS)' or 'real services', the ISED Small Enterprise Observatory (ISED-SEO) proposes an alternative operational definition. Accordingly, it is defined as those services (both operational and strategic) and products offered thereto, 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.

Enterprise insecurity, today, is a relative issue. It affects most in the case of businesses that are owned by social groups that are relatively weak. The study 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.

While women entrepreneurship development is a key area of policy priority, public programmes often lack in terms of limited domain knowledge and in appropriate and meaningful set of Key Performance Indicator (KPIs), on the basis of which, public programmes are developed and are evaluated. Women enterprises in Kerala, to a significant extent, operate as islands of small organizational initiatives, without being exposed to the logic and dynamism of the market forces. Their private sector linkages are relatively weak. Besides, lack of exposure, these units are too small to evolve a market strategy, by which they can develop a market space. They remain largely as dependent entities. Both the perception relating to overcoming this vicious circle, as also their capabilities to do so, remain significantly low. In fact, strategic inputs often come from government departments, rather than from the market, which obviously, is a critical constraint. A study by Sindhu Shenoy & Sidharth Menon entitled 'State, Market, and Women's Business: Some Field Evidences from Kerala', looks into the relative roles of State and the market and how they add value or deter the interest of women entrepreneurship development.



While the perception and practice are two important components of policy formulation and strategy development, relating to women entrepreneurship development, it is vital to have a historical and structural view of the subject. While 'Gender and Enterprise' is a multidimensional problem, it is important to capture the complexity of the subject in an operationally meaningful manner. Such operational meaningfulness demands circumscribing the central theme of entrepreneurship in the specific context of gender. Human behaviour and the behaviour of the market are the two major facets demanding closer attention. A study by J.M.I. Sait & S. Rajeshwari entitled: 'Gender & Enterprise under Covid-19: India's Policy Imperatives', looks into the problem. While Gender is the overall context in which such behaviour is analysed, the focus of this research is on how women entrepreneurship experience differs from the state of entrepreneurship in general.

The beaten track policies and strategies on gender and economic empowerment of women have taken a new shape, globally, on the basis of new ground level experience and evidences. It is the opportunity and challenge of the policy makers to channelize such experiences into alternative policies and strategies. On the basis of evidences from Kerala, a study entitled 'Sustainable Development through Enterprise': Gender as a Third Dimension By P.M.Mathew & Sidharth Menon, looks into this aspect. Based on available literature, prior knowledge, and capabilities and track record of the institution



they belong to, the authors discuss the relationship between policy and practice in the Indian context.

The promotion of entrepreneurship through direct policy interventions is a relatively new area in the economic history of India. With a proactive approach to entrepreneurship development, which dates back to the early 1970s, an enhanced policy attention on the potential role of entrepreneurs with special focus on particular social categories including women. Women, who form nearly half of the population in India, thus, got enhanced attention in relation to their economic role. While the entrepreneurship role is one among them, it is necessary to look into how the idea of entrepreneurship among women grew from the stage of ideation into practice. While the perception and practice are two important components of policy formulation and strategy development, it is vital to have a historical and structural view of the subject. The study entitled: 'Genderpreneurship': An Evolving Global Agenda' by P.M. Mathew offers such a historical approach.

