India's MSMEs:
Present Scene and Expectations from the Union Budget

Pre-Budget Memorandum
submitted to
Hon'ble Union Minister for Finance

Institute of Small Enterprises and Development
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I. MSMEs in India: Present State and Emerging Issues

1.0. Introduction
The Indian economy has been passing through a phase of slowdown. The key question, today, is whether the economy requires application of structural policies, or that a stimulus package through monetary and fiscal measures will do. More than a simple choice, the answer also need to spell out the how of it. Let us look at the problem from a different angle. In simple language, the emerging scene implies that, both the economy and the MSME sector face some security threats. Given the state of the macro economy today, how secure are the MSMEs, as a huge source of income and employment opportunities? While the concept of 'security' is a relative term, it is necessary to define it, and to have a realistic statement of facts that explain the current situation. This will help us to draw the contours of the way forward, rather than making impressionistic comments. Security threats are always relative, than absolute. Therefore, beyond alarm or panic, what is needed is the presence of mind and the drive for taking the bull by the horns. 'Enterprise security' as a new terrain of academic enquiries; there is the important task of taking it to the operational plane. It demands an alternative analytical framework, and an altogether new set of strategies, and more so, immediate action.

2.0. Global Scene of SMEs Today
The emerging role of SMEs, in the global development agenda, provides important lessons for India. The twentieth century witnessed a major transition in global perceptions on the SME role. However, these perceptions were essentially grounded on an understanding of their political potential, in relation to two key areas: First, the employment role, against the context of greater pressures on governments to create employment opportunities of a massive scale. Secondly, global production itself became increasingly space-neutral which, naturally, implied that several of the erstwhile processes of capitalist production could easily be managed at a significantly lower cost by engaging SMEs.

Every business needs resources, in the form of, know-how, people, money, suppliers, or time. Physical resources include all tangibles. Assets, tangible and intangible, that are mobilized by an individual or entity, in the process of building a business, organization, or other initiative, is called 'entrepreneurial resources'. It include, sources of financing such as lines of credit and investment capital, but may also include abstract resources such as knowledge of a particular field or technology, or networks of contacts who can be called upon to contribute financial support, publicity, or other benefits to a growing enterprise.
2.1. Slowdown in Economic growth
Many known and unknown challenges and opportunities are there in 2019, and beyond. As per available projections, global GDP is expected to expand by 3.5% in 2019 compared to 3.7% in 2018 (OECD, 2019). However, according to the latest OECD forecast, economic growth in the world’s major economies will slow down. A few emerging economies may continue to have above-average growth rates. The slowdown of economic growth could be more pronounced, if some of the already visible risks materialise. Apart from regional issues, global trade conflicts and the weakening of the EU stand out as leading issues.

2.2. Mounting Trade Conflicts
In 2018, trade conflicts broke out between the United States and Europe and between the US and China. It remains to be seen, if these trade conflicts will be settled in 2019. The trade war between the U.S and China, is gradually slipping into a second Cold War, with obvious implications for a global slowdown. Against such conflicts, India's significant engagement with the United States offers some hopes, or at best, a move away from competitive or retaliatory war on tariffs.

2.3. Weakening of the European Union
The role of UK as an economic heavyweight in the EU-28, is ending. By the end of March 2019, the United Kingdom was expected to leave the European Union. The UK is now due to leave the European Union (EU) at 23:00 GMT on 31 October 2019. The remaining EU of 27 members will be politically and economically weaker without the UK. How much weaker depends on whether there will be a chaotic Brexit without agreement or an orderly Brexit with a clear agreement. Companies doing business in the UK, and with UK partners, will feel the effects, not to speak of the UK companies themselves.

As per the OECD forecast, the EU economy will grow by 1.9% in 2019. However, in view of Brexit and lack of cohesiveness between the remaining 27 members in regard to economic and fiscal policies, this forecast may turn out to be slightly too optimistic. Especially, the development of reforms in France, and fiscal policy in Italy, are critical factors for the EU’s growth expectations. Post the global recession, there has been an increase in the exports from India to Germany, with the figures touching Euro 6.2 billions. Besides, the weakening of Germany, a powerhouse of the EU block, is a matter of serious concern. In terms of trade relations, Germany contributes 21.5% of Indian exports, and with USA, it is 15.63 per cent.

2.4. Energy and Climate Change
Energy demand and CO2 emissions continue to rise. The latest report of the International Energy Agency (IEA) projects a rising global energy demand. Shift to renewable energy sources remains slow. More fossil fuels are expected to be burned in 2019 than ever. This
will lead to a further rise in CO2 emissions, and more global warming, and the associated outcomes can be expected. Sooner or later, the cost for CO2 emissions will rise dramatically, which is expected to have a direct impact on energy-intensive businesses and indirect impacts on all others in the mid-term. As the latest evidences indicate, climate change has become a major issue across the globe, and more specifically in India. While, the issue has been treated in policy circles generally, the adverse impact is likely to be much greater for the SMEs.

2.5. Digital Transformation

The 'Fourth Industrial Revolution' (Industry 4.0) is characterised by the effective adoption and use of innovative digital technologies. This is emerging as a decisive factor for the competitiveness of enterprises and countries. The most pervasive trend in technology is probably the use of Artificial intelligence (AI) in a growing number of business areas, from production to services. Though there are conflicting views on job losses AI will continue to drive a shift of human labour from repetitive, formalised, tasks in production and services, to more complex and high-touch tasks.

The availability of a high-speed mobile communication infrastructure, is likely to revolutionise production and exchange. The emerging fifth generation of mobile communication technologies (5G) is promising to deliver this infrastructure, and provide an innovation push for digital businesses. Roll-out of 5G in a number of countries is expected to start in 2019. However, it will at least take until 2020, when businesses outside of the communications technology will feel the benefits of 5G. Nevertheless, it is now important for many businesses to understand the opportunities which 5G offers for their digital business models.

2.6 New Trends in Urbanisation

The emerging paradigm of Hubanomics' would have its strong effects on urban planning and business geography in general. The concept of 'Smart Cities' is likely to gain a new leverage, along with the introduction of new communication technologies.

2.7. Widening of Skill Gap

Despite the vigorous skilling strategies, the skill gap is likely to widen. The triggering factor is likely to be the surge in new communication technologies that will lead to an acceleration of migration, nationally and internationally. This, in turn, is likely to push up where congestion and demand for infrastructure.

2.8. Tubulent Gulf Region, and Threat of War
The turbulent situation in the Gulf region today poses a major threat to India, especially in relation to oil prices. This is likely to impact the Current Account Deficits, especially in a context where the economy is passing through a phase of slow down.

3.0. India’s MSME Picture Today
Against the above setting, for a better understanding of where India is heading to, it is important to look at the various facets of the MSME constituency today. As per the official figures available to us, the following is the macro picture on MSMEs:

3.1. Definition
The Union Cabinet has approved a draft which proposes to change the original definition of MSMEs. The proposal, subject to amendment in the MSMED Act and passed through the Parliament, is expected to lead to a turnover-based definition. The proposed thresholds are: Micro- up to Rs 5 crore (Rs 50 mn); Small- up to Rs 75 crore (Rs 750 mn) and Medium- up to Rs 250 crore (Rs 2.5 bn). Along with the several reform measures of the Union government, a changeover on the above lines is likely to be effected soon.

In India, the business demographic figures, on the one hand, and the administrative (programme) figures brought out by the concerned nodal Ministry, offer different pictures of the enterprise pyramid. A comprehensive understanding the enterprise system, structurally and longitudinally, is important for policy and practice.

3.2. Size Distribution and the "Missing Middle"
For every 100 companies in India, there are more than 95 micro enterprises, four small-to-medium businesses, and less than one large company. Developed countries, however, feature around 50 micro entities, and 40 small-to-medium companies in the same sample size. This gap, which is the absence of small and medium companies in the optics of the India distribution, is referred to by economists as the "Missing Middle.” According to international data, the 'Gazzles' largely belong to this missing middle. They have a larger employment contribution than the micros and the large business. Despite its rich contribution to a diversified industrial structure, the limits of India's MSMEs on the employment front is explained by this handicap.

3.3. Business Demographic Trends
The business demographic analysis on the MSME sector, initiated by the ISED Small Enterprise Observatory(ISED, 2018), leads us to the following broad results:

1) At the national level, MSME birth shows a significant progression over the period, 1992-2016.

2) By the year 2009, there was a major jump in enterprise birth rate, largely explained by the introduction of the new broad based official definition of MSMEs.
3) With the introduction of the Udyog Aadhar Memorandum (UAM), the birth rate has further gone up at a higher rate. There are also criticisms on this higher rate.

4) The average birth rate is 22.64, which means that, for every one hundred existing units, around 22 new units are added to the stock annually.

5) The death rate, on the other hand, showed a regular progression during the period 1992-2009; however, it has significantly accelerated since that year. The death rate is estimated to be rising up to 26.41, which means that for every existing 100 units, around one-third of such units can be deducted as sick or dormant, that deserve either nursing or closure. However, the CAGR of the death rate is estimated at only 8.40.

6) Given the above behaviour of the birth curve and the death curve, we get an average natality figure of 0.64, which is the net stock.

The demographic behaviour, as indicated above, are based on macro level estimates. It calls for more in-depth analysis, preferably at the subsector level, for initiating corrective steps, as also for evolving meaningful policies.

