

The ISED Impacts Handbook (1988-2026)

The MSME India Handbook: Moving with Policy & Practice (1988–2026)

by

P.M.Mathew

J.M.I Sait



Institute of Small Enterprises and Development

© Institute of Small Enterprises and Development 2026

All rights reserved. No part of this document may be reproduced or utilised in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage or retrieval system, without permission in writing from the publisher.

Institute of Small Enterprises
and Development, ISED House,
ISED Enclave, ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: info@isedonline.org



ISED Small Enterprise Observatory,
ISED House, ISED Enclave,
ISED Road,
Cochin-682 028, India
URL: www.isedonline.org
Email: seo@isedonline.org

Published by P.M. Mathew, for Institute of Small Enterprises and Development. Printed and bound in India by Vivanta Printers, Cochin - 682 018

Series: 'ISED Impacts Handbook' Series

ISBN: ISBN Number : 978-81-995523-4-0

Price: Rs. 250.00 (India); US\$ 3.00 (Overseas)

ISED Impacts Handbook Series

Data on India's 'enterprise pyramid' has long been notoriously scarce, leaving researchers and policy-makers without a clear map of the landscape. This 'Handbook Series' arrives to bridge this gap, offering an exclusive look into the "engine room" of India's MSME evolution.

This series is both a rigorous data resource and a mission-driven narrative. It meticulously documents the history of the Institute of Small Enterprises and Development (ISED), tracing the evolution of its programmes and its pivotal role in shaping national entrepreneurship. By stepping inside our vision, you will discover the specific methods we use to build a more inclusive, enterprising world. Whether you are a long-time ally or a new supporter, this Handbook provides a transparent look at exactly how we work.

The MSME India Handbook: Moving with Policy & Practice (1988–2026)

by

P.M. Mathew

J.M.I Sait



Cochin

**Institute of Small
Enterprises and Development
2026**

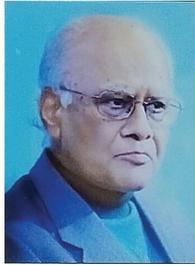
CONTENTS

Foreword

Preface

1.	ISED & the MSME Ecosystem: Fostering a Silent Revolution	1
2.	ISED: A Legacy of Global Impact	4
3.	The Entrepreneur's Manifesto: Breaking the Ratchet of Mediocrity	9
4.	Local Economic Development: The ISED Edge	11
5.	Redefining Education through ISED 'Edupreneurship Model'	13
6.	Enterprise Security: the ISED Wheel	15
7.	The New Enterprise Era: Moving from 'Directives' to 'Rights'	18
8.	The Power of Partnerships: Networking for SME Success	20
9.	ISED 'Sustainability Bridge' Framework	23
10.	The NTFP Turnaround: An ISED Subsector Success Story	26
11.	SME Lending: ISED's 'Fi-Re Convergence' Model	29
12.	Catalysing Green Growth: ISED's Transformative Role	33
13.	'Udyami Panchayat': A Foundational Direct Democracy Model	35
14.	ISED's Aero-City Model: Your Handbook for Logistics-driven Growth	38
15.	Bridging the Insurance Divide: ISED's Globally Relevant Model	40
16.	Development Finance: Making it Ubiquitous, Keeping it Impactful	44
17.	Crafting an Entrepreneurial Civil Society: The ISED Model	46
18.	Gender in Entrepreneurship: From 'Welfare' to 'Economic Opportunities'	48
	SELECTED BIBLIOGRAPHY	50

Foreword



Following the 1940s, the days of the “Quit India” movement, autarky in regional economic development emerged as a distinct stream of thinking. While the political and ideological moorings of those times have changed significantly over time, the fundamental concept of ‘small enterprises’, as a driving force of regional dynamism and income opportunities still continues, albeit with several changes in context and approach. However, the effective institutionalization of the thinking and practice of development is crucial for translating even the most potent ideas into concrete action and measurable impacts. Here, what matters most is the expected end-result of that development. The Institute of Small Enterprises and Development (ISED) was founded on this very premise.

As an impact-sensitive institution, ISED maintains an integrated vision and multifaceted action programme aimed at translating its core vision of “sustainable development through enterprise” into a living reality. The work of ISED—what it could do and could not, what it could achieve and what it has failed to deliver—are all, quite rightly, subject to public audit and scrutiny. But the specific purpose of this booklet is to bring together a few snapshots as to what we have visualized, and what has become a reality over time. This documentation, we believe, will not only serve as a record of our journey, but is expected to be a beacon illuminating our way forward.

I am profoundly thankful to the whole ISED team for their dedication in preparing this neat documentation of the ISED milestones and achievements over the past four decades.

New Delhi,
January 30, 2026


K.N. Kabra
Chairman, ISED

Preface

The enduring relevance and unique history of the Institute of Small Enterprises and Development (ISED) defies the common problem of redundancy in long-established organizations. Thirty-eight years ago, its vision and mantle of “sustainable development through enterprise” was met with considerable scepticism. While large public institutions dominated the narrative, the nascent Institute was quietly laying a foundation, drawing broad inspiration from the United Nations’ ideals and grounding them in the live, dynamic experiences of India and other nations. In those early days, few believed in the transformative power of the small business sector. Today, the story is different: “the stone unturned has become the cornerstone.” The Institute was built on the conviction that small and medium enterprises (SMEs) are the true engines of inclusive growth.



