

IMCP

INDIA MICRO, SMALL & MEDIUM ENTERPRISES REPORT 2022



ISED SMALL ENTERPRISE OBSERVATORY

Humans, small business and the meta world

'Knightian uncertainty" & Enterprise Security

India's MSME developments

Grass root level stories

Genderpreneurship: A story untold

Finance & Entrepreneurship Resources

Enterprise Security

Social and Solidarity Economy



Institute of Small Enterprises and Development

MSMER 2022

India
Micro, Small & Medium
Enterprises Report
2022

India Micro, Small & Medium Enterprises Report 2022



Published for
**ISED Small Enterprise
Observatory**



Cochin
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Enterprises and Development
2022**

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India Micro, Small and Medium Enterprises Report Series

India Micro, Small and Medium Enterprises Report (MSMER) Series, is a flagship project of the Institute of Small Enterprises and Development. Initiated by the Institute's knowledge platform, ISED Small Enterprise Observatory (ISED-SEO), it is a tool that addresses the "invisibility syndrome" relating to the small enterprise economy. The aim of the 'MSMER Series' is to put forward an independent and scholarly view of the state of India's micro, small and medium enterprises on an yearly basis, and of the likely happenings for future. The Report is being brought out under the 'India MSME Communication Programme (IMCP)' of the Institute.

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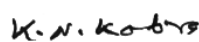
Foreword

Jobs and livelihoods are the key concerns of the world today, amid major spurts in technology and productivity. While micro, small and medium enterprises (MSMEs), as a constituency, act as a powerful instrument promoting the social goals of development, the prolonged Pandemic, Covid 19, has virtually disrupted their normal operations. The tremors in the economy have contributed to widening the differences between 'Bharath' and 'India'. Even amidst such differences in spatial and social development, there are several positive factors that have the potential of taking the country into a new path of revival and regeneration. The hope lies in the country's diverse industrial structure, where MSMEs play a dominant role. Given their natural resilience, it is likely that the MSMEs can come out of this difficult situation. The time, however, demands coordinated action, not only at the administrative level, but also in relation to the role of various development actors.

This twenty-fifth issue of the 'India MSME Report series' feels complacent on the opportunities for introspection on new policy directions. It adds to the agenda and debates on 'enterprise security', as it has been articulated by the ISED Small Enterprise Observatory. While the issues, on the one hand, are much more complex, the responsibility of development practitioners also is on the rise. I am happy to see that, amid such rather difficult circumstance on livelihood and entrepreneurship front, this issue of the report presents 'Social and Solidarity Economy' as an alternative strategic opportunity.

I thank the ISED Small Enterprise Observatory and the various Knowledge Centers of the Institute for their meticulous drive in bringing out this unique Report as an icon of the 'International SME Day 2022'.

New Delhi,
June 25, 2022.


Kamal Nayan Kabra,
Chairman, ISED

Preface

In a year of “Knightian uncertainty”, management of the base of the enterprise system is likely to be a big challenge in economic governance. Having SMEs at the center- stage of the global ‘Sustainable Development’ agenda today, it is the responsibility of the global community as also of national governments to meet this challenge. It is against this backdrop that this Silver Jubilee Issue of the India MSME Report (MSMER) comes out. The focal theme of the current year is “Enterprise Security & the Social and Solidarity Economy”.

MSME activity in India happens mostly in regions and sub-sectors, calling for bottom-up development strategies. A knowledge base connecting the micro-meso with the macro processes and influences useful for development intervention, is the mission of the Report as also of the work at the Observatory.

This Report is the outcome of a coordinated work at the ISED Small Enterprise Observatory. The vision and direction of MSMER- 2022 was provided by the International and National Focus Groups of the Project. The team of the Observatory did its meticulous job under the guidance and support of the Project Leaders. Inputs for various chapters were provided by the Knowledge Centres of the Institute. The mainstay of the Report is the field evidences and insights. They were collected under coordination by the four Regional Teams of the Observatory. At the desk, I would like to acknowledge and appreciate the support of J.M.I. Sait, K. Jayakumar, and P. Jagannathan, besides the Teams of the Knowledge Centres. The technical support of Vishnu Vardhanan, Fredy Kamal, P. Gouri Shankar and Shaji Mathew deserve special mention.