3.4. Voluntary Registration System

MSMEs and ancillary units should seek registration with the Office of the Director/Commissioner of Industries of the concerned State. The main purpose of such registration is to channelize incentives and support services. States have generally adopted the uniform registration procedures as per the relevant guidelines. However, there may be some modifications done by States. While MSME is essentially a State subject, the States use the same registration scheme for implementing their own policies. It is possible that some States may have a 'SIDO registration scheme' and a 'State registration scheme'. While the country has moved from compulsory to voluntary registration, the registered units enjoy some particular eligibilities: 1). Collateral-free bank loan; 2) Subsidy on Patent Registration; 3) Overdraft Interest Rate Exemption; 4) Industrial Promotion Subsidy Eligibility; 5). Protection against Delayed Payments; 6). Concession on Electricity Bills; and 7). Reimbursement ISO Certification Charges. The success of the registration scheme depends on the perceived benefits by the entrepreneurs. Such benefits can be both direct and indirect. Findings of several studies indicate that most entrepreneurs are not interested in the direct benefits, such as subsidies. Rather, they are more interested in indirect benefits, such as reduction in transaction costs. It is in this context that an earlier volume of this Report has proposed the concept of 'Udyam Panchayat'.

3.5. Broad based Fiscal Policy

As per the prevailing tax regime, registration under Goods and Services Tax (GSTIN) is voluntary. Businesses, with a turnover of up to Rs 20 lakhs, are exempted from GST registration; between Rs.20 lakhs to 1 crore, one can opt for composition levy. But composition levy comes with additional disadvantages, such as not being able to collect any
tax from their customers or avail input tax credit. Such SMEs may also opt for to register themselves as normal dealers instead of composition dealers. Apart from the several constraints brought in through an abrupt change in the tax regime, Voluntary Registration under GST offers several advantages to MSMEs

GST also need to be noted, and tax imposed with the critical constraints of tiny and marginal units. Businesses registering voluntarily under GST may have to face extra compliance and working capital liquidity.

The voluntary registration system of MSMEs, and the GST regime implies greater formalisation of the MSME constituency. However, an enhanced value addition from these new regimes is vital for ensuring the confidence and cooperation of the entrepreneurs.

3.6. Broad based Credit Access

The accessibility and inadequacy of credit is a global problem among SMEs. In India several official committees have looked into the issue, apart from initiatives on exploring new financial products from time to time. MUDRA, an NBFC meant for micro enterprise sector, was set up in the year. It provides refinance support to Banks / MFIs / NBFCs for lending to micro units having loan requirement up to 10 lakhs as also, refinance support to micro businesses under the Scheme of Pradhan Mantri MUDRA Yojana. According to data available in June 2019, 6.56 million loans worth Rs 32,457 crores have been disbursed under this scheme since 1 April, 2019. The main characteristic of Mudra loan is its easy repayment policy, involving a coverage of 7 years tenure. This means a maximum number of 84 easy monthly instalments for total repayment.

Despite debates on its impact relating to new firm creation, MUDRA has helped to broad base credit flow at the bottom of the pyramid. While this is an area demanding detailed studies, it has contributed positively to a bottom level strengthening of the country in two important forms: First, self employment has been increasingly introduced as a labour market option; Secondly, it has contributed to a tilt in the banking culture, in favour of retail finance. While the impact of MUDRA relating to a triggering of the entrepreneurial base of the country is debated, it has undoubtedly helped to improve the level of credit confidence, especially among the poorer sections. However, the success of the scheme can be enhanced by credit-BDS interface platform.

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among the poorer sections. However, the success of the scheme can be enhanced by credit-BDS interface platform.

3.7. Alternative Mechanisms for Receivables Management
MSMEs continue to face constraints in working capital management. The constraints emerge from two sources: 1) inadequacy of credit; 2) inability to convert trade receivables into liquid funds. The concept of Electronic Bill Factoring Exchange was recommended by the Financial Sector Reforms (FSR) Committee in 2008. Based on the Committee's recommendations SIDBI, in collaboration with NSE, had taken the initiative to set up an e-discounting platform, NTRESS, to support financing of MSME receivables. The platform was based on the reverse-factoring model, where credit exposure was taken by large purchaser/corporate, who offered the invoices drawn by its MSME suppliers for discounting, and SIDBI as the financier, discounted the same and credited the proceeds to MSME bank accounts through RTGS. Adhering to the conditions given in the in-principle letter by the RBI, a separate entity - Receivables Exchange of India Ltd (RXIL) was incorporated as a joint venture by SIDBI and NSE.

3.8 Human Resources and Skill gap
The problem of human resources relating to the MSME sector has essentially four dimensions today: First, there is a fall in overall supply of labour over the past one decade or so, with the expansion of the base of the 'new economy'-led economic activities and of the broad basing of the corporate sector. Employment in the MSME sector is often considered as a 'blue collar' job, and is rated against the new and emerging opportunities, such as media and entertainment sector, modern food delivery services such as, Zomato, Uber Eats, etc. Secondly, while MSMEs offer wide opportunities of entry jobs, and particular kind of skills, persons with such background and training are easily absorbed by the corporate sector. High attrition is a significant problem faced by the MSMEs. Thirdly, since labour does not have much long term interest in MSME jobs, they are often unwilling to gain on-the-job exposure, either through formal training or otherwise. Hence, falling productivity is a significant problem for MSMEs. Fourthly, the enhanced opportunities of migration, and especially international migration, leads to a 'waiting labour' phenomenon in the MSME sector. Return- migrants are often unwilling to take up their original jobs, or to work in similar jobs. The net result of the above four factors is that, a serious process of deskilling or skill stagnation takes place, and this is detrimental to the long-run interests of productivity and growth.

4.0 Key Challenges
It is important to look at the various facets of India's MSME journey so far, from the boot-strap, to the super-jet stage. While such an understanding of the transition is important from the angle of equipping the sector to achieve its development objectives, the constraints and challenges also need careful examination. This may be discussed under the following heads:
4.1. Start-up: The Generational Change

In an attempt to analyse the state of funding in the Indian start-up ecosystem, with a particular focus on women-led/co-founded start-ups, Your Story Research, the research arm of Your Story Media, is launching two data-driven half-yearly funding reports that exclusively focus on home-grown start-ups. It provides some interesting findings as follows:

The home-grown Indian start-ups in India raised $4.88 billion in the first half (H1) of 2019. This was an increase of 8.7 percent from the same period last year. The number of deals declined by 3 percent during the period, reflecting the increase in average deal sizes. This can be taken as a proxy for investor interest and confidence in Indian start-ups. During the first half of 2019, women-led and co-founded companies raised a total of $487 million from 68 deals. This was $274 million spread across 61 deals in the year 2018.

4.2. Growth at the Bottom of the Pyramid

The rural sector of the Indian economy, today presents a situation of distress. How does it impact on the prospects of MSMEs? Especially in the rural areas, every single small purchase by a consumer leads to a chain of purchases and sales. The petty shop keeper goes to the wholesale market to procure for his shop. The wholesale market sources its supplies from the farmers. The farmer purchases inputs, such as seeds, fertilisers, tractors, diesel and spend on wages. Such money transactions are repeated for every single purchase which, in turn, defines growth of measurable GDP. Obviously an encouraging trend at one end of the spectrum, this raises questions on the content of entrepreneurship creation in the country. Capital formation per se is not a sound indicator in this regard. The process of self-employment creation, in general, need to be meticulously looked into.

This chain of sales and purchases has shown signs of a slowdown in many sectors of the Indian economy over the past few months. It registered a GDP growth rate of 6.8 per cent in 2018-19, the slowest rate since 2014-15. According to the Central Statistics Office, India's GDP slowed to a five-quarter low of 6.6 per cent in October-December 2018. It fell below 6 per cent mark in January-March 2018-2019. At 5.8 per cent, the March quarter growth rate pushed India behind China after seven quarters. Both the countries have been neck-to-neck in GDP per capita terms. As per both nominal and PPP methods, India was richer than China in 1990. Now in 2019, China is almost 4.61 times richer than India nominally, and 2.3 times richer in PPP terms. Per capita rank of China and India are, 72th and 145th, respectively, in nominal terms.

Dissecting it sector-wise, the above changes in growth rate can give a clearer picture. Automobile sector is reported to be facing its worst crisis in 20 years. Around 2.30 lakh jobs have been reported to be lost in this sector. The health of real estate sector is another. While it has links with about 250 ancillary industries (bricks, cement, steel, furniture,
electrical, paints etc), the impact can be substantial. Reports are that, the volume of unsold houses over the past one year has increased in the top cities of the country. According to a study by Liases Foras, the unsold inventory currently stands at 42 months. The fast-moving consumer goods (FMCG) companies have reported decline in volume growth in the April-June quarter, indicating sluggish rural demand, and less circulation of money. As a thumb rule, the growth in the rural demand for FMCG is 1.5 times the urban.

The Periodic Labour Force Survey (PLFS 2019), showed a record high unemployment rate of 6.1 per cent for 2017-18. The RBI Consumer Confidence Survey showed a drop in consumer confidence for July 2019, over a pessimist situation in job creation and overall economic scenario. The pattern of lending by banks show that they have extended credit to big industries in large volume, while money flow to MSMEs, which are the biggest employers, was relatively small. Lending to MSMEs by banks has actually slipped from 0.7 per cent in 2018 to 0.6 per cent June quarter.

Market-based economies thrive on hope and belief of profit by private entrepreneurs. When market sulks under negative sentiments, pump-priming is the Keynesian solution, meant to bring back hope. But the Union government's hands are tied, given its fiscal situation. While government expenditure in the country generally accounts for around 10 per cent, sensing an economic slowdown, it was increased by 19 per cent in 2017-18 and 13 per cent in 2018-19. This was the highest increase in government expenditure since the financial meltdown of 2008. While the government needs more money, revenue collection is moderate for April-June quarter at Rs 4 lakh crores registering a growth of less than 1.5 per cent. Simply put, the government does not have enough money for enhancing public expenditure, and thereby to trigger aggregate demand.