Over the decades, I have steered our mandate from this localized focus toward a sophisticated “glocal” approach. While our early years prioritized fostering local entrepreneurial capabilities, we have strategically pivoted to address the demands of global value chains and international trade regimes. A defining milestone in this journey was our 2013 ‘Enterprise Security’ framework, which transitioned our focus from mere survival to systemic resilience. Today, as we integrate Industry 4.0 technologies and strategic trade research into our mission, ISED empowers MSMEs to transcend local boundaries and act as competitive change agents on the global stage.

SMEs are now undeniable drivers of global prosperity. The attitudinal cynicism of the past has evaporated, replaced by a clear-eyed understanding of the facts. There is a strong “business case” —spanning banking, insurance, education, media, and corporate sectors—to actively support and engage with the world of small enterprises. Cooperation is essential for the common good.

ISED’s own metamorphosis into a recognized thought leader and ‘knowledge broker’ is a testament to perseverance. This booklet captures the essence of that journey, documenting the practical learnings and best practices distilled from decades of ground-level engagement. We extend our sincere gratitude to all our stakeholders and partners—those who believed in us, and even those who disbelieved; both perspectives fuelled our evolution.

The time for complacency is over. The need of the hour is to think practically, move forward together, and ensure that everyone is included in the journey toward a thriving, sustainable future.

Cochin
January 30, 2026

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

P.M. Mathew
Director

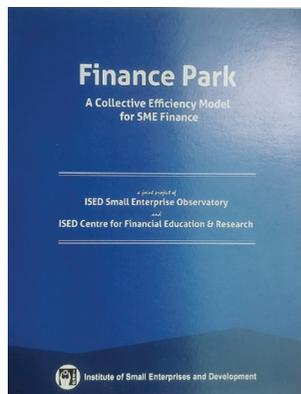
1

ISED & the MSME Ecosystem: Fostering a Silent Revolution

The profound, yet often understated, impact of the Institute of Small Enterprises and Development (ISED) over the past four decades, signifies a history of experimentation, involving different degrees of success. Since inception in 1988, ISED has played a pivotal role as a development support organization, effectively bridging the gap between grassroots entrepreneurial realities and high-level policy formulation. Its work, often anchored in a “total system” approach to development, has been a driving force in shaping a more inclusive and sustainable MSME landscape in India. The Institute is armed with its eight Knowledge Centres, and three knowledge Platforms, ie., the ISED Small Enterprise Observatory, ISED Centre for Monitoring Enterprise Development in the States (ISED-CMEDS), and the HR Lab., to continuously analyse and report on emerging trends and challenges.

Vision, Mandate, and Strategic Focus

The Institute is built upon the philosophy of ‘Sustainable Development through Enterprise’, leveraging entrepreneurship as a powerful force for social equity and economic inclusion. ISED envisions a future where individual creativity bridges social inequities and regional disparities. By championing women’s entrepreneurship, edupreneurship, and specialized enterprise clusters, the Institute positions these focal points as vital drivers of community resilience and long-term global sustainability.



Mission and Core Mandates

ISED’s mission is to advance the theory and practice of sustainable development by empowering vulnerable and traditionally marginalized groups.

Through a dedicated research agenda on Genderpreneurship, and Edupreneurship, the Institute works to dismantle systemic barriers—such as credit gaps and limited market access—that hinder enterprises of women and the youth. Furthermore, ISED is committed to revitalizing traditional rural crafts through cluster-based interventions, ensuring that ‘inclusive entrepreneurship development’ serves as a central pillar of national policy and local economic strategy. The ‘ISED Entrepreneurship Pyramid’ offers an alternative analytical approach for grounding enterprise and entrepreneurship strategies.

Programme Architecture and Impact

ISED translates its vision into high-impact action through its specialized knowledge platforms:

- ISED Small Enterprise Observatory (ISED-SEO): Providing data-driven insights.
- ISED Centre for Monitoring Enterprise Development in the States (ISED-CMEDS): Evaluating regional development.
- India World of Work Lab (IWWL): Analyzing future trends in labor and enterprise.

The Institute’s approach to Cluster Development is characterized by its independent analytical perspective and focus on creating replicable models. Through the India MSME Communication Programme, ISED provides critical Business Development Services (BDS), mentoring, and policy advisory to strengthen the enterprise ecosystem.

Transition & the Paradigm Shift

Since 1980, India’s approach to small enterprises has transitioned from a protectionist, “Small Scale Industry” (SSI) focus toward a globally competitive, technology-driven “Micro, Small, and Medium Enterprise” (MSME) framework.

Protectionism and Decentralization (1980–1990)

Policy focus, during this phase, was on protecting SSIs from large-scale competition through product reservation and subsidies. The Industrial Policy Statement of 1980 emphasized “ancillarisation” to link small units with large industries. The District Industries Centres (DICs) became the primary nodal agencies for grassroot-level support.

Liberalization and Transition (1991–2005)

The 1991 reforms forced a shift from “protection” to “promotion”. Direct reservation of products began to be gradually phased out as MSMEs faced international competition. The 1991 Policy for Small, Tiny and Village Enterprises allowed equity participation up to 24% by other undertakings to encourage technological tie-ups. The establishment of SIDBI (1990) provided a specialized financial institution for the sector.

Institutionalization and Formalization (2006–2019)

The legislative hallmark of this era was the formal recognition of “Medium” enterprises and the inclusion of the “Services” sector. The MSMED Act, 2006 established the current three-tier classification, and created MSME Facilitation Councils to address the receivables problem.