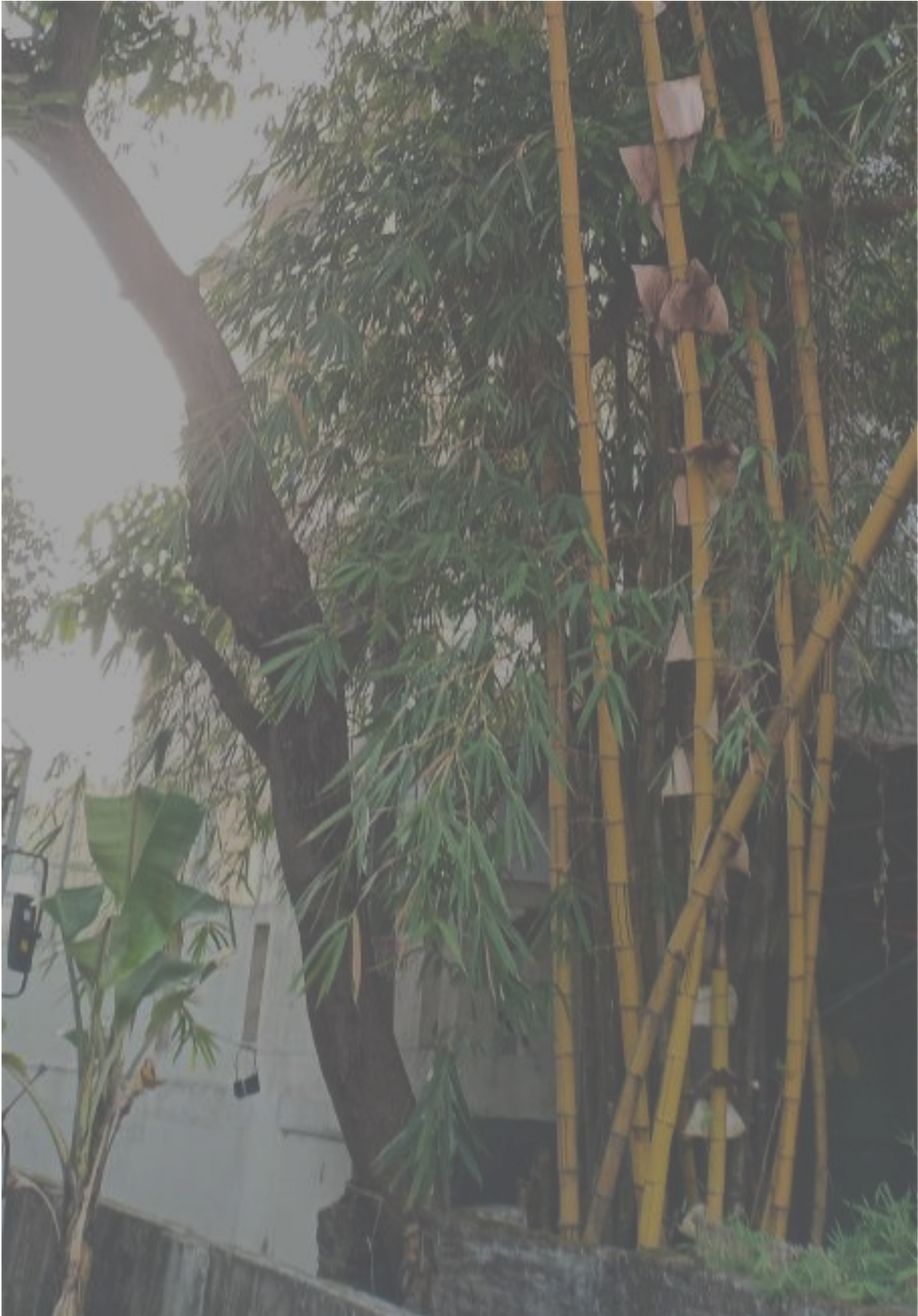


4. 'Gender & Enterprise' Observatory

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.

5. Plans for the Future

The plans for the future in this subject area would center around documenting success stories and failure stories alike, and thereby building up arguments that favour the full utilisation of gender as another dimension of entrepreneurship. This is expected to happen in the form of new studies and consultative processes.





7 | Familiarising Regional Development & Public Programmes

Regional development has 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.



1. Selected Studies



The regional development aspect of enterprise development often come into focus where there are severe regional problems relating to incomes and opportunities. The key problem during the reporting year was Covid-19 and the associated disruption in the regional economy.

The Pandemic, 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.



2. Other Activities

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

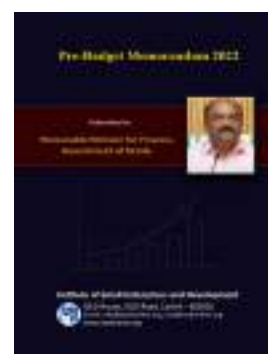
Motivational programmes of the Institute were tweaked to the context of the Pandemic, and four 'Community Sensitization Programmes' were organized during the year.

iv). Communication Programme

Public programmes are an interface that connects 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. The Pre-Budget memorandum submitted to the gov-

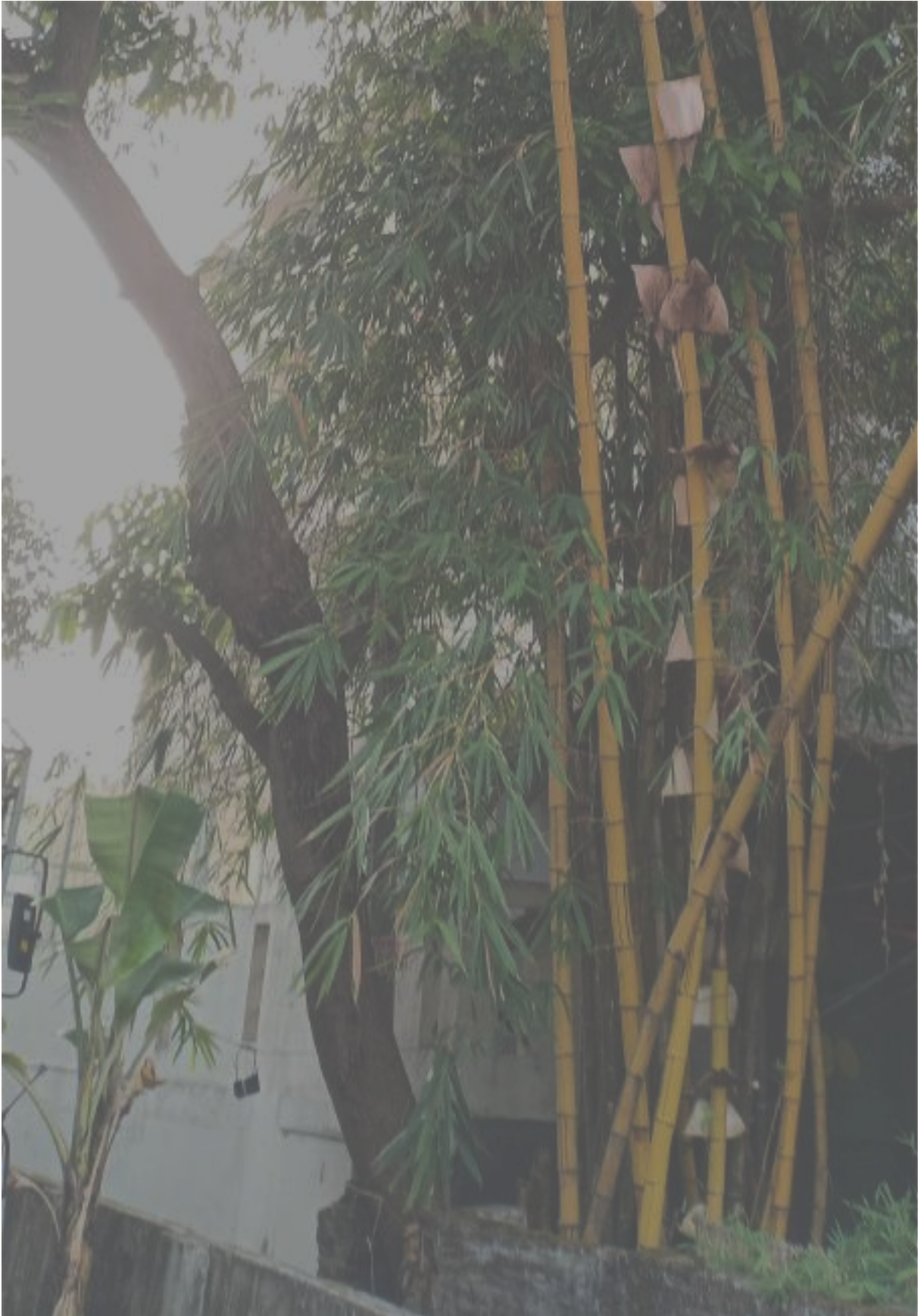


ernment of Kerala was focused on the following areas: 1) Entrepreneurship resource policy; 2) Enterprise Demography Analysis; 3) Enterprise Monitoring Systems; and 4) Broad-basing Start-Up movements.