An estimation of debt requirement for India's MSME sector indicates significant credit gaps, with total demand far outstripping the available supply of finance from formal sources. Being small, MSMEs are handicapped and their capacity to leverage credit is limited. An IFC-Intellcap report states that the MSME sector in India is staring at a whopping credit gap of Rs 16.66 lakh crores. The credit to big industries grew by 7.6 per cent during April-June compared to 0.8 per cent last year. The U.K. Sinha Committee, appointed by the RBI, recommended setting up of a government-sponsored ‘fund of funds’ (FoF) of Rs 10,000 crore to support the venture capital and private equity firms investing in the MSME sector that will support crowd funding from venture capital and private equity firms, which focus on investing in the MSME segment.

While a general situation of educated unemployment has a potential triggering effect on self employment, the situation remains constrained today. Data available from selected District Industries Centres shows that, the overall level of enquiries by potential entrepreneurs has come down.
For many early-stage start-ups with a limited market share, the impact of the economic slowdown may be minimal. But, it is not a similar scenario for those who command a sizeable chunk of the market. Here, the economic slowdown is likely to affect their overall growth. Confidence building exercises among this group is strategically important.

4.3. Sub contracting Issues
Promotion of subcontracting and vendor development, a policy priority of the 1970s, has gradually slipped away under the economic reforms era. Vendor development initiatives of the large public sector companies has progressively come down. This need to be understood in relation to the fact that, the disinvestment drive has created a lull in the vendor development programme. Apart from the general slowdown, the vendor enterprises are prone to two kinds of impacts: a) cyclical; and b) structural. The best example is the automobile sector. The dimensions of such impact has been brought out by studies conducted by the ISED Small Enterprise Observatory on the State of Tamil Nadu (ISED, 2018).

Tamil Nadu has a strong corporate sector base of automobiles, with the presence of seven automobile giants-Ford, Hyundai, Mitsubishi, Daimler, Nissan, Renault and BMW. Started in 1840, Simpsons pioneered India’s automobile industry rail coaches, Motor Cars, Diesel engines and Steam passenger buses. In 1948, Ashok Leyland started assembly of Austin cars. The Integral Coach Factory (ICF) was established in October 1955. In 1960s, TVS Group established a number of auto components manufacturing plants. However, this momentum was lost in subsequent years. Chennai is now emerging as one of the “Top 10” global automobile manufacturing centres. As on date, it has an installed capacity to produce 13,80,000 cars and about 3,50,000 commercial vehicles per year. Tamil Nadu is also the preferred choice for over 350 large auto component manufacturers accounting for more than 35% of India’s auto components. Caterpillar, USA and Komatsu, Japan chose Chennai to establish their large earth moving equipment manufacturing plants. Global auto majors Hyundai Motors, Ford, Hindustan Motors and Mitsubishi have also been playing an active role. Ashok Leyland and TAFE have set up expansion plants in Chennai.

Tamilnadu has initiated several major steps to promote the State as an automobile auto components hub. The State government has put this subsector in the centre stage of 13 focused subsectors. To rejuvenate the growth momentum in automobile industry, the Government brought out a very innovative Policy "Ultra Mega Policy for Integrated Automobile Projects" that offers a very attractive package of support to automobile projects investing more than Rs.4,000 Crores. As a result of this Policy, since May 2006, investments attracted by Tamilnadu in automobiles & components manufacturing has exceeded Rs.21,900 crores, almost 5 times of the investments attracted during previous 15 years (May 1991- April 2006). The total employment potential in these new projects, direct and indirect’ is around 1.20 lakhs.
While the structure of the auto components sector, and of automobile industry in general, necessitate the need for achieving the benefits of size, as field evidences indicate, there are some critical problems. A key problem relates to the diffusion of technology, and the insufficient pace of achievement of technology capabilities by the vendor enterprises. The trend among MSMEs is towards enhanced capital-intensity. However, the FDI policy need to be fine-tuned, in order to ensure that the benefits of vendor development initiatives contribute to the interests of the emerging local industry.

BHEL, Trichy, as automobile industry elsewhere in the State, were primarily expected to provide downstream jobs and technology upgradation for the MSMEs around the geographical areas of their operation. Although this objective was well achieved in the early stages of the establishment of those industries, later developments have been reported to be less encouraging. BHEL vendors complain that they are not getting any preference as MSMEs, either in terms of price or volume of business. They are now allowed to compete with L1 bidders from other States, and need to be prepared to supply on their terms. MSME vendors of Trichy are at a disadvantage when the BHEL Projects to which delivery is to be made outside the State. BHEL also prefers bidders from areas closer to the project locations for reasons of cost. Policy intervention by the government is needed to solve such problems.

The case of automobile industry is shown to be more serious. When the FDIs, in respect of foreign automobile companies, were permitted, there was a stipulation regarding local participation and technology transfer. A large number of MSME units were established as ancillaries, and as Tier 1 component suppliers. When FDI and minimum investment levels were relaxed in 2002, doors were opened for small foreign companies to move in through the automatic approval route. Eventually, these firms are said to have occupied the position of Tier 1 component suppliers, and the local firms were relegated to the Tier 2 and Tier 3 positions. The new Tier 1 firms, jointly with the OEMs, determined the price structure for the components. While such structure has ensured stable prices for the OEMs and substantial margin for the new entrants, it began to eat into the margins that were originally available to the local enterprises. Indications are that, this makes most of the smaller units unviable, but compelled to operate at survival margins. While the policy reforms at the national level are conducive to the growth of automobile components industry, there is a need to ensure that the Tier 2 and Tier 3 units will be capable of meeting the challenges of the next cycle of development. R & D and innovation will play a significant part in their preparation for that cycle. However, field data shows that, given the present low margin situation, the industry cannot afford such R&D expenses.

4.4. Financing and Finance

According to available data, MSMEs account for more than 45 per cent of the total manufacturing output in India, and over 40 per cent of the country’s exports. They also contribute around 8 per cent share of the national GDP, apart from generating almost 70 per
cent of the total employment opportunities. But such priorities have often been outdone by the credit-gap.

The credit gap is significant, and the most recent survey by IFC-Intellecap pegs it at about $240 billion (about Rs 16.66 lakh crore). For a country whose GDP is $2.6 trillion, and the government spending is around $400 billion, the $240 billion is reported to be a very big demand. According to a recent report by IFC, small businesses in developing economies need more than $2 trillion to fulfil their working and growth capital requirements. The World Bank estimates a credit demand-supply gap of $380 billion in India alone.

Traditional banks and NBFCs consider MSMEs a risky lending proposition. A large percentage of Indian MSMEs do not maintain a consolidated record of their financial data such as tax returns filings, P&L, and transactions. With institutional lenders having little to no visibility into MSME finances, their underwriting mechanisms fail to accurately gauge the creditworthiness of potential borrowers. Moreover, since small businesses often do not own substantial physical assets, traditional BFSI players are unable to offset the risk to capital, and end up rejecting most MSME loan requests.

Excessive documentation requirements, as well as the time taken for the loan to finally be approved under the conventional loan application process, also puts a lot of prospective MSME borrowers off. Most MSMEs operate as part of a forward supply chain; products and services are delivered immediately, with the payment taking anywhere between 30 and 90 days to be cleared. Such businesses do not have a large capital corpus, to begin with, and operate on very fine financial margins, making it necessary for them to have immediate and urgent access to working capital. Conventional working capital loans can take up to several weeks to get approved and disbursed.

Digital lending platforms help to utilise technology, and to create unique customised loan products. Fintechs offer ecosystem-based lending. MSMEs are invariably keyed into bigger supply chains, whether as suppliers or customers. Digital lending platforms are now partnering with large corporate organisations to use the data that exists within these supply chains. Doing so, not only enables them to more accurately underwrite MSME borrowers, but also deliver highly-customised financing solutions at their point of need.

Since ecosystem-based loans can be availed as an integral part of the financial transaction itself, MSMEs are motivated to access consumer credit. This increased credit appetite will, in turn, drive business growth, both within the MSME sector and along the supply chain, whilst also stimulating economic activity on a much larger scale.

4.5. Manufacturing: Agenda and Experience
A decline in the share of manufacturing and a corresponding rise in the share of services, is the emerging trend in the Indian economy. However, more recent changes indicate an
acceleration of this trend. The IHS Market India Manufacturing PMI fell to 51.4 in August from 52.5 in July 2019, its lowest since May 2018, and below its long-run average of 53.9. However, it remained above the 50-point mark that separates expansion from contraction. The index of eight core industries, which measures output in eight infrastructure industries, rose 2.1% in July, ahead of 0.7% in June. This index has a 40% weight in the Index of industrial Production (IIP).

An important reports on manufacturing slump comes from the automobile sector. The past year has seen the industry witnessing worst slowdown in two decades. In July 2019, Maruti Suzuki also suffered a 36.7 per cent sale loss compared to the same month in 2018. It struggled to reach even 1 lakh units that month, with sales totalling 96,478 units. And it does not look like it is getting any better for the company, as it has announced a production halt at plants. This shutdown can be attributed to less demand, and the need to adjust inventory. The aftermath of this is leading to dealerships slowly being shut down due to rising inventory management costs, rendering these dealership outlets unviable. In turn, it could result in layoffs by the auto makers and auto dealers across the supply chain.