Digitalization & Global Scale (2020–2026)

A shift toward “Atmanirbhar Bharat” (Self-Reliant India) and digital transformation, are characteristic of the latest phase. Recent policies prioritize ‘ease of doing business’ through unified portals like ‘Udyam’. The 2020/2025 Revised Definitions eliminated the distinction between manufacturing and services, thereby introducing composite criteria based on both investment and turnover. By 2026, the focus has expanded to high-tech “micro-multinationals” and integration into Global Value Chains (GVCs).

Initiatives like the Emergency Credit Line Guarantee Scheme (ECLGS) and MUDRA Yojana have helped expanded credit access. The Public Procurement Policy mandates that central ministries purchase at least 25% of their requirements from MSEs. The Cluster Development Programme (MSE-CDP) remains a flagship for enhancing collective productivity. Dedicated schemes for women and rural entrepreneurs, such as PMEGP and the PM Vishwakarma Scheme, drive inclusive growth.

Knowledge for Policy

ISED’s primary contribution to public policy lies in its rigorous, independent research and data-driven advocacy, which equips it in its role as a knowledge broker. It focuses on both SME advocacy and sustainable development, viewing them as intertwined and mutually reinforcing, the primary goal being to achieve “sustainable development through enterprise”. The Institute, through its ISED Small Enterprise Observatory, consistently produces analytical reports, policy briefs, and discussion papers that offer critical insights into the dynamics of the enterprise and entrepreneurship.

- Evidence-Based Advocacy: ISED translates real-life experiences and research findings into actionable intelligence for policymakers. This evidence-based approach ensures that government agencies, financial institutions, and promotional bodies receive professionally sound communication, leading to better-shaped policies and more realistic impact assessments.
- Response to Crises: During the COVID-19 pandemic, for example, ISED quickly published a paper advocating for a strategic, subsector-based intervention rather than a blanket relief package, recommending a phased reopening of critical industries like pharmaceuticals and textiles. This proactive stance highlighted its ability to provide timely and relevant policy guidance(e.g.: rebooting city transport; Finance Clinic).

Catalysing Local Economic Development

ISED has a strong track record of designing and implementing practical, on-the-ground programs that foster local economic development. Its approach emphasizes “collective efficiency” strategies and the development of local support structures.

- Cluster Development Models: ISED has pioneered the development and implementation of successful cluster development models, many of which have been adopted and replicated by government bodies(ISED Craft Clinics- Ambedkar Hasthkala Vikas Yojana scheme for handicraft clusters, Government of India; ISED-SIDBI ‘Bamboo Village Network’-Government of Kerala). ISED is an

accredited Cluster Development Agency by the Government of India.

- **Agro-Entrepreneurship:** Through a collaborative agreement with the Coconut Development Board, ISED extends support services for projects under the National Coconut Development Mission, assisting entrepreneurs with project development and handholding for coconut-related enterprises. This is, in addition to the policy support given to the Coconut Development Board, from time to time.
- **Non-Commercial Business Development Services (NCBDS):** Recognizing that many SMEs cannot afford market-rate services, ISED provides crucial, world-class business development services at affordable rates or non-commercially, focusing on strategic needs like market information and technology access (an ISED-BESO(UK) initiative).

Advisory & Governance Support

The respect ISED commands is evident in its active participation and representation in various official committees and collaborations. It has built strong linkages with government agencies, apex research councils, multilateral agencies, and financial institutions. It has contributed to critical policy shifts and the necessity of a “glocal approach” (combining global insights with local actions) to entrepreneurship promotion. ISED events and reports consistently bring together key stakeholders from both Union and State governments, industry associations, and the entrepreneurial community to shape future policies.

- ISED offers direct advisory services and training opportunities to aspiring entrepreneurs and existing businesses, leveraging its four decades of experience to provide integrated techno-economic business solutions across the entire life cycle of an enterprise.

Nurturing the Entrepreneurial Spirit

Beyond policy and research, ISED focuses on the core element of entrepreneurship: human capability. It treats entrepreneurship not just as enterprise creation, but as an attitudinal change vital for societal progress. The Institute provides a wide range of support, including vital information on

local enterprise systems, business plan preparation, marketing solutions, and finance.

- **Program Design & Modelling:** ISED has been instrumental in modelling development programs to be subsequently adopted by official bodies. Examples include providing Guidelines for the identification of Activity Clusters for the Ministry of Rural Development, Government of India, and developing the MSME Cluster Development Programme for the Government of Tamil Nadu. The Institute also works closely with the Federation of Indian Chamber of Commerce and Industry (FICCI), as its knowledge partner from time to time.
- **Focus on Social Priorities:** ISED designs programs specifically aimed at harnessing the potential of youth, offering skill development, start-up mentoring, and information, and above all, by creating Edupreneurship and Genderpreneurship interfaces, thereby mainstreaming educated youth and women into the mainstream of enterprise and entrepreneurship.

In essence, ISED’s contribution has been a “silent revolution” because it has fundamentally changed the way MSME development is approached—moving from ad-hoc interventions to a structured, knowledge-based, and participatory ecosystem that effectively informs public policy and drives local growth.

The ISED Impact

The ISED’s impact on harnessing the potential of the CSO sector for enterprise and entrepreneurship promotion is defined by its dual strategic engagement. First, at the policy level, ISED has played a crucial advisory role for the Planning Commission (NITI Aayog) on the NGO sector. Second, and more importantly, it has effectively showcased the vast potential of the CSO sector in the new area of entrepreneurship development, moving beyond their traditional role as mere delivery agents of government programs. This innovative approach highlights the CSOs’ capacity for driving economic initiative and fostering new businesses, thereby unlocking a previously untapped resource for national development.