While celebrating the Silver Jubilee of the project, ISED wishes to thank the generous support and encouragement of Member Institutions of the National Partnership Network (NPN), all through these years.

The pains and efforts of all who have worked directly or indirectly, with this project deserve a salute.

Institute of Small Enterprises and Development,
Cochin
June 25, 2022.



P.M. Mathew
Project Director & Editor

Acronyms & Abbreviations

ECLGS	-	Emergency Credit Line Guarantee Scheme
ABC	-	Adjusted Bank Credit
ADB	-	Asian Development Bank
AfDB	-	African Development Bank
ALMP	-	Active Labour Market Policies
ASEAN	-	Association of South-East Asian Nations
BDS	-	Business Development Services
BRIC	-	Brazil, Russia, India and China
CAGR	-	Compound Annual Growth Rate
CGTMSE	-	Credit Guarantee Fund Trust for Micro and Small Enterprises
CRR	-	Cash Reserve Ratio
CSO	-	Central Statistical Organisation
DC (MSME)	-	Office of the Development Commissioner (MSME)
DIC	-	District Industries Centre
DPIIT	-	Department of Promotion of Industrial and Internal Trade
ECGC	-	Export Credit Guarantee Corporation of India
ECLAC	-	Economic Commission for Latin America and the Caribbean
EDP	-	Entrepreneurship Development Programmes
EFC	-	Entrepreneurial Framework Conditions
EMDE	-	Emerging Market and Developing Economies
ESCAP	-	Economic and Social Commission for Asia and the Pacific
ESDM	-	Electronics System Design & Manufacturing
ESOP	-	Employees Stock Option Plans
FDI	-	Foreign Direct Investment
FIEO	-	Federation of Indian Export Organisations
FMCG	-	Fast Moving Consumer Goods
FTA	-	Free Trade Agreement
FTEA	-	Female Total Early-stage Activity
GDP	-	Gross Domestic Product
GEM	-	Global Entrepreneurship Monitor
GVA	-	Gross Value Added
GVC	-	Global Value Chains
HDI	-	Human Development Index
ICT	-	Information & Communication Technology
IIP	-	Index of Industrial Production
IMCP	-	India MSME Communication Programme
ISED	-	Institute of Small Enterprises and Development

ISED-SEO	-	ISED Small Enterprise Observatory
LCM	-	Life Cycle Management
LED	-	Local Economic Development
MCA	-	Ministry of Corporate Affairs
MEGA	-	Mission on Employment Generation
MENA	-	Middle East and North Africa
MFI	-	Microfinance Institutions
MGNREGA	-	National Rural Employment Guarantee Act
MSE-CDP	-	Micro and Small Enterprises Cluster Development Programme
MSME	-	Micro, Small and Medium Enterprises
MUDRA	-	Micro Units Development and Refinance Agency Ltd
NABARD	-	National Bank for Agriculture and Rural Development
NBFC	-	Non-Banking Finance Company
NPA	-	Non-Performing Assets
NRLM	-	National Rural Livelihood Mission
NSA	-	Non-state Actors in enterprise development
NSDC	-	National Skill Development Corporation
NSIC	-	National Small Industries Corporation
NSSO	-	National Sample Survey Office
OAE	-	Own Account Enterprises
OBICUS	-	Order Books, Inventories and Capacity Utilisation Survey
OECD	-	Organisation for Economic Co-operation and Development
PMEGP	-	Prime Minister's Employment Generation Programme
PMJDY	-	Pradhan Mantri Jan Dhan Yojana
PMMY	-	Pradhan Mantri Mudra Yojana
RBI	-	Reserve Bank of India
SDG	-	Sustainable Development Goals
SHG	-	Self Help Groups
SIDBI	-	Small Industries Development Bank of India
SLBC	-	State Level Bankers' Committee
SME	-	Small and Medium Enterprise
SPV	-	Special Purpose Vehicle
TEA	-	Total Early-stage Entrepreneurial Activity
TRDS	-	Trade Receivables Discounting System
UAM	-	Udhyog Aadhar Memorandum
UNCTAD	-	United Nations Conference on Trade and Development
UNDP	-	United Nations Development Programme
UNIDO	-	United Nations Industrial Development Organization
WTO	-	World Trade Organisation

About MSMER Series

- **Background:** The crucial role of micro, small and medium enterprises (MSMEs) in the economy needs to be properly understood and communicated; both from the angle of ensuring direct benefits to these enterprises, as also for meaningful planning and implementation of development programmes. India MSME Communication Programme (IMCP) is a unique umbrella initiative meant for this.