While there are manifold reasons behind this downturn, a major cause is reported to be stricter lending restrictions due to slow economic growth, and liquidity crunch thereon. The fact that BS6 emissions coming into effect for all vehicles in 2020, has confused customers on postponing or ever scrapping purchase decisions.

While the experience of the automobile sector stands out, similar experience has been reported from other sectors as well.

**4.6. Business Confidence**

The global experience, as well as that of India, indicate some particular features of behaviour of business confidence. Available confidence indices, as also the estimates of the Reserve Bank of India, generally capture business confidence with a significant weightage for the corporate sector. The behaviour of the SME sector is often underrepresented. However, experience of the past shows that, confidence levels by these two sectors behave in a lagged fashion. For example, when there is a slowdown in the economy, the corporate sector takes up corrective actions that are essentially meant for cost cutting. Even while the SME sector understands that there will be a long run negative effect on their markets, they do not resort to such a cost cutting exercise in the short-run. The expectation is that, by the time slowdown percolates and impacts them, the overall conditions in the economy will improve. Such expectation is also grounded on the fact that the cost levels as well as employment size of these units are minimum, which cannot and need not be cut down drastically.

There are also some cases of enhanced capital formation, as reported from the corporate sector. Ramco Cements Ltd, for example, is reported to be investing more than 2200 crores in the coming months in various upcoming projects in Andhra Pradesh and Odisha. The
Company considers economic slowdown as an ideal situation to invest, so that the plant would be ready for commissioning when the upswing starts. Reports say that, during the past slowdown also the Company had invested over Rs 200 crores for the expansion of its Alathur Plant, as also for starting a new production line (Business Line, October 15, 2019).

The experience of India in 2019 is something different. There has been a slowdown in the SME sector largely because of technical and SME-specific, rather than macro-economic reasons. While this slowdown continues for a period of about three years, the SME sector, naturally, expected the next phase of prosperity over this period. But instead, an experience of slowdown has again taken place at the macro level. This implies that, the lag has virtually come down, and as such, the SMEs today are not able to play. Their counter-cyclical role effectively. This also implies that, public policy should take care of this particular aspect, and should initiate policies that help to widen the lag, as a strategic move.

4.7. Labour Redundancy amidst Unemployment
Labour redundancy has been widely debated in international development literature today. 'Redundancy' is a situation where an employer reduces his workforce because a job or jobs are no longer needed. The influx of new technologies, in addition to the general trend towards growth of the 'New Economy', is likely to lead to an acceleration of labour redundancy. There are no macro level data on this in the Indian context. Sub-sector level techno-economic studies alone can bring out the dimensions of the problem.

4.8. High Transactions Cost
The generally high level of transactions cost for SMEs has been a pointed out by several studies (Nootooboom, 1993). Such costs become more relevant during times of an economic slowdown. One such cost relates to business disputes and their disposal. MSME disputes cover a broad spectrum, including: 1) contracts; 2) leasing of business premises; 3) retail shop lease disputes; 4) non-payment or non-performance of goods and services; 5) disputes with government departments or agencies; 6) franchises; and 7) disputes with financial institutions. In India, the challenge to facilitate MSME dispute resolutions emerged in the context of receivables from the parent companies. In this context, Government of India brought an enactment called “Interest on Delayed Payments to Small and Ancillary Industrial Undertaking Act, 1993 (IDPSAIU). The MSME Development Act, 2006” (MSMED), which followed, provides for referring such disputes by a party to “Micro, Small & Medium Scale Enterprises Facilitation Council” (MSMEFC). MSMEFC shall have powers to apply the provisions of the Arbitration & Conciliation Act, 1996. The Council has powers to conduct Conciliation & Arbitration, u/s 65 to 81 of the Arbitration & Conciliation Act, 1996. The State government shall, by notification, establish one or more MSEFCs at such places exercising such jurisdictions, and shall notify the same. Any MSME having valid UAM registration can apply to MSME SAMADHAN Portal, which provides ease of filing disputes, with an application, under MSMEFC, is a web portal under the Ministry of MSME, Government of
India. MSEFCs of the State, after examining the case filed by MSE unit will issue directions to the buyer unit for payment of due amount along with interest as per the provisions under the MSMED Act, 2006.

Punjab & Haryana High Court in Welspur Corporation Ltd V/s Micro & Small Medium Enterprises Facilitation Council, Punjab & Others in C.W.P No. 2316 / 2011, clarified that the Facilitation Council has the powers to conduct the Conciliation, and on termination of Conciliation, it can conduct Arbitration between the parties, in the absence of an arbitration agreement between parties. The Union Budget 2019 proposed a dispute-cum – amnesty scheme called “SabkaVishwas(Legacy Dispute Resolution) Scheme, 2019”, and notified on 1st September, 2019. This allows quick closure of litigations, in tax related matters, with a relief of 40% to 70% dues to the government, other than voluntary disclosure cases.

4.9. Tax Regime
The introduction of the GST is, undoubtedly a relatively transparent tax system, with a wider coverage and enhanced scope for compliance. However, apart from the legal and institutional factors, it is important to focus on its distributional consequences on various size-categories of enterprises. Each subsector of the economy today is hugely influenced by the global value chains. Therefore, both in the factor and the product markets, there is a significant vulnerability for MSMEs, which again varies from time to time. Additionally, there are issues relating to implementation.

While the GST Council came into being through a Constitutional Amendment, and it led to an administrative structure with a significant representative character, neither the federal structure, nor its ability to take corrective actions from time to time, is a justification for the damage already incurred. Production lost because of tax-related cash flow problems cannot be repaired. The fall-out of such problems, such as the manufacturer turning into a service provider, or engaging himself as an importer, are all consequences that militate against the founding objectives of MSME policy in the country.

A possible way out for the anomalies, as above, can be discussed at two levels. First, the consultative process of the GST Council cannot simply happen without adequate evidence-base. The evidence need to come from the subsectors. This is because, it is the subsector and its activities that nourishes the value chain. Secondly, the evidence-base need to come not only through research, but through a congruence, which has to come through a consultative process. It would, therefore, be advisable to explore a concept of GST Councils at the subsector level. Identified key subsectors need to have mandatory Subsector Councils that can make recommendations to the GST Council. Their recommendations, in turn, need to be considered, while the GST Council takes a final decision on matters relating to tax rates, tax reliefs etc.

5.0. The Subsector Story and the Way Forward
Beyond the macro picture and issues, at the operational level, it is important to grapple with the subsectoral story. It is subsector level strategies, rather than generic ones that are likely to be more realistic, concrete, and of a sustainable nature. The discussion, therefore, need to concentrate on issues of economic governance, with focus on subsectors.

Each subsector has its limits and opportunities. These limits and opportunities are dependent on the entrepreneur's aspirations. Our discussions on the subsectoral experience, based on the following six typologies, provide us significant leads on the kind of constraints and potential. These need to be studied from an action point of view. In fact, it is immediate corrective action that is needed during times of a slowdown in the economy. Apart from either of the two causatives, structural or cyclical, the contribution of these two causatives need to be addressed. Accordingly, remedial measures need to be both short term and long term.

5.1. Strategic Subsectors
The strategic subsectors are distinct because of their implicit strategic content. They have, at a time, significant vulnerability as well as potential. The vulnerability appears especially in a situation of slow down in the economy. Consider the case of the present slow down in the automobile sector. More than decline in the actual sales of automobiles, the message of such a contraction has penetrated down the stream, and it is often associated with a general slowdown in the economy. Of course, the media also has played its role in disseminating this message. A package of structural and macroeconomic measures impacting on the automobile sector is likely to have an energising effect on the economy as a whole.

The vulnerability associated with the strategic subsectors is the fall in business confidence in general. Therefore, it is important that a package of both anti-cyclical and structural measures are simultaneously taken forward, in order to ease the situation. For example, automobiles, as a subsector, involves a significantly high degree of subcontracting relationships. Problems with vendor units, apart from a fall in business confidence, can affect the local economy. Where multinational companies are involved in such relationships, the Union and State governments have to work with the local governments to improve the situation. As the ISED Small Enterprise Observatory has recommended (ISED, 2018), some corrective steps are possible at the local level.

5.2. High Penetration Subsectors
The high penetration subsectors are significant essentially because of their cross cutting inter-sectoral relationships. As the case of the food processing industry indicates, food in any form is a relatively essential item; its demand is inelastic. Moreover, the value chains are broad, and cuts across income levels and spatial setting. Thus, a small incentive for food processing units can have a large impact on the income levels of, say, pineapple cultivators of Kerala. On the other hand, the rising income levels of farmers can have a positive impact on their consumption levels.
Under instances as above, blanket policies such as credit and technology may not be very successful. On the other hand, making use of crisis as opportunity, one can think of long term structural changes. For example, implementation of voluntary standards apart from legal stipulations, can have a significant impact in the food services sector, such as hotels and restaurants. Crisis situations are opportune time for implementing/promoting such voluntary standards. Cross subsidies on the organised and unorganised sectors of the food services sector also need to be explored.

5.3. Regional Engines of Growth

A major objective of MSME policy in India, since the Planning era, has been balanced regional development. However, the practice of MSME development through public programs demonstrate the distribution of schemes among various geographical areas, rather than translating the regional opportunities into sustainable enterprise development activities. It is this experience that demonstrates the decline of some districts or regions having a high concentration of a particular industry. For example, villages and districts having a high concentration of handlooms, virtually make themselves centres of abject poverty, rather than as power houses of entrepreneurship and employment.

The opportunities with industries that are regionally concentrated, cannot be dealt with under a national policy. On the other hand, there is need for a regional development policy that is grounded on the culture and value system prevailing in that region. For example, the Jari industry in Surat or the lock industry in Aligarh have emerged in a particular context, which cannot be created elsewhere in the country.