2

ISED: A Legacy of Global Impact

The Genesis: From ‘Brundtland’ to Action

The Institute of Small Enterprises and Development (ISED) was born on June 8, 1988, a pivotal moment in global development history. Emerging just one year after the landmark Brundtland Report (1987), ISED was the first to operationalise “Sustainable Development” through the lens of private enterprise. Supported by India’s Planning Commission, under the vision of leaders like Dr. Manmohan Singh (late Prime Minister), the Institute established its core motto: “Sustainable Development through Enterprise”.

When the ISED was founded, the global discourse on development was heavily tilted toward macro-level industrialization. However, ISED was born out of a conviction that the future of economic resilience lies in the micro-level—the “small” and the “informal.” Influenced by the emerging ‘sustainable development’ agenda, ISED set out not merely to study enterprises, but to be a change trigger, think-tank, and practitioner in the field. Its journey from 1988 to the present has been marked by a transition from being a local research and advisory body to a globally recognized Knowledge Institution on MSMEs.

Since inception, the Institute has undergone a significant strategic evolution, transitioning from a localized mission of grassroots enterprise development to a sophisticated focus on the integration of MSMEs into the global economy. It initially prioritized fostering local entrepreneurial capabilities and supporting small-scale industries as the seedbeds of domestic growth. However, in response to the rapid internationalization of business services and narrowing market boundaries, the Institute’s current mandate has expanded to address the complexities of global value chains (GVCs) and the evolving international trade regime. Today, ISED serves as a critical knowledge platform, providing strategic research on intellectual property rights,

trade-related policies, and collective efficiency strategies, thereby empowering MSMEs to move beyond local survival and act as competitive change agents on the global stage.

ISED as a Think-Tank: Challenging the Conventional

Since its inception, ISED has moved beyond conventional economic analysis, pioneering new conceptual frameworks that bridge the gap between policy and field realities:

- “Micro-Privatization” (1990s): Ahead of the curve, ISED advocated for “micro-privatization” as a strategy for liberalization, emphasizing the importance of empowering the smallest businesses in the post-liberalization era.
- Enterprise Security Framework (2013): As the economy grew, ISED identified that “enterprise security” was as critical as financial inclusion. Our research in 2013 established new agendas for protecting the small business ecosystem.



- The “Tortoise and Hare” Strategy (Post-COVID): Following the pandemic, ISED advocated for a “bootstrap development” approach, balancing the rapid growth (“Hare”) of the corporate sector with the sustainable, steady growth (“Tortoise”) of the “Bharat” (informal/small) enterprise sector.
- Micro-Multinationals: ISED has challenged the

assumption that only large firms are global, coining the concept of “Micro-Multinationals” to highlight the global aspirations of Indian SMEs.

- Bottom of the Pyramid” Focus: We have consistently highlighted that true sustainable development is only possible by empowering the lowest-tier businesses, which are disproportionately impacted by economic shocks.

Leadership as a Global Change-Trigger

Since its inception, ISED has moved beyond traditional research to act as a strategic trigger for policy and practice. Unlike traditional academic institutions, ISED pioneered a “practitioner-think-tank” model. We do not just research; we implement, evaluate, and advise. Our unique, innovative ideas have consistently broken new ground. Its unique and outstanding thematic focus related to:

- SME ‘Invisibility Syndrome’: ISED pioneered the conceptual framework of the “Invisibility Syndrome,” moving SMEs from an abstract concept to a concrete policy reality.
- Collective Efficiency: Since 1995, ISED has been a pioneer in Cluster Development and collective efficiency strategies, later becoming an accredited Cluster Development Agency by the Government of India.
- Enterprise Security: In 2013, the Institute introduced the innovative framework of “Enterprise Security,” a new research agenda addressing the resilience of small businesses in a volatile global economy. This shifted focus from mere “growth” to building resilience, particularly for micro-enterprises.
- The ‘Entrepreneurial Village’ Model: The Institute pioneered the concept of nurturing entrepreneurship within rural ecosystems, recognizing that localized, community-led initiatives are more sustainable than urban-centric models.
- Enterprise Visibility Tracker (2001): Way back in 2001, ISED mooted the idea of a unified database system, anticipating the need for an accurate digital footprint for MSMEs, which

later materialized as the Udyog Aadhaar Memorandum (UAM).

- Genderpreneurship & Livelihoods: Moving beyond “women entrepreneurship development,” the Institute’s research and interventions have focused on ‘Genderpreneurship,’ focusing on the structural and social constraints women face in the business ecosystem.

ISED as a Global Think-Tank and Knowledge Hub

While global academic discourse often focuses on the macro-level relationships between technology, trade, and public policy, the Institute has carved a distinct niche by applying these themes specifically to the SME sector. The ISED initiatives represent a unique intersection of global best practices and grassroots realities. Such initiatives help to bridge the gap between high-level policy and the MSME knowledge ecosystem. Through ten major international initiatives, it has transformed the understanding of MSME ecosystems from static economic units into dynamic, knowledge-driven systems. These ten milestones underscore ISED’s role not just as a research body, but as a knowledge intermediary that translates complex global trends into actionable policy intelligence for the Indian MSME sector.

1. MSME Knowledge Systems

These initiatives contribute to the “nourishment” of knowledge systems in three critical ways: 1) evidence-based benchmarking; 2) transnational learning; and 3) sector-specific depth. By investigating the Business Birth Rate Strategy (Scotland) and the Enterprise Observatory Project (EU), ISED has introduced scientific methodologies for tracking the lifecycle of enterprises. This moves the discourse from anecdotal evidence to empirical data.