3. Future Plans

Falling back on its legacy of modeling of Entrepreneurship Development Programme and clinical exercises at the grass root level, the Institute will look into the state of the 'entrepreneurship crisis' following the pandemic. While there has been a debate on the shape of the economic recovery curve, the question relating to the distributional effect at the grass root level remains yet to be meticulously examined. As a part of the exercises for India MSME Report 2022, such an exercise will be initiated in a representative district of the country.

The institutional role of ISED as an answer to the motto of 'Sustainable Development through Enterprise' requires an enhanced thrust on development practice at the grass root level. This requires as a *sine qua non*, a critical look at the very concept of development, and more specifically entrepreneurship development. The evolving paradigm of entrepreneurial development globally raises some fundamental issues regarding its content. On the one side, there are programmes relating to mainstream entrepreneurship that is familiar in development literature for the last half a century or so. At the other end, there is a brand new and evolving stream of technology start-ups that are offered as a potential solution to the global problem of unemployment. The whole development wagon has to be demystified, and its constituents revisited in relation to sustainable incomes and opportunities. This alone can meaningfully contribute to the global agenda of sustainable development. The programme of the Institute will be looked afresh taking into consideration these imperatives.





8

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



In the agenda of enterprise development, 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 macroeconomic

environment, the savings and investment behavior of individuals shape the enterprise system as we see it today. Under its goal of ‘Sustainable Development through Enterprise’, ISED examines the trend and progress at all the three levels, from time to time, and takes such feedback into its regular activities relating to in-house research, and engagement with other stake holders.

1. Financing SMEs

ISED contributes inputs for preparations of the Government Budget, both at Centre and in Kerala regularly. 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 10, 2021, 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, along with some action points.



India MSME Communication Program is a platform for active partnership of the Institute with the leading financial institutions of the country. It 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 development finance institutions 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 2021. 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

Both for policy and action for development, credit delivery and credit absorption are important.



The following four questions are relevant: 1) what constrains credit delivery in some sub-sectors, 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.

The mainstream theory and practice of banking in India focus on the business activities of a commercial bank. The modern concept of business finance, however, is strongly anchored on the principle of social responsibility. While the concept of social responsibility is validated by the modern principles of welfare economics, the 'business case' attached to it has been increasingly recognized by modern management science. Doing 'responsible banking' means getting involved in sustainable and durable projects that are of value to society. In practice, it means offering customers simple and straightforward services and products, which again, means new business opportunities for financial institutions. MSME finance is a terrain where this financial-real sector interface matters significantly. More importantly, under a situation where the economy is in turmoil, this matters most from the point of view of policy and strategies. The paper entitled: 'MSME Finance: From Credit Delivery to Responsible Banking', by J.M.I. Sait & Animesh Halder looks into the still evolving concept of 'responsible banking' based on global experience and India's imperatives.



'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. 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 .