The regional engines of growth can also turn themselves into centres of retardation under unfavourable public policy. This has exactly happened in the case of bicycle industry in Ludhiana, where trade policy has emerged as a dampening factor. Protecting the regional engines of growth through collective strategies beneficial in two ways: a) a confidence builder; b) as a comparative advantage of the region.

5.4. Outward orientation Subsectors

Outward orientation of an enterprise can be either by design or by opportunity. Where it is due to an opportunity, it is necessary to analyse the scope of such opportunity and to shape strategies for its expansion. The success stories of India's pharmaceutical industry is grounded on the role of SMEs that are huge in terms of numbers. Besides cost advantages they work with the large sector on the basis of complementarities. Promotion of investments abroad can be a useful strategy, along with strengthening of the base at home.

5.5. Sunrise Growth Subsectors

The sunrise subsectors have to essentially depend on the dynamism of the opportunity-oriented entrepreneurs. While public policy support maybe useful in the initial stages, such
support may not help in the long run. The experience of renewable energy is a good example. While India has had significant natural advantages in this area, the country could not reap such advantages to the full extent.

The primacy that is given to information technology start-ups, is a case in point. The Technology start-ups have several common characteristics. However, public policy often ignores such common characteristics, and give them a special status. Especially under a slowdown in the economy, this is not likely to give the right market signals. Those seeking self employment opportunities from other subsectors may feel themselves discriminated.

**5.6. Knowledge-culture Bonding Subsectors**

In the knowledge economy, a drastic change in the work-leisure patterns is often observed. This is because, the knowledge economy spares a relatively higher volume of leisure at the disposal of the individual, and especially for those belonging to the leisure class. For example, while the entertainment avenues available in the 1970 and 80s was limited to films played at the cinema theatres, and the drama played on special occasions. However, the size of the entertainment market has drastically expanded since 1990s because of the enhanced number of entertainment TV channels, in addition to the pre-existing avenues. This emerging trend indicates that, knowledge and culture are mutually reinforcing, and a bondage of these two domains offer substantial new opportunities of income and employment.

During a crisis situation in the economy, given the inelasticity of demand for entertainments, the industry is not likely to be impacted much. While the educated unemployed look up at this sector as one of new opportunities, it is important that it is supported with short-term measures, such as tax incentives.

The conventional perception that considers SMEs as the weakest link of the economy, is slowly changing. The penetration of the 'new economy' throws up enhanced opportunities for better interventions in particular functional areas, leading to productivity enhancement and innovation. Rather than size, it is knowledge base and capabilities that throw up new opportunities.

**6.0. Need for Subsector Mapping**

Every subsector today, has a combination of strengths and weaknesses. Harnessing the strengths and bringing down the weak spots, need to be the focus of public policy. Subsector mapping can be a useful tool that can lead to a crisis strategy.

'Subsector mapping', as a strategic tool, is gaining substantial significance in the Indian context. The rationale is essentially two-fold: First, the vastness and complexity of India's enterprise geography demands identification of strategic and geographic focus at the policy level. Secondly, during a slowdown as we have today, it is necessary to prioritise policy
stimulation among different subsectors. While, Growth need to be mutually re-enforcing among different subsectors, with the help of permissive and compulsive sequences. Hence, it is important to initiate such subsector maps at the national, regional and local levels, so that policy corrections become easy and time-bound.

The above discussion demands a departure from the policy practices we are used to. It would require a movement away from the conventional business head-count, to the ‘business of business’. The idea of subsector mapping can also be extended to the level of geo tagging.

An identification of States on the basis of such lead-subsectors, can lead to a development strategy that is cost-effective and responsive to comparative advantage.

7.0. Search for Alternatives: A 'Tortoise and Hare' Strategy?
There is need for a valid ground for alternatives. A valid ground should be an understanding of what makes possible the sustainability of an enterprise.
Along with a new understanding of the MSME situation in terms of ‘security’, it is necessary to evolve an action plan. Such an action plan should start from a check-list, on the basis of which the current state of things can be judged and corrective measures, if any, can be suggested. The focus of such a check list need to be the relative position of enterprise security among various subsectors.

Measurement of ‘enterprise security’ is typically indirect, and need to be based on the following data:
1) Start-up enquiries versus the registration of units;
2) Training enquiries, versus the actual trainings imparted;
3) Enquiries on institutional finance, versus finance availed.
4) Perceptions and shifts in confidence level of entrepreneurs.
5) Choice of Manufacturing and Services by entrepreneurs.
The Ministry of Finance, through the NABARD, should initiate a national programme that leads to a quick stock taking. Such an exercise must be a step towards laying down the foundations of an enterprise security system for the country. Competent professional agencies should be engaged to make such quick assessments.

There is need for a win-win ground. While, the state of knowledge creation on MSMEs is deficient in the Indian context, it has serious implications for the various solutions that are being articulated. While, as a national agenda, MSME development is visible, its objectives are rather unclear. The case for MSMEs, from time to time, emerged largely from the political agenda. Often fractured, such agenda involved several compromises, rather than resolution of conflicts through concrete understanding of the objective situation. Naturally, while objectives such as ‘employment promotion’, and ‘balanced regional development’, are
highlighted as the objectives, the costs involved in achieving these objectives, are neither highlighted nor addressed effectively. Therefore, while the entrepreneurs find several policies addressed to them, these do not work to their best interests. Naturally, there is a significant policy ambivalence. The government speaks of growth spill-over’s, which may help the MSMEs. The financial institutions speak well about MSMEs and their role, but with practically limited stakes on their side. There are isolated references to the role of development banking, but development banking as a domain, is practically dead. The policy on ‘collective efficiency’ strategies speak of the role of MSME associations, but initiatives for capacity building of these Associations are insufficient. Naturally, the associations are often not capable of standing up, be articulate, and work effectively on an advocacy platform.

7.1. Rationale for a New Strategy
The traditional distinction between firms is essentially in terms of their size distribution. It is assumed that the smaller the size of the firm, the smaller its market power. Therefore, on the basis of a particular and arbitrarily distinguished cut-off line, firms are categorised as micro, small, medium, and large. Though the basic defining criteria, such as employment, fixed investment etc, vary from country to country, the essence of the rationale is the same.

The above distinction is largely based on some parameters, such as investment, employment, location, ownership status etc. Technology is not often considered as a crucial parameter, as it is difficult to have a standard definition of it. However, in the modern world, the role of technology has a significant influence on market power; size is a necessary, but not a sufficient condition. Every individual firm has an associated operational culture that is decisive in determining its market power. As such, there are tortoises(mice) who follow conventional operational practices. Similarly there are hares(Gazzles) that are characterised by operational swiftness.

The tortoises often employ conventional technology, depend on conventional market segments, and conventional cultural practices, both at the plant level and in business transactions. On the other hand, the hares often engage in just- in- time production methods, up-to-date technology, and modern cultural practices. While, in the modern competitive world, the role of the hares and their cultural practices are extremely important, from the point of view of public policy, it cannot be set as a standard. This is because, the SMEs have multiple objectives and goals to be performed, such as employment promotion, income opportunities, regional development, and distributive justice in general. For a government, such wider social goals cannot be achieved, or steps towards that taken, by the stroke of a pen. However, by the logic of private sector development, it is the perceptions and convictions of the entrepreneurs that determine their business decisions.

While public policy can wishfully think of a standard, as set by the hares, it is for the tortoises to decide as to whether they should catch up with the hares, by running at the
same speed. On the other hand, it is for the hares to decide, whether to take the tortoises along with them. In this context, the role of public policy is to operate in the limited area of Framework Conditions. In fact, the framework conditions are reasonably objective conditions that will facilitate both tortoises and hares to take independent decisions.

The logic of a 'Tortoise and Hare Strategy' is not of a short term nature. On the other hand, it is a strategy meant to achieve some of the key objectives of sustainable enterprise development. Employment promotion and balanced regional development are the two basic objectives of enterprise development policy with special reference to small enterprises in India. However, experience shows that, the achievement of these objectives have been constrained because of several factors that are structural and scientific in nature.

The above logic of allowing both tortoises and hares to compete, is that, there is a common goal that is shared by both of them. SMEs, both the traditional ones and the modern, have their valuable role in the economy. This role will be best manifested during a crisis in the economy. Therefore, during times of a slowdown in the economy, a uniform package for the sector as a whole, cannot work both in terms of immediate outcomes, and for enhancing business confidence. The science and art of economic governance need to be meticulous on these finer aspects.

Think of the Indian situation today. Subsectors like Pharmaceuticals, Engineering, Textiles, &Garments, Minerals & Metals, belong to the 'Tortoise Club'. They have a legacy behind them, which still continues. On the other hand, there are the 'Hares Club', represented by, Renewable energy, Bio-technology, Robotics, and Defence Equipments, having high aspirations, beyond the beaten track. For historic and strategic reasons, there are strong opportunities with both. Given such an objective assessment, we propose, a 'Pentagon Initiative', involving five subsectors that are representative of five distinct characteristics of the enterprise reality of the country. Textiles is a subsector connecting the history of Industrial Revolution with the information technology driven era of the 21st century. India need to stand on the shoes of England, which had global monopoly in Textiles. Pharmaceuticals is a subsector by which India can conquer the world markets. Engineering has enormous potential of broad basing its opportunities through reengineering. The Media & Entertainment subsector has huge potential, but demands regulated growth. Renewable Energy is a vital subsector for shaping India’s sustainable development agenda. The task of public policy need to be to identify the potential embedded in these subsectors, individually, and in their totality, against the country’s development aspirations.