The Asian SME Resurgence Project and comparative studies between the UK and India allow for a “cross-pollination” of ideas. They highlight how innovation isn’t just about high-tech R&D, but also about organizational and social innovation (as seen in the Social Enterprise projects in the UK). Collaborations with the International Trade Centre (Geneva) and

UNIDO on WTO impacts have demystified complex global trade regimes, making them “digestible” for small-scale entrepreneurs and local researchers.

2. Strategic Contributions to Indian Public Policy

ISED’s global footprint has directly informed the Indian policy landscape by providing a “global-local” (glocal) lens: The Comparative Studies on SME Policy (UK and India) provided a framework for the Indian government to transition from mere “protectionism” to “competitiveness,” influencing the shift toward more robust institutional support structures. Insights from Information Technology and Innovation studies in the Netherlands helped advocate for digital literacy and tech-adoption programs within Indian clusters, long before “Digital India” became a mainstream policy pillar. The Return Migrants Entrepreneurship Development Programme (ILO) offered a roadmap for state governments (particularly in regions like Kerala) to harness the “brain gain” of returning workers, turning social challenges into economic opportunities. By studying Social Enterprise and Local Economic Development, ISED has championed the inclusion of social entrepreneurship within the broader Indian MSME policy framework, emphasizing that local governments are key stakeholders in enterprise development.

The cumulative effect of these initiatives is the creation of a multi-dimensional policy toolkit. ISED has successfully demonstrated that Indian MSMEs are not isolated from global shifts in trade and technology; rather, they are central to it. These contributions have provided Indian policymakers with the data and frameworks necessary to

build an ecosystem that is resilient, trade-ready, and innovation-led.



ISED has consistently acted as a bridge between the local, national, and global, translating field experiences into policy advice.

- ISED Small Enterprise Observatory (ISED-SEO): We established the world’s first SME Observatory under an “inclusive partnership” model, serving as a dedicated platform for data-driven insights on MSME development.

- India MSME Communication Programme (IMCP): As the founder of this initiative, ISED reached out to 500,000 entrepreneurs across 20 Indian states, fostering a collaborative approach to growth.
- Advisory Roles to Multilaterals: ISED has played a key role in designing policies for organizations like UNIDO, ILO, Asian Development Bank, and various international NGOs.
- The ISED Centre for Monitoring Enterprise Development in the States (ISED-CMEDS): This is a specialized knowledge platform of the Institute, dedicated to analysing and branding regional enterprise development. It provides data-driven policy support, performance audits (REDA), and innovative solutions to State and local governments to improve their enterprise development strategies.
- The India World of Work lab: This Lab serves as a specialized knowledge platform focused on the changing landscape of MSMEs and their workforce. It aims to provide evidence-based research, data, and policy insights regarding the impact of automation, digital platforms, and shifting labour trends on employment within India’s small enterprise sector.

Contributions to Global Thinking

- Production-to-Consumption Systems (PCS): ISED’s work shifted the focus from simple resource extraction to a systemic analysis of the entire value chain—from raw material cultivation to final market delivery. This model accounts for social, economic, and environmental factors at every stage.
- Commodity Village Concept: This model (e.g: the Bamboo Village) envisions rural communities as specialized production hubs where the local economy is anchored to a specific sustainable commodity. It integrates local livelihoods with industrial supply chains, transforming “poor man’s timber” into a high-tech industrial resource. The core contribution of ISED lies in conceptualising and operationalising the ‘Bamboo Village’ model—a unique framework designed to create a sustainable ecosystem for small-scale

enterprises. The model gained global scale through strategic institutional partnerships. The Asian Productivity Organization (APO) integrated these concepts into its regional productivity frameworks, treating the “Commodity Village” as a model for rural industrialization. They provided the platform to share best practices in productivity and capacity-building across Asia-Pacific. International Network of Bamboo and Rattan (INBAR) adopted the PCS methodology as its primary tool for development projects. By establishing its headquarters in China—the world’s largest bamboo exporter—INBAR used China’s success as a “living lab” to promote South-South cooperation, proving that bamboo-based PCS could effectively reduce poverty and restore ecosystems. Since the mid-1990s, ISED’s research has fundamentally reshaped the policy agenda, advocating for the inclusion of bamboo in the broader MSME and green job frameworks.

- **Value Chains & Flexible Specialisation:** ISED’s work links traditional artisans with modern market value chains, focusing on design innovation, branding, and sustainable raw material management. Within this model, bamboo is treated not just as a crop but as a versatile commodity for diverse industrial applications. With a product diversification agenda, and by integrating these commodities into an institutional framework called ‘Bamboo Village network’, ISED has demonstrated how small enterprises can remain competitive through collaborative specialisation rather than mass production.
- **Non-Commercial Business Development Services:** ISED has established a distinctive model for non-commercial business development services, bridging the gap between global expertise and grassroots entrepreneurship in India. This was in strategic partnership with BESO, UK, a

leading volunteer-led development agency. This partnership facilitates the delivery of high-level, non-commercial business services to MSMEs across India. : Veteran journalist and author, Sir Mark Tully has served as the Patron for BESO (India). Through this non-commercial BDS framework, ISED has moved beyond mere consultancy to provide “inclusive partnership” models.