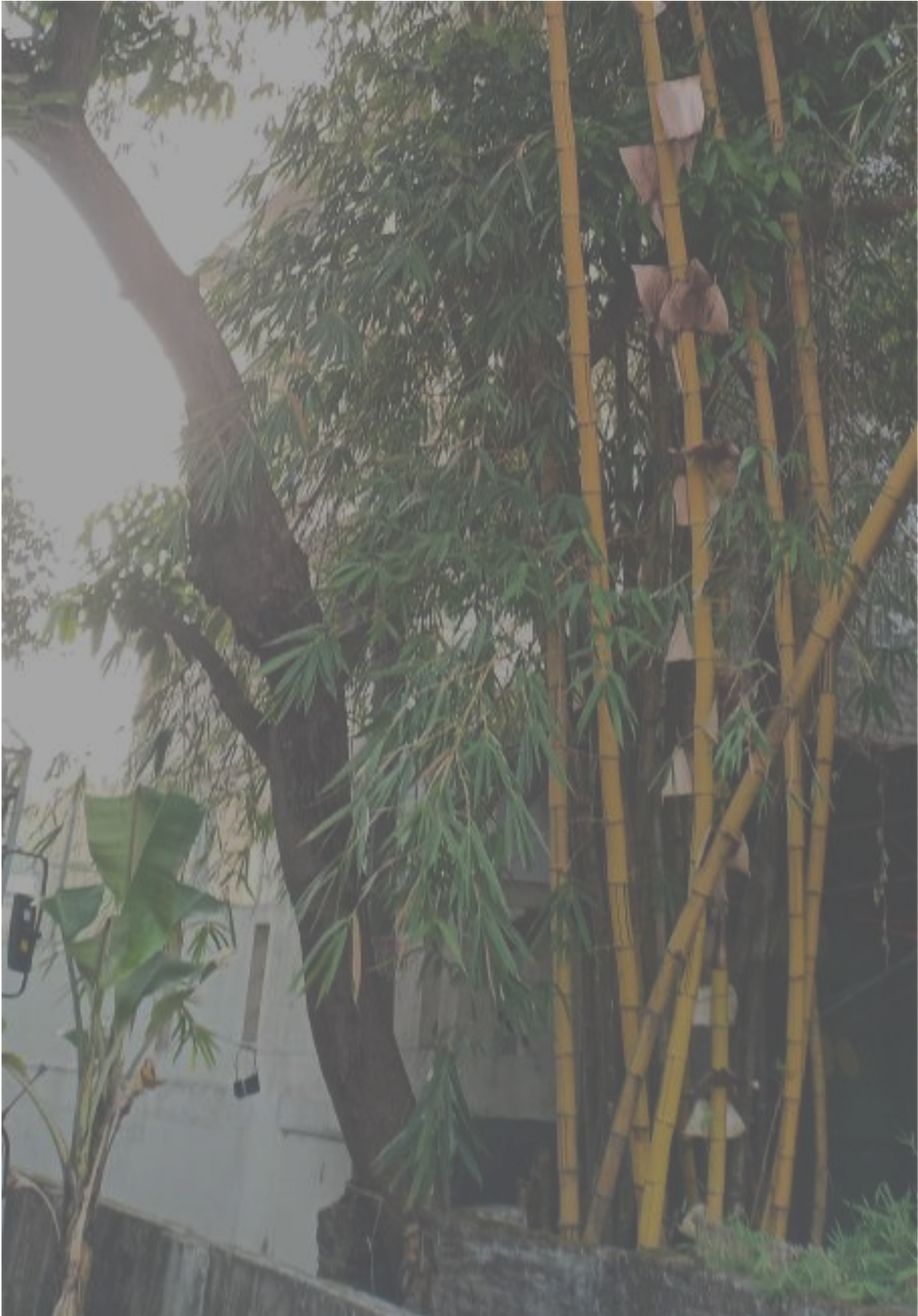
3. New Paradigm in SME Finance

A major contribution of the Observatory and of the Institute during the year was the discussion it led in the area of 'Social Responsibility' associated with SME Finance. While globally, this is a new paradigm, such a perspective is yet to take roots in the semantics of SME Finance in India. At the National Banking Conclave organized by the National Institute of Bank Management (NIBM), Pune, a framework and strategic approach on the subject was presented by the Institute. This has, subsequently, come out as a publication from the Observatory.

4. Future Plans

The future plans of the Institute in the area of finance would be focused on the following areas:

- 1) Financing Family Business
- 2) National Strategy of Financial Inclusion
- 3) Compositional Changes in SME Finance, post-Covid
- 4) Financial Inclusion Monitoring Tools
- 5) Financial Literacy Programme
- 6) 'Responsible Financing' - International Practices and Relevance for India





9 | **Situating & analyzing Enterprise Security**

SED response 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. The New Research Agenda: A Review

Covid-19 the Pandemic, and its impact on the regional and national economy of the country has been the Institute's programme thrusts of the year. 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 enquiries 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. 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.

While 'enterprise vulnerability' is a general problem largely associated with the so called 'Bottom of the Pyramid', it has greater significance in a context where such enterprises are owned and managed by women. A study entitled Vulnerability of Women Enterprises: An 'Enterprise Security' Perspective, by T. Johnson looks into this. Women enterprises are prone to several vulnerabilities, because of objective and subjective reasons. The vulnerability factors are significantly higher for them, especially because of the unique features of women's work. It is necessary to have an understanding of the same in clear terms. There are some critical gaps in analysing and understanding the problems of individual enterprises. Unless these individual problems are understood in a holistic framework, 'vulnerability' and its scope cannot be meaningfully understood; naturally, policies are doomed to fail.



2. Business Development Services

A major initiative of the Institute during the year 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.

As a social responsibility initiative of the Institute, ISED-ECSE extends 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. SME Revitalization and Regeneration

The subject is often discussed in available literature in the context of LED. Besides the disruptive environment following Covid-19, presents a significant ground for a debate on strategies. The ISED Scoping Paper entitled, "Towards a Re-railing 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. 'Self-reliance' Context

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. The idea was further elaborated by the Union Finance Minister through the Budget. The Government's approach to self-reliance has come through the PLI Scheme. It is important to situate the MSME experience in relation to PLI and to evolve appropriate strategies. The Institute's Subsector Reporting program focuses on this.



5. Enterprise Security: Ground-level Picture

While the Pandemic and the disruptive environment in the economy therefrom, has attracted several macro-level studies globally as also in India, in the context of Kerala, a study was initiated by the Directorate of Economics and Statistics, Government of Kerala, on the State-level scene of unincorporated enterprises in. The broad findings of the study are the following:

- 1) Output Contraction
- 2) Employment Contraction

- 3) Low Usage of Family Labour
- 4) Rising Cost of Production
- 5) Declining Business Outlook and Confidence

The study also provides results relating to sub-sector scene and indebtedness. The observations of the ISED Small Enterprise Observatory were in favour of a closer examination of the evidences coming up from the above study and its findings. Therefore, against the background of the research initiatives relating to India MSME Report, 2022, a comprehensive study was initiated in one of the districts in Kerala. The findings of the study are expected to be released in June, 2022.

6. Subsector Experience

At the special request of the Control Panel and Switch Gear Manufacturers Association (COSMA), the ISED participated in a Strategy Workshop held in Bangalore on July 17, 2021. Apart from a discussion on the key issues relating to the subsector in the special context of the Pandemic and the disruption thereon, it deliberated on a new strategic approach for taking forward the critical concerns of the industry. The deliberations were geared to evolve a new strategic approach at the subsector level, both from the policy and advocacy angle and for sensitizing the member business units. The Discussion was led by P.M. Mathew from the ISED side.

7. Future Plans

The plans of the Institute in the subject area for 2022 and beyond are the following: 1) Review of research on enterprise vulnerability and strategies thereto; 2) Development of measurement tools and techniques; 3) Creation of and Asia Consultative Group on enterprise vulnerability; and 4) an Asia Conference on the subject.



10 | **Collaborating across Stakeholders on Entrepreneurship & Enterprise Development**

Since the focus of ISED programme is evidence-base, the way in which research is undertaken really matters for it. The Institute 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.