IMCP has two key components: a) 'India MSME Report' series; and b) 'India MSME Darshan'. The former provides a strong evidence-base to the MSME constituency through reporting, and the latter seeks to connect the reporting exercise with the field, in order to ensure its authenticity.

IMCP, as a programme of the ISED, has been steered by a dedicated knowledge platform, the ISED Small Enterprise Observatory (ISED-SEO). Grown to maturity over the last 25 years the India MSME Report (MSMER) is a well attracted icon of the 'International SME Day' (June 27).

- **Scope**

India's MSME constituency is uniquely huge, with substantial latent potential. For harnessing such potential for the country's sustainable development, it needs to be more comprehensively understood against the global, national, and regional experience. As a watch-dog of these developments, the ISED-SEO, from time to time, have analyzed, informed and tried to educate policy makers, financial institutions, entrepreneurs, and other stake holders, on what has happened, and what is likely to happen.

- **Methodology**

The methodology of the project is unique. It has borrowed methodological inputs from best practices around the world: U.S Small Business Administration, and the European Observatory of SMEs, Economist Intelligence Unit, Japan, and Enterprise Observatory of South Africa. It supplements official data with specific theme-based and area based enquiries. New and promising areas are brought into the stream of active discussions from time to time.

- **Output**

This iconic report, a point of convergence in the subject area, seeks to assist and support in agenda-setting at the national level. It discusses the critical themes and areas of MSME development on the basis of the latest analysis and insights. Along with other special studies in the form of Policy Briefs and Discussion Papers MSMER, provides a chronology and historical analysis, not to be missed by MSME enthusiasts and development practitioners.

- **Cientele**

The clientele of this flagship Report is varied. Policy analysts would find good leads on what worked and what did not in particular historical contexts. Financial institutions would gain lessons on credit delivery, regionally and at subsector levels. Government departments and promotional agencies get to learn from success and failure stories of schemes. Researchers would find it a good source of longitudinal analysis. Entrepreneurship promotion and training institutions would gain significant cases and insights from the field.

- **MSMER 2022**

This twenty-fifth Report while describing new opportunities, calls for introspection and search for new policy directions and strategies. The debate on 'enterprise security', as mooted by the 'ISED Small Enterprise Observatory' since 2013, has become all the more relevant today. While the issues are much more complex today, the task of policy makers and development practitioners has become more complex than ever. Beyond all these, as noted by late Dr.K.C. Chakrabarty, former Deputy Governor, Reserve Bank of India, "this series is a powerful tool for the MSMEs to analyze their own environment, articulate their needs, and understand the 'would be's'....."



Overview

Background

As this twenty-fifth volume of the 'India MSME Report is to be released on the International SME Day (June 27), this lower layer of the enterprise system, globally as also in India, presents a mixed experience of disruptive transition. It raises some unique questions of sustainability, which may have country specific implications. 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. This unequal growth process gets reflected both in employment opportunities, new entrepreneurial avenues, and of the performance of existing businesses. The situation is compounded by the global trend towards stagflation. Reserve Bank of India views this as an experience of "Knightian uncertainty".

Techno-economic Paradigm

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) an accelerated transition of work process from 'work place' to 'work space'; 3) a re-aligned 'sharing economy', geared to cost reduction at all levels; 3) formalization of labour flexibility under a legitimized 'gig model'; 4) a hesitant pace of the Fourth Industrial revolution.

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 labour-use, and the distribution of knowledge. Moving from manufacture and just-in-time production, the digital age itself is giving way to 'India has peculiar problems and opportunities against the above background.

Growth Experience & Challenges

As pointed out by the IMF and the World Bank. Global trade and GDP are projected to fall by 1 per cent in 2022, due to:

- 1) Market volatility, triggered by the changes in policies of the Central Banks;
- 2) Geo-political uncertainties, and hence disruptions to production, and trade; and
- 3) Reloading of Cold War, enhanced innovation financing, with focus on defence expenditure.