- **The ISED-ICCSR BoP Model:** This is a joint initiative of the ISED with the International Centre for Corporate Social Responsibility (ICCSR), Nottingham. It represents a paradigm shift in Local Economic Development (LED) by moving beyond simple poverty alleviation to inclusive entrepreneurship. While traditional BoP strategies often focus on the poor as “value-conscious consumers,” the ISED-ICCSR approach distinguishes itself by positioning the BoP as a proactive production base and a “seed bed of entrepreneurship”. The key pillars of the Model needs to be understood in relation to four areas: change from consumption to capability, broad-basing entrepreneurship, knowledge-led development, and collaborative governance. Unlike “BoP 1.0,” which prioritised selling products to the poor, this model emphasizes inclusive innovation that builds the income-generating capabilities of local communities. The strategy focuses on “broad-basing the mass base of entrepreneurship,” treating the informal sector not as a problem but as an indispensable unit of economic power. Leveraging ISED’s role as a knowledge broker, the model uses evidence-based research (such as the India MSME Report Series) to guide policy and investment toward local small-scale operations. It advocates for a networked approach, where corporations, NGOs, and local government collaborate to bridge “institutional voids”—such as lack of credit or infrastructure—that typically lock the poor out of the market. This model stands out as a superior LED strategy because it treats local contexts as drivers of fundamental innovation. By integrating the BoP into the global value chain as suppliers and service providers, it creates a “virtuous cycle” where increasing community purchasing power



directly fuels further local economic growth.

- The 'Kalady Model' of Local Economic Development: Pioneered by the ISED, this is a landmark framework for Local Economic Development (LED) that emphasizes bottom-up, resource-based planning. It was first conceptualized and implemented in Kalady, Kerala, to bridge the gap between macro-level policies and micro-level grassroots realities. The core component of the model is an exercise in 'Local-Level Skill Mapping'. It is a participatory exercise that identifies, existing competencies, aspirational gaps, and resource linkages. It stands Out for Panchayats and Municipalities as a powerful tool or developing LED strategies. The model is uniquely suited for Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) due to several standout features, such as, demand-driven scalability, enterprise security framework, institutionalized planning, convergence of schemes. The Kalady Model is not just an administrative task but a "knowledge-triggered" process where the local body becomes a facilitator of a vibrant, self-sustaining

ecosystem; it is replicable to the context of other developing and emerging economies.

- Strategic Partnerships: Enterprise development strategies in many parts of the world, takes place at the instance of governments, as top-down initiatives. On the other hand, ISED believes in "collective efficiency" rather than individual action, as the best strategy. ISED's strength lies in its ability to partner with diverse stakeholders—governments, International agencies, and the private sector.

Conclusion

As we look toward 2026 and beyond, ISED continues to champion the cause of sustainable enterprise globally. The future requires focusing on green investments, digital adoption, and the "new personal sector" of individual enterprises. From the perspective of ISED, the "small" is not just beautiful—it is the very foundation of economic freedom and resilience. Multilateral partnerships with agencies such as the United Nations bodies and international donors, further buttress the ISED impact globally.

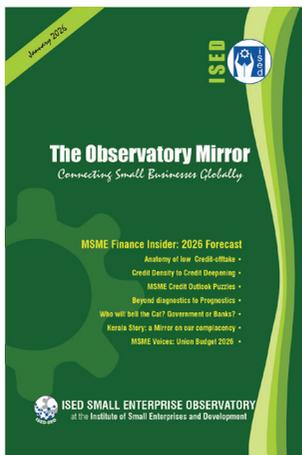
3

The Entrepreneur’s Manifesto: Breaking the Ratchet of Mediocrity

Turning Scepticism into Impact

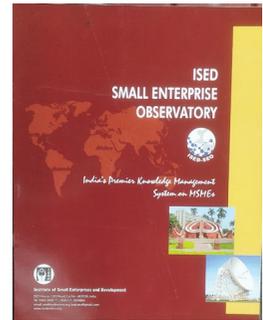
In an economic landscape often marred by a scarcity mind-set and rent-seeking, true entrepreneurs often feel denigrated by many, rather than immediately respected. This stems from a culture that views business with suspicion and sees wealth creation as a “limited pie” rather than an expanding, opportunity-driven ocean. However, this, in turn, is precisely why the role of a ‘value creator’ is so critical. Here is the context regarding the entrepreneur’s status in society. In many societies, entrepreneurs are viewed with scepticism, often seen as “outliers” or a “crazy set of people”, until they achieve undeniable, large-scale success. While society may initially denigrate their efforts, the path to respect is through enduring value creation. True entrepreneurs understand that they are the architects of the future, turning the “knowledge deficiency” into a journey of learning and impact.

When a society perceives opportunities as finite, it becomes a breeding ground for rentierism—where people seek to capture wealth rather than create it. This mind-set creates a “knowledge deficiency ratchet” that keeps aspirations low and competition unnecessarily fierce. An entrepreneur’s first task is to break this mental lock. The smart entrepreneur is not competing for a piece of the pie, but are baking a larger pie.



In many underdeveloped cultures, the entrepreneur is treated as an outlier. Public policy and social attitudes often combine to isolate the individual risk-taker. ISED addresses this by looking at the world through their shoes. The shift from an “anti-entrepreneurial” to an “entrepreneurial” society starts with

perception. By expanding one’s aspirations, one changes the way he/she interact with the market. Understanding the root of this isolation—societal negativity and bureaucratic friction—is the first step toward overcoming it. ISED encourages him/her to identify gaps and solve problems at their roots.



Why are Some Entrepreneurs “Smarter”?

The difference in “smartness” between entrepreneurs in different regions is, not about raw IQ; it is about the entrepreneurial ecosystem and the cultural blueprint they operate within.