1. Content & Methodology of Collaborations

The term collaboration essentially means a process of two or more people or organisations join together to complete a task or achieve a goal of mutual interest. While enterprise and entrepreneurship are a subject of individual choice, emerging out of the interest for private profit, they leave behind a collective interest which often remains transient. The transient interest arises out a perceived 'business case', for which the individual or company is not interested to offer a long-term commitment. Identifying and articulating such 'Business Case' in a particular context, educate the various stakeholders having such 'business case' from different angles, and bringing them together on a common platform, is central to the context and methodology of 'Partnership' at ISED. It is an exercise in developmental engineering and communication. Developmental engineering visualises the kind of changes needed for development to take place; communication seeks to bring together the potential actors. Based on such a strategic approach, the Institute has evolved Partnership Platforms at the international, national and regional levels that makes possible initiatives and projects that could otherwise not happen easily.



2. Developmental Stakes

Effective engagement of stakeholders and the creation of a meaningful platform for exchange of ideas and debates is crucial for taking forward an agenda of development action. Therefore, the Institute considers it crucial for having constant exchange of views and interaction with all major stake holders in the MSME constituency.

2.1. Business Membership Organisations

Follow up of the sub-sectors 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 sub-sector and regional MSME Associations of the country, and to document the latest developments.

2.2. 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.

The Institute joined with the Mumbai School of Economics and Public Policy, University of Mumbai, on a thematic issue of relevance to the academic and research community in the country. The Programme was organised in the context of Faculty Development in economics, meant for senior economics faculty from leading universities in the country.



The theme of the Programme, piloted by the Institute was enterprise at the “Bottom of the Pyramid”, as it relates to the situation in India today. The lecture by P.M. Mathew focused on the major milestones in industry and enterprise development with focus on the experience of structural changes in the labour market and in the micro, small and medium enterprises.

While the Government of Kerala has declared, through the State Budget, its policy of trans-

forming 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, i.e., 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.

2.2.1. New Research Areas

Based on the new developments in the economy, as also the ground-level experience relating to enterprise and entrepreneurship, the Observatory has identified the following research areas on a priority basis:

- Entrepreneurship Budgeting.
- Entrepreneurship Resource Policy.
- Entrepreneurship Exchange.
- Inclusive Entrepreneurship Index



2.3. Professional Community

The policy challenges thrown up by Covid 19 and the associated disruption in economies, at global, national and regional levels, have crystallized 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.

Globally ‘Responsible Finance’ is a new area of research and practice today. National Institute

of Bank Management, Pune, initiated a National Summit on Banking & Finance, jointly with the Ministry of Finance, Government of India, on Oct 14, 2021. ISED as a partner to the programme, put forth this new thematic area into the arena of national debates, through its contribution as a Knowledge Partner to the Summit relevance of 'Responsible Banking' in the Indian context.



2.4. 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.



Ease of Doing Business (EoDB) is a globally accepted indicator of enterprise development and investment promotion today. While this index has been used at the National level and in the States, the tools and techniques that lead to such an exercise still remain a gray area. In this context, the Institute proposes, development reporting, and REDA as tools that can support the EoDB initiatives at the National level and in the States. The Institute also proposes and tries to situate the effects of national programmes such as Production Linked Incentive (PLI) scheme

2.5. 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. (E.g. Bharathidasan University Entrepreneurship, Innovation and Career Hub (BECH).



Following the engagement of the Institute relating to entrepreneurship development interventions as above, the Institute organised several motivational programmes in educational institutions during the year.

2.6. 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.

The media highlights of the Institute during the year were focused on the following areas:

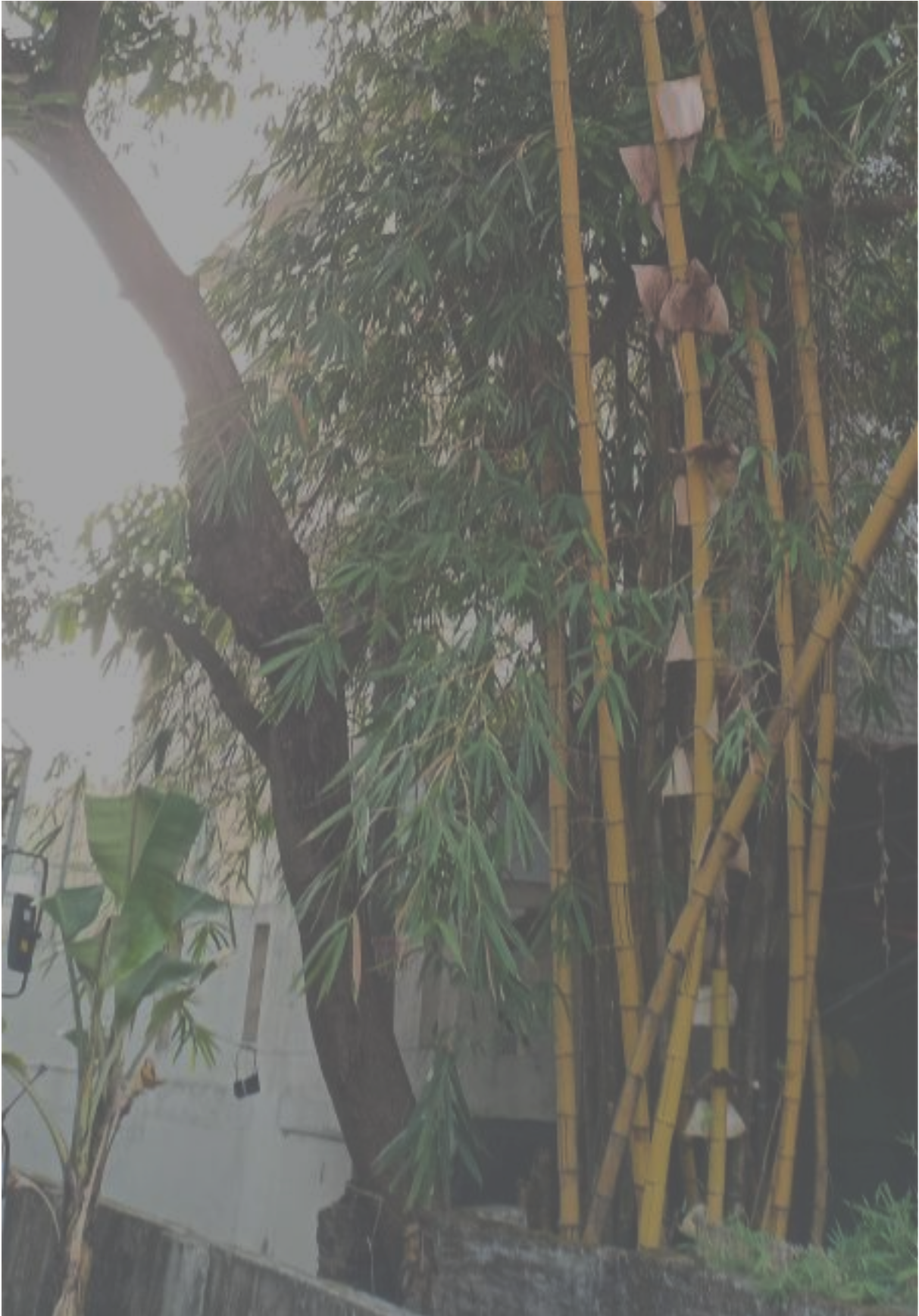
- 1) Enterprise Security.
- 2) Covid-19 related Mitigation Strategies.
- 3) Local Economic Development Strategies.
- 4) Labour Market and Skill Development.
- 5) Gender and Enterprise.
- 6) Youth Entrepreneurship.