7.2. Need for an Enterprise Security System
How to take the above strategy forward? There is need for some common ground and framework, where policy can be anchored. Based on the various experiments in different countries, one can pick up the tools and techniques for evolving a National Enterprise
Security System that is appropriate to the context of India. This concept assumes that the right of an individual to engage in an entrepreneurial activity of any kind is protected under law. Besides, the citizen must get an opportunity to find the basic funding and infrastructural support to execute and pursue his business idea. In India, while food is a constitutional right today, the right of those who provide food to millions of people, still remain unprotected. Next to agriculture, MSMEs provide the largest employment opportunities. But the genuine right of a start-up to get minimum support from the promotional agencies and from the banking system still remains to be protected. On lines of the Brazilian model of start-up promotion, and on the basis of the recent legislation by UK relating to right to information in banking, we propose a legislation relating to enterprise security in the country. Whereas right to work is a fundamental right of the citizen, right to enterprise is a natural corollary of that. This right need to be protected, and accountable systems need to be developed. A Working Group should be set up by the Ministry of MSME to look into the feasibility of such legislation. While there can be apprehensions on this idea from various quarters, such a legislation should also make use of the best in technology, and the best in systems. One need to take Udyog Aadhar as the base; the superstructure is yet to be built up. It is important that detailed studies should take place, in order to conceptualize the enterprise security system, and to evolve its operational part.

While the need for an integrated policy package is indisputable, its ingredients need to be carefully considered and worked out in order to ensure the best out of it. It is important to focus in the following dimensions of the problem:

7.2.1. Creating Ground for a Labour Market Policy

Countries characterized by a progressive enterprise policy regime follow a sound labour market policy. Several databases and specialised studies have brought out the magnitude of unemployment in India. There is also a major national level program on Skill Development. However, the reason why an entrepreneur choose to be so, remains rather an unknown area. It is on top of this, that programmes for entrepreneurship promotion and skill development are built upon. Here, there is a major imperative for policy correction.

A person chooses to be, or not to be an entrepreneur, based on two things: 1) objective environment; and 2) subjective preferences. Public policy can do a lot to change the objective environment.

Unemployment being a mounting problem in the country, the need for acceleration of employment opportunities need no introduction. The country has passed a path-breaking legislation, the National Food Security Act 2013. 'Right to Food' is enshrined in the Constitution of India under Article 47. This item, earlier in the Directive Principles, has now become a full duty of the Government of India. Similarly, 'Right to Work' also has been enshrined in the Constitution, under Article 41. Unless the 'right to work' is legally
protected, right to food becomes one without logical foundations. 'Right to Enterprise' is part of the 'right to work'. 'Work' includes, both self-employment and wage employment. But more than that, enterprise creates multiplier effects in terms of incomes and opportunities, which facilitates the state to fulfil its commitments. On lines of the above rationale, it is necessary to establish a clear and logical link between 'right to food' and 'right to enterprise'. Articulation of such a logical relationship would lead to a clear-cut labour market policy, which the country badly needs today.

7.2.2. Entrepreneurship Resource Policy
In many developing and emerging economies, as also in India, the disproportionate twinning of political and economic objectives of enterprise development policy, have a negative impact on policy architecture. The disproportionate focus on start-up has become quite illogical as part of an overall enterprise development policy. There is need for a focused policy approach on 'entrepreneurship resources' and to ensure their sustainability. The focus should not simply be on 'enterprises' that often do not speak of the interests they represent, but on the interests themselves.

7.2.3. Enterprise Knowledge Systems
Knowledge systems have a key role in resource allocation and delivery of services. This role is yet to gain adequate attention in the Indian context. Knowledge is often misconstrued in relation to the term "data", a rubric in public administration. In the terminology of economic governance, knowledge systems is the basic platform for decision making. While it is important to cement this logic, radical changes in the economic governance system alone can be the real solution.

7.2.4. Entrepreneurship Identification and Mentoring System
In all progressive economies, the importance of entrepreneurship identification and mentoring are duly recognized today. However, these need to be systemic rather than ad hoc in nature. As such, the convergence between education and entrepreneurship need to be rationalised and operationalised in the Indian context. This requires a thorough review of the ongoing programmes.

7.2.5. Public Access to Business Development Services
While discussing the concept of 'right to enterprise', it is important to highlight the right of the entrepreneurs for public access to business development services. This is often missing in many countries. In India, the District Industries Centre, and the government portals for various dedicated public programmes, do not ensure protection of such rights. It requires not only a right as per rule book, but also the relevant institutional structures and their capabilities that ensure proper delivery of such services. The poor capability of institutions to ensure effective delivery of services, has been noted by several studies in the subject area.
7.2.6. Effective BDS Markets
A market for Business Development Services is a major imperative. It requires that, strategic and operational services as per the entrepreneur's requirements flow freely. It also requires market instruments that can bring together buyers and sellers, and can ensure effective delivery of services in the manner and time as required. In connection with the market instruments, ISED Small Enterprise Observatory has proposed a 'BDS Voucher Scheme' (ISED, 2015).

7.2.7. People’s Platforms of Entrepreneurs
SMEs form the basic form of economic democracy. Economic democracy can be meaningful only if democratic decision making is ensured through effective platforms. In this context, and considering India's track record on Panchayati Raj, there is need for evolution of an entrepreneur’s platform at the ground level. ISED has proposed the concept of 'Udyam Panchayat' (ISED, 2017). While the experience of Panchayati Raj varies from State to State, it would be worthwhile to initiate some experiments.

7.2.8. Effective Advocacy Platforms
The role of advocacy for SMEs, unlike in the USA and in the European Union, has not gained any significant attention in India so far. The creation of an effective advocacy platform can lead to a train of changes in the subject area.

7.2.9. Macro Monitoring System
Macro monitoring on SMEs in India is yet to gain an organized form. Monitoring today is confined to the level of individual Ministries, in relation to their programmes. It is important that, autonomous Constitutional entities, such as the RBI and the NITI Aayog take an effective role in this regard.

II. Submission for Consideration by the Hon'ble Finance Minister

Against the above emerging scene, ISED would submit the following points for the kind consideration under Union Budget 2020. Three crucial and inter related stages of development policy and immediate attention:

1.0. Need for a New Crisis Mitigation Approach
New problems of the economy need new solutions. Therefore, it is important to have a mitigation approach specially based on the recent development experience in the MSME sector of the country.
1.1. Shift from Infrastructure to Business Development Services
Support programs for MSME and entrepreneurship development, today, have a significant focus on infrastructure. Field studies and their findings indicate that the entrepreneurs are much less interested in the routine kind of infrastructure support. On the other hand, they are most interested in real-time business developments services, and timely finance. Therefore, it is important that a proper system of BDS is put in place.

1.2. Knowledge for MSME Development
The Union Government, has taken several steps for formalising the MSME sector. A major component of formalisation has been the creation of digital platforms for MSME related transactions. While this is an important step, there need to be some major additional steps for linking-up technology platforms and the human core. For every new technology intervention, there are likely to be adopters and non-adopters. While it is important to enhance adoption, it can be best achieved through permissive rather than compulsive sequences. Permissive sequences can best be achieved by engaging private intermediaries. For example, the Financial Literacy and Credit Counselling Centres (FLCCS) are really a good model. However, the scheme can play a better role by involving professional institutions in such areas, so that these institutions, having grass root level experience, can play the role of effective communicators. Communicating with the "tortoises" and "hares" in their own language, is the need of the hour. ISED has initiated a project for NITI Aayog, wherein, the size and structure of such voluntary network has been estimated.

1.3. Conversion of Knowledge into Capabilities
In an knowledge economy, unless knowledge is continuously translated into human capabilities, it cannot help the larger interests of the people and of the economy. In India, despite huge budgetary allocation on higher education and research, the output from these institution remain doubtful.. On the eve of the Budget, the Finance Ministers get thousands of recommendations/appeals regarding tax reliefs. Post budget, they turn into criticisms. However, a comprehensive suggestion on what need to be done for the sustainable development of a sector or subsector of the economy, do not often come through such representations. Post-mortem is easy. But making sound prescriptions is difficult. Conversion of knowledge in capabilities, requires institutional action. It does not simply mean that creation of institutions automatically lead to sound recommendations. In this context, there is a major imperative before the Union Budget: to support institutions and professional action, strictly on the basis of merit. Such support should not be based simply on the basis of the judgement of the CBDT, but as per the recommendations of the nodal Ministries as well.

There is often poverty of ideas relating to the MSME sector. Considering the complexities of the economy in general, as also several other areas such as, taxation, innovation, trade etc, entrepreneurs need a regular flow of both strategic and operational business development
services. However, the flow of services, from the government departments, as also the private actors such as chartered accountants, advocates, retired government servants etc, belong to the tee limited area of operational services. There still remains a wide gap. Incentivising professionalism alone is the way out.

The Budget can do a lot in this important area. The Union Budget 2009, and the sect. 2(15) as detailed in Finance Act 2008-Explanatory note(circular No 1/2009), has redefined the term "charitable purpose". With a view to limiting the scope of the phrase, "advancement of any other object of general public utility"(subsection 15 of Section 2.) ,as per CBDT Circular No 11/2008, the applicability of the term "public purpose" was made rather confusing. The terms, "no profit" and "non profits" has been most confusingly articulated in the Indian context in such a way that it helps to ensure business for advocates and chartered accountants. On the other hand, well meaning institutions and individuals are put in the shadow as tax evaders. If proper tax exemptions and other incentives are given to such agencies, it can gradually lead to the development of a BDS market, which is badly needed today. On the other hand, this can also lead to much greater clarity on the term "professional services", and to effectively tap the taxable potential of this segment.

