Latest Titles from the ISED Observatory: A Glance

Based on its in-house research, and as a spill-over of ongoing major ISED research projects, the ISED Small Enterprise Observatory has released the following new titles. For more details, click at ISED Publications (http://isedpublications.org).

From the conventional perception on SMEs as a micro level subject, confined to the country-specific agenda of regional development, it has now become global. As such, the United Nations has announced celebrating the 'SME Day' on an annual basis. This is indicative. At the global level, the opportunities of comparative learning must lead to, not only action at country level, but also should lead to international exchanges. The emerging trend is that, under the multilateral and bilateral trade regime, SMEs are now an emerging presence. That requires a meticulous understanding of ground level experience in SME development. It is in this context that the concept of an 'Enterprise Observatory' become all the more important. Beyond these, there are also significant opportunities for cross-border investments. 'Micro-multinationals' is a new and emerging area where India has made significant progress over the last few years; but, the opportunities are much more.

The emerging global agenda of SME development has to be understood against the historical factors, as also the more recent continental and country experiences. Globally, technology and trade have been undergoing rapid changes. The commodity-producing countries are seriously challenged recently, because of falling commodity prices. The new era of 'flexible production' has entered into a new phase of economic concentration based on market opportunities. This phenomenon of 'Hubanomics' is likely to redefine the prospects of countries and regions. Naturally, at the end of employment, technology is likely to bring in new problems and challenges. On the other hand, in the labour market, a new wave of self employment is getting accelerated; the moot question, however, is its sustainability. From the point of view of incomes and livelihoods, these changes are likely to bring in new challenges regarding sustainable development to India as well.
Moving ahead from the relatively narrow conventional perception on the SME role in the economy, the evolving global agenda of 'sustainable development' places it at centre-stage of global debates. SMEs today are perceived to have a dual role in the economy, by providing the relevant linkages on the one hand, and offering a solution of harnessing the potential of the 'job-seekers' into 'job creators'. Entrepreneurship and SME development are essentially labour market problems. However, the evolving global production structure visualizes a new role and relevance for SMEs. The paradigm of 'Industry 4.0' offers new opportunities as well as threats to SMEs. Accordingly, both the market place and work place have been redefined. The shift from 'scale economies' to 'scope economies' would demand a policy package that is discrete and specific to the particular socio-economic environment of countries.

The concept of 'enterprise security', as it was originally coined in the year 2013 by the ISED, has triggered a significant examination and debates in various circles. While 'entrepreneurship' is a critical social resource, and 'enterprise' is the visible manifestation of the creativity and drive of millions of people in an economy, it is important to preserve such resources and capabilities through well-structured policies and strategic interventions. In this context, it is important to meticulously understand, follow, and initiate corrective steps to reduce the implicit vulnerabilities. The case for a security approach to enterprise development and entrepreneurship would require the 'structural' and 'life cycle' aspects of enterprises in the Indian economy. This research attempts to situate the theoretical and operational aspects of 'enterprise security' in the context of India's current economic slowdown. It advocates important structural changes under a concept of 'Pentagon Initiative'.
The year 2019 marks difficult times for the Indian economy and for the MSMEs in specific. What is peculiar about it? How can it be addressed? The slowdown need to be understood in relation to a sequence of issues during the previous years. In a crisis situation, undoubtedly, there is need for a complex exercise in maintaining business confidence. The logic and historical experience of economic slowdown visualizes a gap in the confidence levels between the MSMEs and the corporate sector. This gap, conceptually, cancels out during an adjustment period, thereby saving the economy form a major crisis. While this logic has not worked very well recently due to some specific factors, there is need for a correction mechanism. The role of private sector is undoubtedly crucial. The Union Budget 2019 has come up with several proposals for providing relief to this sector. But this is not enough to ease the so-called 'millennium dualism'. There is a puzzle relating to employment promotion and public policy support. There is relevance and need for a discretionary approach to public policy. Here lies the case for a 'Tortoise and Hare' strategy.

The MSME policy architecture in a country involves the legal and institutional frame work, as also the policy response. India has a huge infrastructure of MSME policy institutions and programs. However these need to help enhancing the 'collective' and 'individual efficiency' strategies of enterprise development. However, there are several critical constraints which public policy seeks to address. Beyond the traditional strategies of cluster development, there is need for evolving new strategies of harnessing the potential of the entrepreneurs. Based on the more recent experience, issues such as climate change need to be factored seriously into MSME agenda of the country. This document provides a critical analysis of India's track of policy and programmes, and highlights some of the new and emerging issues.
The specific country experiences of SME policy are crucial in the modern world. The case for SME development is inter-twined by the politics and economics of development. In India, the case has been strongly grounded on the history of the 'Freedom Movement', on the one hand, and the need to provide livelihoods to millions of poor people. While this historical ground is common in many developing and emerging economies, the rapid changes in technology, trade, and economic structure, at the global level, has important implications for policy making in individual countries. However, a cross examination of such comparative experiences is likely to be rewarding for India. Likewise, India's experience is likely to be useful for other developing countries as well. It is such comparative learning that provides the base for greater international collaboration among countries.

In most discussions on SME development, the critical constraints of such enterprises come to the fore. Beyond problems, there are significant latent opportunities that are specific to enterprises having particular features. 'Subsector' is a significant dimension of SME performance and prospects, having substantial and analytical relevance. While the concept of 'subsector' is broader than the beaten-track idea of 'industry', it is important to typologize subsectors based on their distinct economic and social aspects. Such a spotlight, with special thrust on MSMEs, is important from the key angles of social policy, i.e., employment promotion and regional development. This paper takes forward its discussion in relation to subsector typologies. It moves forward in relation to the evolving technology-business interface and market penetration that explains the performance and prospects of particular subsector categories.
The general perception in academic and policy circles today is that, under a situation of slowdown in the economy, the SMEs are more seriously affected than the large businesses. On this rationale, governments often announce uniform relief packages, assuming that the impact of a slowdown is broadly of a uniform nature among different types and categories of businesses. Such policy prescriptions are often based on a particular perception on the structural and operational linkages of enterprises of different size classes. Available evidences on the Indian experience, as given by this research, indicates distinct patterns of slowdown-effect among different types of SMEs. Based on various subsector typologies, and of the life cycle position, this paper argues for a discrete strategic approach of supporting SMEs, in order to help them to come out of the pains of a slowdown in the economy. The argument carried by this research initiative is that both the "tortoises", and the "hares" need discrete support services, so that they can come out of such a crisis situation.