2.7. International Partners

The role of International Partners is crucial with regard to the program and spectrum of activities at the Institute. Such a relationship can be both demand-driven and supply-led, on the following broad lines:

- **Research Cooperation:** Cooperation in the area of research and knowledge sharing on an international plane, is critical for the Institute's own research program. For instance, the India MSME Communication Programme, and more specifically the India MSME Report Series are driven by sharing of such international research results and knowledge. The Institute continues to ensure such sharing through the International Focus Group. In addition to this, the Institute also has ad-hock research collaboration with several universities and research institutes.
- **Evaluation:** The Institute has from time to time utilized its capabilities in the area of evaluation of internationally funded projects.
- **Seminars, Conferences & Dialogues:** Both in the context of the IMCP, as well as in other specific areas of topical interest, the Institute engages in such deliberations. The major collaborative engagements during the year, were, with the International Food Policy Research Institute (IFPRI), Washington, and with the De Mont Fort University, U.K.
- **Exchange of Resources:** Exchange of knowledge resources and personnel is another important area in which the Institute has engaged in over the past several years. Such collaborations include International Labour Organisation, UNIDO, and the OECD.





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)	Entrepreneurship as a critical Resource	Discussed in Policy circles
6	Mooted by India MSME Report (2012)	National Entrepreneurship 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 Entrepreneurship Policy	Implemented by Govt. of India
12	Mooted 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	Concept 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 (e.g. Tamil Nadu, Punjab).

The strategies of the Institute during the year was focused on four key areas:

1) Training and Skill Development; 2) Skill Development; 3) Preparations of Manuals; 4) Business Development Services.



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 (e.g. 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.

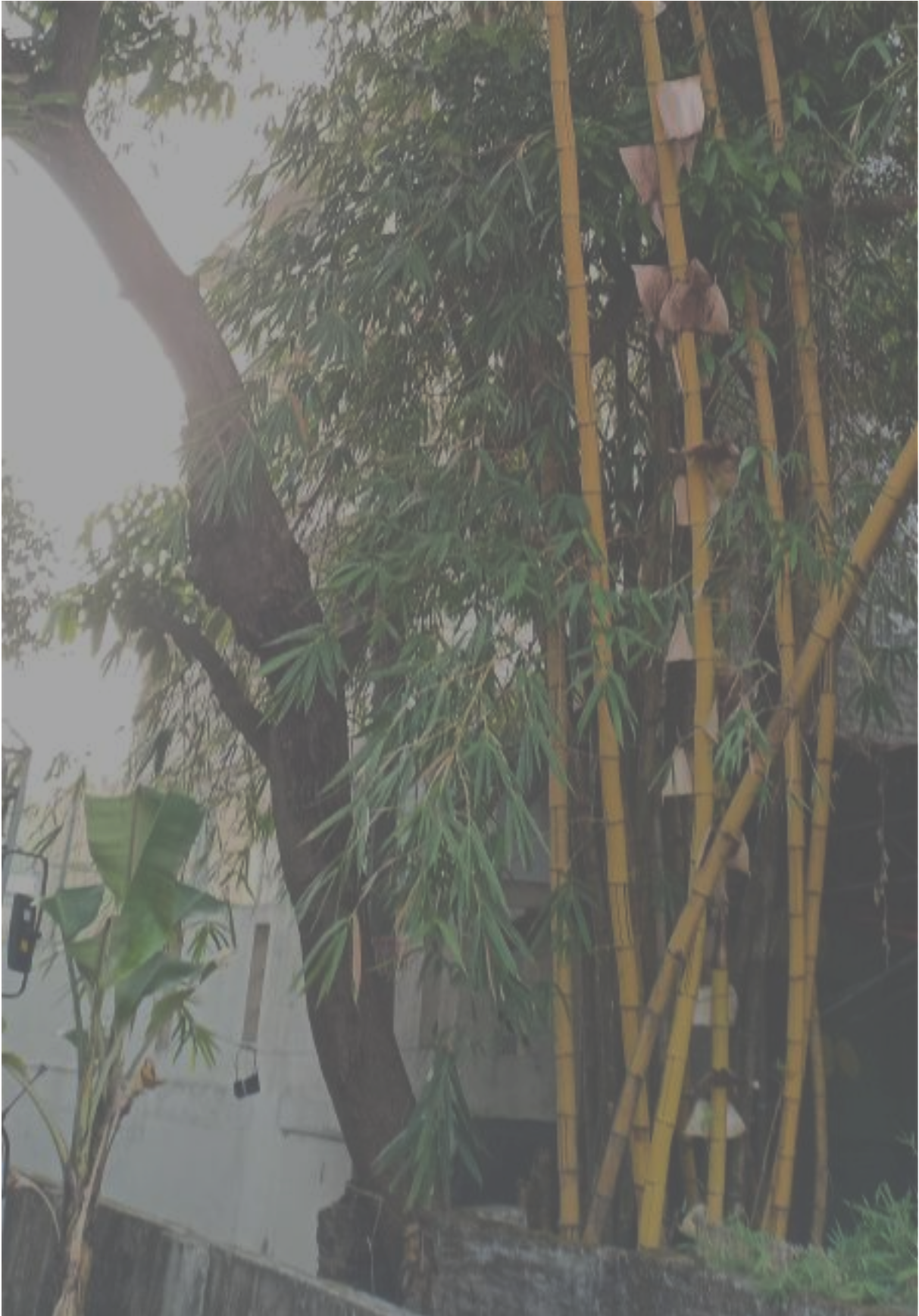
The interventions of the Institute during the year included the following:


- 1) Training and Research Methodology.
- 2) Preparation of Guides and Manuals in Enterprise Development.
- 3) Mentoring of Researchers in the areas of Enterprise and Entrepreneurship.






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.

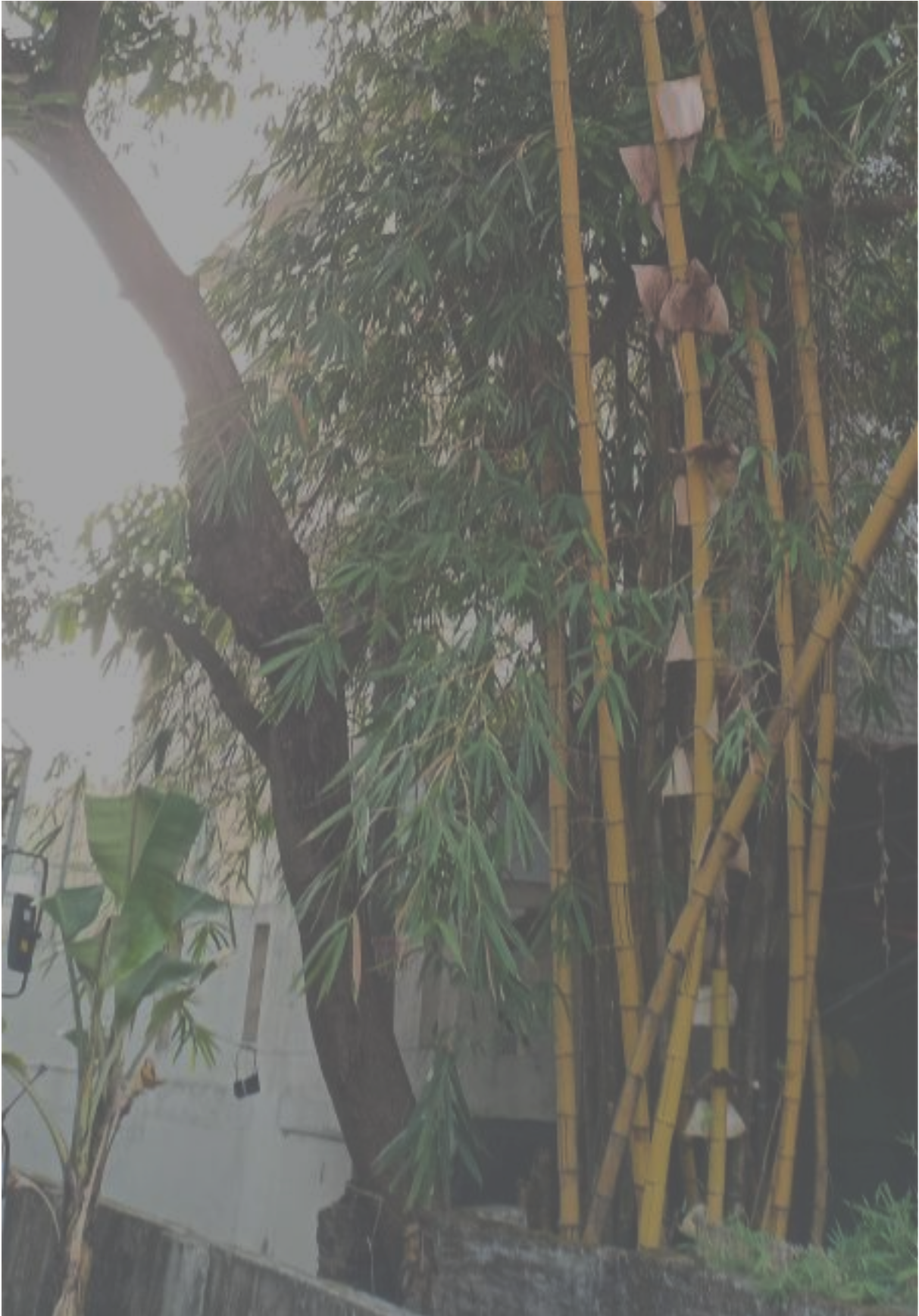




	India Micro Small and Medium Enterprises Report - 2021	ISED-SEO	2021	MSMER 2021
Web-Link https://isedpublications.org/product-detail.php?books_id=413				
	Lessons & Imperatives from Quarter of a Century India's Micro, Small & Medium Enterprises (1997-2022)	P.M.Mathew	2022	ISED-373
Web-Link https://isedpublications.org/product-detail.php?books_id=457				
	State, Market & Women's Businesses: Some Field Evidences from Kerala	Sindhy Shenoy & Sidharth Menon	2021	ISED-362
Web-Link https://isedpublications.org/product-detail.php?books_id=446				
	Vulnerability of Women Enterprises: An 'Enterprise Security' Perspective	T. Johnson	2021	ISED-368
Web-Link https://isedpublications.org/product-detail.php?books_id=452				
	Women Entrepreneurship Development: Policy Perceptions & Practice	Anne Mary Joseph & K.Pradeep Kumar	2021	ISED-359
Web-Link https://isedpublications.org/product-detail.php?books_id=443				