1.4. Market based Delivery System
The National Flagship Programs, announced by the Prime Minister, are relevant against the larger goals of sustainable development, as also of India's wider national interest. However, in practice the outcomes fall much below the expectations. This critical gap need to be explained in terms of the inadequate role of the private sector and the voluntary actors, as agents of value addition. While over time there are several welfare programs for livelihoods and enterprise development, there is a heavy focus on the role of the government. As already mentioned, the role of the private sector need to be expanded. This would require the support of appropriate of financial products that can add value to the private sector and its work. we propose an effective voucher system that can replace all direct benefit schemes in the MSME sector. The voucher system can substantially help to develop services market, as advocated by the World Bank.

1.5. Harnessing Capabilities of the Private Actors
While bringing down the direct role of government, and harnessing the capabilities of the private actors in its place need to be the strategic approach, it is important to strengthen the present private platforms and to create new ones. For example, the Credit Counselling Centres, need to be strengthened. Voluntary agencies that provide mentoring and support for entrepreneurship development, need to be strongly supported through tax exceptions and infrastructure support. This will also help to reduce the unhealthy growth of several incompetent intermediaries.

1.6. Promotion of Outward Orientation
India has demonstrated its success stories in the area of micro multi nationals. There are several examples like E-Bay, Byjus App, etc, that have created and sustained globally successful models. Such models need replication. Simply by promotion of incubation centres, this cannot happen. In order to make a larger impact, outward orientation need to be integrated with internal capabilities. There is need for a more broad based export sensitive program, involving the State Governments and various financial institutions. With EXIM Bank as the nodal agency, a Special Fund of approx Rs 5000 cores need to be created for this purpose.

The Prime Ministers’ thrust on "one-district-one exportable product" idea has not picked up very well in the past. It need to expedited with, on a campaign mode. The idea of 2019 Budget, of a Global Investors meet, need to be repacked with emphasis on exports.

1.7. Expansion of the Base of Service Tax
The rates of service tax, as it exist today, do not encourage the growth of the services sector activities. As such the present rate of 18% need to be lowered into a flat rate of 10%, so that it becomes an incentive for the growth of services. The loss in revenue need to be compensated by broad basing the scope of services, as also by introducing effective vigilance coverage with regard to Sections like doctors, and chartered accountants, who often manage to escape the tax net. The tax spillage among these two categories of consultants are reported to be significant.

1.8. Promotion of Voluntary Professional Action
It is a universally accepted principle that definition of a tax should be clear, and rates be simple. It is also important that the tax payers are respected as honourable citizens, while trying to expand the tax-base. The changes in Income Tax Act, brought in through Union Budget 2009, violates this principle by redefining voluntary work. In 2011, the government came up with a liberal National Policy on the Voluntary Sector, which highlights the role of the voluntary sector in development. NITI Aayog has a big role in defining what is "development". This new provision has been used by the Income Tax department, in order to meet their targets by coaxing even the sincere and well-meaning tax payers. The conventional definition of 'voluntarism', 'public purpose', 'knowledge creation', 'science and technology', etc, need thorough review on the basis of India’s present realities. There are several new areas such as, financial research centres, economic research organisations, entrepreneurship promotion agencies, etc., whose role need to be clearly defined on the basis of the emerging development needs of the country. However, our definition of the so-called "charity" and "public purpose" are archaic and outdated. A redefinition of the scope of apex research councils, such as the ICSSR is a welcome step. However, the enhanced focus that is given on public institutions, practically kills private initiatives. It is important to note that many of the public institutions were the creation of successful private initiatives in the past.
2.0. Action Points

During times of a crisis, situation in the economy, the way forward need to be spelled out on the basis of a clear diagnosis of the nature of the crisis. As already discussed, the major debating point is on the specific nature of India's economic slowdown today. A cyclical slowdown is a period of lean economic activity that occurs at regular intervals. While it can be argued that some of the emerging issues are cyclical in nature, a real understanding of the specific nature of the crisis need to be understood at the subsector level. A structural slowdown, on the other hand, is a more deep-rooted phenomenon that occurs due to a one-off shift from an existing paradigm. The changes, which last over a long-term, are driven by disruptive technologies, changing demographics, and or change in consumer behaviour. Our discussion on the specific subsectors indicate the presence of a set of cyclical and structural factors impeding their growth. However, the general observable trend is that, in MSME-dominant subsectors, the structural factors are more pronounced than the cyclical factors. Therefore, from the curative side, there is need for a long-term policy package that can lead to corrective steps. Such a package need to be based on the logic and premises of an 'enterprise security system'.

In this era of disruptive technologies, it is likely that the votaries of a high technology business, are likely to be larger in number. Naturally, the focus is likely to be on the short-run impact on GDP and FDI inflows. A strategic approach to dealing with an economic slowdown, need to be dual in nature, and not on sustainable development. It needs to take care of both the leaders and laggards in business. The leaders are innovative, but need not be persistent. The laggards, on the other hand, are often untiring and persistent.

During a crisis, what is in short-supply, is confidence. Therefore, protecting those having confidence, itself, is not simply altruism, but there is a strong business case for the economy as a whole. The hare is very confident of winning, so it stops during the race and falls asleep. The tortoise continues to move very slowly but without stopping, and finally wins the race. The moral lesson of the story is that one can be more successful by doing things slowly and steadily than by acting quickly and carelessly. The government need to spell out long term and short term policy measures, specifically for different size categories and technology categories of business. Clarity in policy is a bonus to the overall level of business confidence. A discretionary approach based on the particular features and attributes of specific subsectors would, therefore, be advisable. But it is also imperative that, there are some strategic subsectors where such quick action is feasible and needed.

A strategic approach as above, need to spell out the long term and short term measures. In this era of disruptive technologies, it is likely that the votaries of a high technology oriented approach, are likely to be larger in number. However, we propose a discretionary approach
based on the particular features and attributes of specific subsectors. The hare is very confident of winning, so it stops during the race and falls asleep. The tortoise continues to move very slowly but without stopping, and finally wins the race. The moral lesson of the story is that one can be more successful by doing things slowly and steadily than by acting quickly and carelessly. But is also imperative that, there are subsectors where such quick action is feasible and needed.

2.1. Need for a New Industrial Policy

It is time for an integrated industrial policy. Moving beyond the routine kind of industrial policy, there need to be a comprehensive policy that touches upon enterprises and their problems in a three dimensional angle: 1) subsector; 2) lifecycle; and 3) location. The new enterprise policy need to focus on strategic interventions rather than an all-purpose relief package. For example, almost half of the manufacturing jobs in India are contributed by four subsectors i.e., Textiles & clothing, leather, food processing and wood based industries. Targeted interventions in these sectors can protect the present level of approximately 30 million jobs and can provide a signpost for future.

During times of slowdown, the pressure mounts on the banking system. But at the same time, the financial sector has its operational logic that is grounded on the life cycle of enterprises they deal with. Public programs are not often strongly tuned to the contingencies associated with the enterprise life cycle. Delays relating to GST, insurance claims etc. are reported to have seriously affected the cash-flow of large number of MSMEs, apart from the other regular issues. Therefore, the creation of a Contingency Fund need to be created with the SIDBI and NABARD.

Translating the parable of 'Tortoise and Hare' into action, requires an integrated industrial policy, geared to specifically attack the growth-retarding factors from a three dimensional angle: 1) subsector; 2) lifecycle; and 3) location:

**Sub sector Level:** Almost half of the manufacturing jobs in India are contributed by four subsectors i.e., Textiles & clothing, leather, food processing and wood based industries. Targeted interventions in these sectors can protect the present level of approximately 30 million jobs.

**Life Cycle Level:** Public programs are not often strongly tuned to the contingencies associated with the enterprise life cycle. Therefore, a Contingency Fund need to be created with the SIDBI and NABARD, for this specific purpose.

**Locale Focus:** Rural enterprises have strong linkages with agriculture; so interventions need to be packaged. In urban areas, enterprise promotion programs need to focus on subsectors/activities with a strong business case. Circular enterprises and social enterprises
are to constituencies that should ideally emerge from the present slowdown in the economy. Here, direct policy statement and legislation are needed. A targeted program involving the urban pockets of 200 poorest districts of the country, is recommended.

The third dimension relates to location. Public programs for entrepreneurship and enterprise development are often neutral of the location factor. The relatively high dependence of rural enterprises on agriculture, demands enterprise packages that closely corresponds with agricultural policies. Similarly, in the urban areas, enterprise promotion programs need to focus on subsectors/activities with a strong business case, rather than having repetitive projects. Promotion of 'circular economy' is relevant in the context of climate change. Development of 'social enterprise' as a constituency, offers huge employment potential in the urban areas. This requires initiatives such as a National Social Enterprise Policy, and major restructuring of programs like Smart Cities Mission. There are 7935 towns in India; of these 4041 are STs and 3894 towns are CTs. There are about 475 Urban agglomerations (UA), and 46 cities with 1 million population or more. A selective program involving the urban pockets of 200 poorest districts of the country can lead to a model program with substantial spill-over effects. Moreover, both in the rural and urban areas, the orientation of entrepreneurship is a crucial factor that deserves attention. An integrated BDS support model need to strongly take care of this aspect.

2.2. Right to Enterprise Act
'Right to enterprise', along with other Constitutional rights, has to be legislated. A Study Group should be set up in order to bring out a background paper on this.