The global economy, as in June 2022, presents three key pointers that are likely to shape the economic recovery curve: 1) K-shaped recovery process; 2) Ukraine War and its fall-outs; and 3) stagflation.

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 unleash and exacerbate the process of 'servitisation' of the economy. While the logic of 'manufacture' and 'services' run through as two distinct streams at the base of the enterprise pyramid, this naturally, is likely to bring in some contradictions as well. 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 the manufacturing base of countries, both for their self-interest, and for building up an equitable global order.

Amid the great spurt in technology, on the one hand, and a massive disruption in the global economy triggered by the Pandemic, a global crisis of entrepreneurship is in the making. The manifestations of such a crisis have been brought out by various new studies and data sources (Martin et. Al., 2021; OECD, 2021; Audretsch, 2019;

Kauffman Foundation, 2022). Though these studies are mostly based on the experience of the USA and Europe, it gives directional signals to the rest of the world as well.

The answer lies in capital formation, with focus on innovation. The new circumstances demand a more focused attention on subsectors and regional and local value chains that can contribute to multiplier effects on the economy.

India's MSME scene today is a continuation and acceleration of a tendency towards slow growth since 2019. This slow growth syndrome led to a phase of massive disruption with Covid-19. 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.

The latest report of the PLFS indicates a post-Covid trend towards growth of self-employment rates in the country. While the pre-Covid level of rural self-employment was 51.7 per cent, it has grown to 54.5 per cent during the post Covid period. The urban growth, however, is from 31.8 per cent 33.2 per cent. While the reasons for such a change have been debated by economists, from the point of view of sustained economic growth, an increased shift from wage employment to self-employment is a welcome step, provided it adds to the entrepreneurial capabilities of the country. It also indicates the imperative for planning and nourishing the entrepreneurship resources of the country.

Background and Methodology of India MSME Report

India MSME Report is an exercise in 'Development Reporting'. The basic character of a 'Development Report' is its focus on synergy of theory and practice, with focus not simply on data, but as well on strong evidences that can lead to some meaningful conclusions. Evidences available from all major stakeholders, macro, regional and subsector 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 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. This mission of the Report is built upon the longitudinal knowledge base and transactions thereon by the ISED Small Enterprise Observatory over the last 25 years.

Apart from desk research, the evidence base of this year's Report covers the following:

1. Regional sample survey of MSMEs.
2. Survey of officials of selected lending institutions.
3. Subsector survey.
4. Peer level discussions.

Key Issues and Findings

1. Globally, the relationship among technology and humans is undergoing rapid changes. The meta world would define the future of the MSME constituency. Hence, the MSME issue needs to be discussed as an issue of sustainability transition.
2. The action for the way forward, needs to be focussed on new solutions relating to the four relevant Sustainable Development Goals. (8, 9, 11 & 12).
3. The time for a fundamental review of MSME policies has come. The analysis and understanding of the objective situation needs to be focussed on SME business confidence, rather than on business confidence in general.
4. Business confidence level, in most countries today, are slow to pick up. This is true of India as well. Therefore, there is need for a seven point agenda of confidence building.