In highly developed ecosystems, knowledge isn’t trapped in silos. It flows from universities and research labs directly into the hands of entrepreneurs. “Smart” entrepreneurs are simply those with better access to this knowledge creation pipeline. Regions with a robust rule of law, clear property rights, and easy access to credit, allow entrepreneurs to focus on innovation rather than survival. In many developing regions, entrepreneurship is born of necessity (unemployment). In “smarter” regions, it is driven by opportunity recognition—the ability to see gaps in the global market, rather than just the local one.

Why one needs to be Smart?

In today’s hyper-competitive global landscape, ‘smartness’ is a major imperative for survival because it represents the shift from reactive struggle to proactive opportunity recognition. While traditional survival often relied on raw effort, modern survival depends on an entrepreneur’s ability to integrate into an ecosystem where knowledge flows freely from labs to markets, bypassing traditional silos. In a world where global markets move faster than local ones, being “smart” means leveraging robust

institutions, secure property rights, and credit access to focus on high-level innovation rather than basic subsistence. Ultimately, this institutional and cultural “smartness” provides the strategic advantage necessary to navigate complex global gaps, ensuring that a venture doesn’t just exist out of necessity but thrives through intentional, informed growth.

ISED, the Strategic Partner

The ISED Small Enterprise Observatory and our ongoing research initiatives are designed to provide one with the “knowledge power” needed to reverse the ratchet. It does not just study SMEs; it champions the individual behind them. In a culture of rentiers, most people fight for a piece of a limited pie. But, the Institute views entrepreneurship as an ocean of unlimited opportunities. The ISED is the entrepreneur’s strategic partner in navigating an anti-entrepreneurial culture. For the aspiring entrepreneur, ISED is not just an institution; it



is a partner in progress. By bridging the knowledge gap and providing handholding support, ISED ensures that the “ordinary” entrepreneur remains at the centre of India’s growth story.

The Institute, and its ongoing programme, are crafted to equip entrepreneurs with the “knowledge power” essential to reverse the ratchet of economic stagnation. Its work transcends mere research and related programmes; we champion the individual visionaries behind them, ensuring the “ordinary” entrepreneur remains the heartbeat of India’s growth story. In a landscape often defined by zero-sum competition for a limited pie, the Institute views entrepreneurship as a boundless ocean of potential. We act as your strategic partner, navigating an frequently anti-entrepreneurial culture by bridging the knowledge gap and providing dedicated handholding support—from informed decision-making to ensuring overall MSME health.

The Message

As we navigate the complexities of 2026, “partnerships” have emerged as the definitive word in resilience, growth, and innovation. While SMEs have historically been averse to such collaborations due to exclusionary environments, breaking this mental block is the primary pathway to progress. The unique mission of the Institute is to dissolve inhibitions, harness enterprise power, and champion inclusion. For the aspiring entrepreneur, ISED is more than an institution; it is your partner in progress.

4

Local Economic Development: The ISED Edge

Local economic development (LED is, indeed, a subject where community aspirations are plentiful. People desire vibrant job markets, thriving local businesses, improved infrastructure, and a high quality of life. These aspirations are often channelled through community organizations, local government initiatives, and civic engagement, as citizens and local leaders collaborate to identify needs, set goals, and drive growth that is relevant to their unique context. In the contemporary Indian landscape, the subject has often been reduced to a political appendage—a tool for electoral wooing rather than a scientific framework for growth. ISED challenges this “worn-out” perception. It has pioneered a robust theoretical and methodological approach that prioritizes ground-level value creation over top-down supply-side logic.

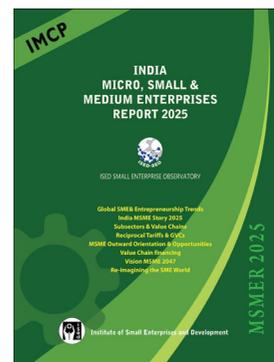
ISED has spearheaded a robust, analytical, and demand-driven approach to LED in India. Recognizing the common pitfalls of LED as a politically charged, perception-based concept, ISED has evolved a comprehensive theoretical and methodological framework for grassroots implementation and value creation. This approach emphasizes stakeholder engagement, sub-sector linkages, and value chain development, moving beyond conventional supply-side solutions. ISED’s core philosophy centres on a scientific analysis of local needs to design sustainable programs. The ISED approach is built on a demand-driven analytical framework that transforms marginalized sub-sectors into vibrant economic clusters through strategic partnerships and stakeholder engagement.

Core Principles of the ISED Approach

1. **Value Creation at the Ground Level:** Moving beyond mere subsidies to focus on building the inherent economic capacity of local communities.
2. **Meaningful Distribution:** Ensuring value

chain development benefits all participants through strong sub-sector linkages and ethical wealth distribution.

3. **Stakeholder-Centric Partnerships:** Replacing top-down mandates with an “Inclusive Partnership” model, as demonstrated by the ISED Small Enterprise Observatory—the world’s first SME Observatory of its kind.
4. **Evidence-Based Policy:** Our innovations are backed by decades of research and over 100 projects for national and international agencies like the UNIDO, ILO, and the Government of India.