2.3. Entrepreneurship Management System
It is the responsibility of the government to preserve and sustain the entrepreneurship resources of the country. The simple reason is that, public money has been spent on identifying and nourishing such resources in the past. Naturally, any loss of such resources is a drain on the country’s exchequer. It demands the declaration of entrepreneurship as a national resource. At the operational level, there is need for an effective resource management system. A 'Business Birth Rate Strategy' on lines of the Scottish Model, deserves active consideration.

2.4. Redefinition of the Role of the National Board for MSME
The National Board need to play a more proactive role, and should outgrow over and above as a consultative body. The Board should have Sub-groups, that can pool together the expertise of outside experts and agencies, and should come out with periodic recommendations that can help the work of the Ministry of MSME.

2.5. National Small Enterprise Commission
Unlike many other countries, India does not have an effective advocacy platform for MSMEs today. The 'National Small Enterprise Commission' is proposed as an advocacy body within the Government of India. This need to be a substitute for the Office of the DC( MSME). Accordingly, the usual promotional schemes and field activities of the DC(MSME) can be handed over to the Commission. It need to take care of large campaigns, and engage in international relations and partnerships. The Commission should strongly engage the MSME Associations, think-tanks, and professional bodies, and has to act as a bridge between the Ministry and the financial sector.

2.6. Business Development Service Guarantee Scheme
Effective guarantees and support systems for the delivery of Business Development Services (BDS) are in place in many developed countries today (e.g. European Training Foundation). But, India has to go a long way in this area. Business Development services should be guaranteed to all present and potential entrepreneurs, under a BDS Guarantee Act. A BDS Voucher Scheme need to be introduced in order to ensure BDS at the right time and in good quality. The restructuring plan for a MSME Associations need to be included as key BDS Partners. Accordingly, the public TCOs and RUDSETIs need to be initiated.

2.7. Reorganisation of Ministry of MSME
There need to be two separate Divisions within the Ministry of MSME: (1) Start-up Promotion and Entrepreneurship Resource Management; (2) Managing Growth and Innovation. Accordingly, 'Entrepreneurship Resource' as a new subject area, need to be developed and handled by the Ministry of MSME.

2.8. MSME Knowledge Policy
'Udyog Aadhar' need to be made more broad-based. The data on its Portal should be readily usable for all. Such data should converge with other data sets available at the national level. The ultimate goal need to be universatisation of registration. The proposed National Small Enterprise Commission should take charge of such functions, and should come out with a regular and comprehensive National Report every year.

2.9. MSME Innovation and Market Development Fund
Market development activities, being initiated by the Ministry of MSME and its affiliated agencies, are limited in scope today. There is need for a comprehensive program with focus on innovation and outward-orientation. Apart from the present focus on technology, there is need for a comprehensive program covering all the relevant aspects of innovation under a single umbrella. A dedicated Fund needs to be set up for this purpose. Linking of innovation and market development activities is vital for harnessing opportunities with the value chains. Hence, market development initiatives should not simply be domestic; the much broader focus need to be on outward orientation of India’s MSMEs.
2.10. Micro Enterprise Hedge Fund
MUDRA has helped to expand the base of the MSME credit pyramid, and to institutionalise micro credit. Though, the situation relating to start-up finance has improved, the means for meeting contingencies of the micro units are limited even today. This was adequately demonstrated during Demonetization as well as the introduction of GST. It is important to explore the modalities of a stand-alone Micro enterprise Hedge Fund, in order to protect the interests of micro units during such contingencies.

2.11. National Impact Investment Alliance
The focus on social enterprises, put forward by the Union Budget 2019 is a step in the right direction. It has proposed a Stock Exchange that will allow social enterprises and voluntary organisations to raise capital in the form of equity or debt. The Budget has laid out a very creative financial roadmap for the social enterprises and voluntary organisations in the country, by proposing a Social Stock Exchange similar to other bourses in the country. Something more is needed. First, there is need for a Social Enterprise Policy. Secondly, it need to be carved out as a special constituency, and the role of institutions need to be spelled out. Thirdly, 'Impact Investments' have a great emerging significance in the Indian context. In fact, many of the international donors and non resident Indians are interested in supporting livelihood and entrepreneurial activities in India under this banner. However, the country is yet to develop an organisational structure that will help to mobilise such opportunities. An 'Impact Investment Alliance', involving both the interested individuals and institutions within India and abroad, opportunities in this area can be harnessed. SIDBI, can play a major role in this regard.

2.12. National MSME Health Management System
The state of MSME health, in India today, presents a rather difficult scene, especially against rigorous prudential norms of banks. Today, MSME health is largely the domain of the financial sector, and much less of other stakeholders who deal with the real economy. Based on some of the experiments in States like Telengana, an integrated National MSME Health Management system for the country need to be designed. An MSME Subsector Health Card System, and web based National Portal, are worth consideration. The modalities need to come out through a comprehensive study.

2.13. MSMEs and Smart Cities Programme
In the era of Hubanomics, the 'Smart Cities' program in India has great importance. The program need to be restructured, in order to take care of, and to establish the role of MSMEs. It is likely to be an effective platform for highlighting the social role of MSMEs in the country. 'Social enterprises' and 'circular economy' need to be two new focal components that can be incorporated.

2.14. Broad -basing Credit Guarantee
The various Credit Guarantee schemes, such as, CGTMSE, and other Guarantees applicable to exports and for MUDRA, cover only a small share of the total number of enterprises in the country. Expanding the base of Credit Guarantee is vital. Two initiatives are proposed: 1) broad basing existing schemes; and 2) setting up a holding company of all the Guarantee agencies, so that the services can be delivered in a more cost effective and efficient manner. Universatisation of Credit Guarantee should be the larger goal. It is also expected to enhance the visibility of Guarantee Schemes.

2.15. Revisiting the SARFESI Act
The SARFESI Act 2002 allows banks and other financial institution to auction residential or commercial properties (of Defaulter) to recover loans. The Act has done much harm to the MSME sector. A Study Group should be set up by the RBI, in order to capture the real impact of the prudential norms as a whole on the MSMEs, and to evolve mechanisms to bring down the pains of such norms.

2.16. Engagement of MSME Associations
Across the world, governments engage MSME Associations as key partners of planning and programme implementation. In India, the role of MSME Associations has progressively come down over the past few years. It is important to find out the specific reasons for this emerging situation, and to develop effective engagement strategies. A Study Group should be set up by the Government of India for this purpose.

2.17. Motivation Management System
As in the case of the corporate sector, where there are several indices of business confidence, in the specific context of MSMEs, there is a need for having a measurement system on its overall confidence level. Even while accepting the fact that, the confidence levels at the subsector level(e.g. automobiles) is a broad indicator of changes, a specific MSME index has a particular potential role to play. An MSME Confidence Index can have important implications on mobilisation of resources at the grass roof level, as also to help business strategies by entrepreneurs. Naturally, the message of an index will immediately be picked up by the media, and hence, there will be second-order effects as well.

2.18. Export Sensitivity Benchmarking
While the bulk of manufactured exports from India originates in the MSME sector, the real contribution of this sector remains largely out of available data base. While promotion of export sensitivity is a n area of potential opportunities, this calls for a scientific benchmarking of the contribution of States and subsectors. While the initiatives have to come from Exim Bank and the ECGC, there need to be an integrated national programme in this regard.

2.19. Bringing Down Transactions Costs
The generally high level of transactions cost for SMEs has been a point out by several studies (Nootenboom, 1993). Such costs become more relevant during times of an economic slowdown. One such cost relates to business disputes and their disposal. MSME disputes cover a broad spectrum, including: 1) contracts; 2) leasing of business premises; 3) retail shop lease disputes; 4) non-payment or non-performance of goods and services; 5) disputes with government departments or agencies; 6) franchises; and 7) disputes with financial institutions. Government schemes are often hard interventions. Many of the soft interventions that can be implemented in a participative mode, are often ignored. Involvement of the various tiers of governments and the MSME associations, can ensure qualitative changes in this area.

2.20 Distress Relief as a Partnership Initiative.

The strategic approach to dealing with the current slowdown in the economy, need to be focussed on a serious confidence-building exercise, initiated by the government, is a major imperative. This strategy need to have two key pillars. First, a survival income need to be ensured to the average entrepreneur belonging to each category. Secondly, there need to be the outline of a growth agenda, to be worked out through a quick consultative process. This sub sectoral agenda must act as the centre-point of interventions by the government. The above strategic approach has two key advantages from the point of view of mitigating the slowdown in the economy. On the one hand, it helps to arrest a further deterioration in business confidence. Besides, the dynamics of a slowdown becomes more understandable and handy to the average entrepreneur, so that, the learning from a crisis situation can be translated into a long term opportunity. Beyond these two advantages, it is likely to contribute significantly to people’s contributions to management of the economy. It is a fact, that in India’s democratic system, the deliberations of the political parties and of the people, are largely confined to the domain of politics. However, the domain of economics often remains unintelligible to the common man, and exercises in economic governance often end up in unintelligible consequences.

Boosting the circular economy, is a strategic intervention which the Union Government, in co-operation with the States and Local Governments, can be geared up during this crisis period. Such out-of-the-box thinking can be an effective answer, as to how to support the ‘bottom of the pyramid’ and ‘cooler’ entrepreneurs, who are likely to be worst affected.

There is a major imperative for entrepreneur education today. A thorough review and recast of the training and skill development initiatives, with focus on MSMEs, is a major imperative. The constraint is not lack of ‘skills’, as it is popularly perceived. Lack of motivation and adaptability are the critical constraints. The two conventional streams, viz. entrepreneurship Education and Training/Skill Development, have not been much successful in addressing this problem. It calls for innovations and new strategic approaches, that can offer comprehensive solutions for the labour market.
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