5. Field evidences indicate a slow pickup of MSMEs from the pains of Covid-19. However, a fall in capabilities is something that needs close attention and action.
6. India's MSME scene is a mixed picture. Self-employment as a whole is growing. But field evidences indicate that, quality of entrepreneurship deteriorates. Nourishing it is a key challenge and opportunity for the country today.
7. The key to a new strategic approach lies in a meticulous analysis and monitoring of the SME demography, in relation to the recent policy initiatives of the Government of India, especially, under schemes like PLI.
8. The public policy initiatives are significantly integrated with the overall macro programmes, and therefore, can have a meaningful impact on the Indian economy as a whole. However, two critical areas demanding continuous monitoring are: 1) entrepreneurship resources; and 2) export capabilities.
9. In India's SME policy agenda since Independence, the focal areas, from time to time, have been promotion and regulation. While regulation provided the broad thumb rule, promotion was essentially the arm of public support. Given the new challenges of the constituency, against the evolving complex business environment, the focus needs to be on governance in general, and on regulatory framework in specific. This demands an integrated labour market policy, dovetailing, education, skills, entrepreneurship resource management, and job quality, along with trust as a bonding agent that promotes a 'Social and Solidarity Economy'.
10. This is time for a fresh look at India's rural enterprise promotion strategies. While there is an enhanced trend towards growing self-employment, this opportunity has to be channelized and institutionalised. The role of 'Social and Solidarity Economy' is critical here. If not, the way of 'Necessity Entrepreneurship', is likely lead to a trap of mistrust and a new wave of out-migration.
11. The relevance of the Social and Solidarity economy needs to be understood against the mounting environment of insecurity/ vulnerability of SMEs in the country. Based on the conceptual framework of 'Enterprise Security', as developed by the ISED Small Enterprise Observatory, one can identify three major threats to SMEs in India today: a) climate change; b) cost unviability and competition across all sectors; and c) labour migration. The bottom of the enterprise pyramid that provided 'opportunities' (refer: C. K. Prahlad) is shaken. Arresting the above trend demands: a) technology infusion; b) bringing down transaction costs; and c) solidarity platforms.
12. Finance is often offered as a common tool that addresses all MSME problems. But using finance as a developmental tool is the need of the times. This requires, bringing in a 'responsible banking' approach. The lead role of the RBI, DFS, and the IBA are crucial for creating such a culture.
13. While, mainstreaming gender is one of the sustainable development goals, in the domain of entrepreneurship, far too little has happened so far. Instead of looking at gender as a concept of inclusiveness, the time demands 'genderpreneurship' as a new analytical approach, with its own operational tools and techniques.

14. The overall view of India's MSMEs today needs to be looked afresh from the point of view of the quality, strength and resilience of its entrepreneurship resources. This requires a simultaneous look, both vertically and horizontally. From a horizontal angle, the sub-sector shows a rather encouraging picture. Vertically, the State level overall scene does not show such enthusiasm. These two patterns demands going back to the entrepreneur. MSMEs need to be constantly under the scan of a confidence barometer.

Policy Challenges & Strategic Approach

India has a unique strength of its MSMEs, based on some of the key industrial subsectors. ISED Small Enterprise Observatory proposes to utilize this strength for reviving and re-energizing the MSME constituency from its present development ratchet. A '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, subsector-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 subsector assessments and reporting, preparation of vision documents, recasting of schemes, and governance reforms, based on ground level experience and lessons.

The components of the SRP needs to be discussed under eleven focal areas. While, each of these components demands the

lead role of a particular stakeholder, the Programme visualises a coordinated initiative at the subsector level.

1. Subsector as the Focal Point
2. Institutional Development
3. Process Approach to Enterprise Development
4. Re-inventing Spatial Planning
5. New Platform of Cooperation
6. Scoping a Social and Solidarity Space
7. Participatory Governance
8. Entrepreneurship as a Critical Resource
9. Promotion of Family Entrepreneurship
10. Recasting of 'Development Finance' Model
11. Manufacturing Barometer

The evolving experience of economic recovery, out of the Pandemic, is likely to be significantly iniquitous. This study makes a special attempt to look into the MSME relevance in the context of selected social categories, such as women and youth. The concept of "inclusion", now popular in development literature, does not truly reflect the potential embedded in the human resources as a vital agent of development. Hence, we propose an alternative approach that focus on entrepreneurship resources. 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 labour 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.

1

Sustainability Transition & Evidence-base

1.0. Introduction

Globally, sustainability is the paramount goal of development today. The Sustainable Development Goals (SDGs), also known as the “Global Goals”, were adopted by the United Nations in 2015 as a universal call for action to end poverty, protect the planet, and ensure that, by 2030, all people enjoy peace and prosperity. The 17 SDGs are integrated; they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.

Countries have committed to prioritize progress for those who are furthest behind. The SDGs are designed to end poverty, hunger, AIDS, and discrimination against women and girls. The creativity, knowhow, technology and financial resources from all of society is necessary to achieve the SDGs in every context. A sustainable economic position is the *sine qua non* of welfare in all its dimensions. Labour market trends and achievement motivation of individuals are decisive in determining occupational choices and economic welfare. Enterprise, and the spirit of

entrepreneurship, form the basic building blocks of sustainable income opportunities, and outcomes. The following discussion is meant to examine the state of enterprise and entrepreneurship in the ‘Sustainable Development’ agenda of today, where the global economy is undergoing a major churning, disruption and transition on account of the dual effects of rapid changes in the technological paradigm on the one hand, and the disruption effect of the Pandemic, on the other.