	Genderpreneurship: Business Case versus Populism	Anne Mary Joseph & K.Pradeep Kumar	2021	ISED-360
Web-Link https://isedpublications.org/product-detail.php?books_id=444				
	'Sustainable Development through Enterprise': Gender as a Third Dimension	P.M. Mathew & Sidharth Menon	2021	ISED-365
Web-Link https://isedpublications.org/product-detail.php?books_id=449				
	Gender and Enterprise under Covid 19: India's Policy Imperatives	J.M.I. Sait & S. Rajeswari	2021	ISED-364
Web-Link https://isedpublications.org/product-detail.php?books_id=448				
	'Genderpreneurship': An Evolving Global Agenda	P.M. Mathew	2021	ISED-367
Web-Link https://isedpublications.org/product-detail.php?books_id=451				
	Enterprise and Entrepreneurship: Perspectives beyond the Pandemic	J.M.I. Sait & P.M. Mathew	2021	ISED-348
Web-Link https://isedpublications.org/product-detail.php?books_id=431				
	Labour Market: Covid 19 Balance sheet	J.M.I. Sait & Animesh Halder	2021	ISED-349
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	Covid 19: What is Unique of SMEs Today?	P.M. Mathew & P.Sukumaran Nair	2021	ISED-350
Web-Link https://isedpublications.org/product-detail.php?books_id=433				
	India's MSMEs: Recent Developments & Imperatives	K.S. Arun & P.M. Mathew	2021	ISED-351
Web-Link https://isedpublications.org/product-detail.php?books_id=434				

	Enterprise & Entrepreneurship in Rural India Today	P.Lakshminarayan & P.M. Mathew	2021	ISED-352
Web-Link https://isedpublications.org/product-detail.php?books_id=435				
	Youth Entrepreneurship in India: Critical Issues	Animesh Halder & John Sebastian	2021	ISED-353
Web-Link https://isedpublications.org/product-detail.php?books_id=436				
	Gender & Enterprise -Towards a New Agenda	T. Laxmi Devi & K.S. Arun	2021	ISED-354
Web-Link https://isedpublications.org/product-detail.php?books_id=437				
	MSME Finance: From Credit Delivery to 'Responsible Banking'	J.M.I. Sait & Animesh Halder	2021	ISED-355
Web-Link https://isedpublications.org/product-detail.php?books_id=438				
	Entrepreneurship under Turbulent Times: From "Hobson's Choice" to Grabbing Opportunities	K.J. Johnson & Peter John	2021	ISED-356
Web-Link https://isedpublications.org/product-detail.php?books_id=439				
	Enterprise & Entrepreneurship: Disruptive "New- Normal" & Survival Strategies	P.M. Mathew & K.K. Udayakumar	2021	ISED-357
Web-Link https://isedpublications.org/view_file.php?books_id=440				





Resource Base & Budget Overview: 2021-22

1. Legal Status

Being a not-for-profit entity, the sources and uses of the resources of the Institute are directed for relevant social purposes from time to time.

2. Resource base and its utilisation

The resource base of the Institute fall under the following categories:

1) Endowments

Endowments are strictly special purpose funds that are utilised for the intended purpose.

2) Sponsorships

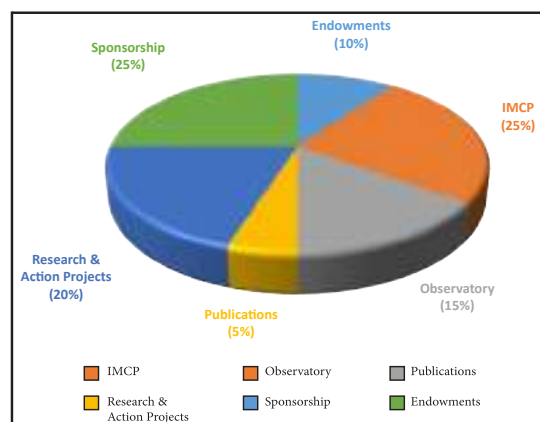
Sponsorships come essentially, but not excluding, from the Partnership Network of the Institute. Sponsorships are both of special purpose type and general.

3) IMCP

India MSME Communication Programme (IMCP) is a stand-alone programme involving several components. The support and donations received for the programme are fully utilised for various activities under this programme.

4) Observatory

ISED Small Enterprise Observatory is a stand-alone program of the Institute. It coordinates a series of activities of a long-term nature. The support and incomes generated by the Observatory are exclusively used for the growth and diversified activities of the Observatory. The Institute accepts donations from the public, apart from membership income.



5) Publications

The Institute has a rich track of publications, mostly on enterprise and entrepreneurship. In the current year, it has brought out 17 titles. These titles are extensively distributed within India and abroad.

6) Research and Action Projects

The research program of the Institute include commissioned projects and own Projects. The resources on account of these projects are utilised for the purpose.

3. Growth Imperatives and Resource Constraints

Despite the spectrum of activities at the Institute as of today, the resource constraints are substantial. Such constraints need to be understood against the expanding base of its activities. More specifically, the Observatory and the IMCP have evoked substantial enthusiasm among relevant stakeholders. With 2022 being the Jubilee year of the Observatory, special efforts will be taken to strengthen the resource base of these two programmes.



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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 (MADITSSIA)
- 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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