2.0. Sustainability Transition: Meaning

In a year of extended pandemic, the sustainability problem itself is in transition. While ‘sustainability’ is a larger overall goal of international development, it is important to spell it down to the specific context of countries and historical contexts.

The term ‘sustainability transition’ implies a “radical transformation towards a sustainable society, as a response to a number of persistent problems confronting contemporary modern societies” (Grin et. al., 2010).

India has passed through a major transition in terms of structural changes in the economy since

Box No: 1

What is Sustainability Transition?

The term ‘sustainability transition’ implies a “radical transformation towards a sustainable society, as a response to a number of persistent problems confronting contemporary modern societies” (Grin et. al., 2010). While ‘sustainability’ is a larger overall goal of international development, it is important to spell it out to the specific context of countries and historical contexts. In a year of extended pandemic, the sustainability problem itself is in transition.

Independence. In the labour market, this change has essentially happened in terms of the creation of a large number of formal jobs, which has come through structural diversification of industry. In this process, MSMEs as base of the industrial structure, have played a major role. In addition, this broad-based industrial structure has also created significant opportunities of incomes and employment, thereby acting as an accelerator of economic growth. While economic growth has acted both as a cause and a consequence of structural changes in the economy, there have also been factors that contributed to stagnation. These factors can be both endogenous and exogenous. A significant exogenous factor has been Covid-19, the pandemic that has shaken and disrupted most economies of the world.

The question today is to come out into a 'new normal situation', by controlling the growth-retarding factors and by gearing up the growth promoting factors. Entrepreneurship, by far, is the paramount trigger and agent of such a change in most parts of the world. In countries where the carrying capacity of the labour market is limited, the answer to the basic labour market problem, of choice between self-employment and wage employment, needs to be addressed in relation to a strong policy of management of the entrepreneurship resources. Entrepreneurship germinates largely as the outcome of a market process. However, governments can play a proactive role of supporting entrepreneurial initiatives, and by facilitating such initiatives through sound regulatory practices and by creation of public goods.

3.0. Global Perspectives on the SME Agenda

While there is a universal recognition of the fact that, small and medium enterprises have been the worst disrupted of segments of the economy in the recent past, its dynamics has not yet been adequately discussed. There are, obviously, a significant number of micro level and regional studies that have looked into the recent trends in MSME growth and transition. This, however, is not adequate for shaping policy and growth strategies. Available literature runs through some of the common features and trends of relevance. As in 2022, the discussion in the subject area is focused on some key developments relating to, technology, market, entrepreneurship, and external factors.

3.1. Technology: Humans, Small Business & the Meta-World

The technology trends, as they get unfolded, indicate the imperative for small businesses to adopt remote working capabilities as a long-term operational strategy. Why? The reasons need to be explained essentially in terms of three factors: 1) unpredictability of value chains; 2) the social distance norms, as laid down by Covid 19 mitigation protocols; and 3) the rapid disruption of the commodity market, and even the disappearance of particular products from the market. However, recent studies by Google show that, in the USA, nearly 80 per cent of the small businesses are reluctant to adopt new business practices. Recent evidences from the USA also indicate that the 'gig economy' occupies around 36 per cent of the work

Shaping the 'New Normal'

The major technology transition, coupled with Covid-19, the Pandemic, implies a major disruption in economy and society. The question, today, is to come out into a 'new normal situation', by controlling the growth-retarding factors and by gearing up the growth promoting factors. Entrepreneurship, by far, is the paramount trigger and agent of such a change. In countries where the carrying capacity of the labour market is limited, the answer to the basic labour market problem, of choice between self-employment and wage employment, needs to be addressed in relation to a strong policy of management of entrepreneurship resources. Entrepreneurship germinates largely as the outcome of a market process. However, governments can play a proactive role of supporting entrepreneurial initiatives, and by facilitating such initiatives through sound regulatory practices and by creation of public goods.

Box No: 2