The ISED Innovation Portfolio

ISED’s methodology is operationalized through several ground-breaking pilot models and specialized programs:

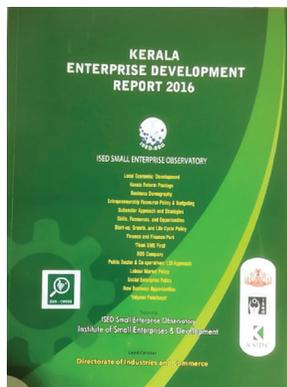
- **The Bamboo Village Network Model:** A globally recognized strategy that transitioned bamboo from “poor man’s timber” to a high-value industrial resource. By focusing on production-to-consumption systems, this model creates sustainable green jobs and enhances the entrepreneurship of local artisans.
- **The Kalady Local level Skill Mapping (LLSM) Model:** This model by the ISED is a development approach that identifies people’s innate skills and aspirations to create effective, bottom-up strategies for sustainable income, moving beyond traditional, top-down planning by focusing on specific value chains like bamboo, thereby fostering inclusive growth and private sector involvement in local economies

- **The Little Rome Project:** An LED initiative that integrates cultural heritage with modern enterprise development, ensuring that regional history becomes a driver for local economic rejuvenation.
- **ISED Edupreneurship Programme:** A specialized initiative to foster innovation within the education sector, grooming the next generation of “edupreneurs” to lead knowledge-based local economies.
- **ISED Genderpreneurship Programme:** A dedicated framework for female-led enterprise development, addressing the unique barriers women face in accessing value chains and financial linkages.

Sub- regional Experiment: Kerala’s ‘Year of Entrepreneurship’

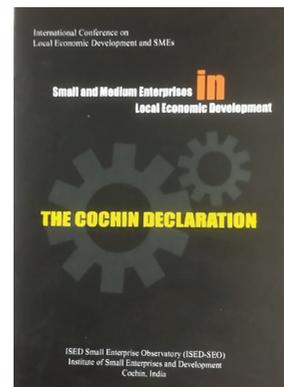
In a sub-regional setting that is essentially a ‘rural-urban continuum’, the LED initiatives could as well be scaled up meaningfully into a Sub-regional Programme. Such an initiative came in 2015, as the Government of Kerala approached the Institute seeking its expertise for an ‘Enterprise Demography Study’, which subsequently came up as the Kerala Enterprise Development Report 2016.

Based on ISED’s cross-country research, the Kerala Enterprise Development Report 2016 provided the blueprint for the Kerala Government’s ambitious “Year of Entrepreneurship.” By addressing the State’s “rural-urban continuum” through a “Business Birth Rate Strategy,” ISED catalysed a transformative policy shift, directly influencing the establishment of new, localized industrial units and promoting a culture of, and support for, entrepreneurship.



The key components of the Programme and of the ISED impact factors are, actionable policy design, localized strategy, and evidence-based approach. The Report presented to the State Legislative Assembly on May 05, 2017, shifted focus from traditional, large-scale industrialization

to bolstering small-scale “birth rates” of enterprises. It tailored to Kerala’s specific geography, focusing on MSMEs, and helped to leverage global best practices from the UK, Netherlands, and Indonesia to fit local requirements.



The achievements and impact of the programme includes, State-level adoption, entrepreneurial surge, and strengthened ecosystem. The report was officially adopted by the Government of Kerala to draw up the “Year of Entrepreneurship” initiative. The Programme contributed to significant boost in new enterprise registrations and renewed support for grassroots entrepreneurship. It also contributed to enhance ‘Ease of Doing Business’ (EoDB) within the State, creating a more enabling environment. The initiative demonstrates ISED’s pivotal role in translating research into tangible, high-impact policy, strengthening the State’s economic landscape through, and as part of, the “Year of Entrepreneurship” programme.

The ISED Edge

The ISED Innovation Portfolio revolutionizes local economic development by transforming traditional livelihoods into high-value, sustainable enterprises through ground-breaking, tailored models. By pivoting raw materials like bamboo into premium industrial goods, utilizing bottom-up skill mapping (LLSM) to empower local talent, and integrating cultural heritage with modern entrepreneurship, ISED turns overlooked local potential into thriving, sustainable ventures. Through dedicated frameworks like the Genderpreneurship and Edupreneurship programmes, ISED dismantles barriers, connects rural and women artisans and young entrepreneurial aspirants to modern value chains, and cultivates a new generation of knowledge-based innovators. For entrepreneurs and start-ups, ISED is not just an advisor but a catalyst for growth, providing the strategic foresight, skill enhancement, and market linkages necessary to turn local resources into global opportunities.

5

Redefining Education through ISED ‘Edupreneurship Model’

In an era defined by rapid economic shifts and the need for innovation, the relationship between education and entrepreneurship has never been more critical. The ISED has long held a clear, forward-thinking vision: education must not only serve as a catalyst for an accelerated supply of entrepreneurs but also inherently adopt an “entrepreneurial way” of thinking and operating. This philosophy is the cornerstone of a movement that has the potential of systematically reshaping the academic landscape.

ISED’s core belief is simple yet profound: the skills required to succeed as a modern entrepreneur—creativity, resilience, problem-solving, and proactive leadership—are the same skills that define a robust, future-ready education. To bring this vision to life, ISED developed the pioneering “ISED Edupreneurship Programme.” This initiative goes beyond traditional curriculum enhancements. It is a holistic approach designed to embed an entrepreneurial mind-set within the educational ecosystem itself. The program encourages institutions to foster environments where experimentation is valued, failure is a learning opportunity, and every student is empowered to identify opportunities and drive their ideas to fruition. It transforms students from passive recipients of information into active creators of value.

The Genesis of a Movement: Entrepreneurship Clubs

Perhaps ISED’s most enduring legacy and visible success story in Kerala is its role as the pioneer of the “Entrepreneurship Clubs” program, which recognises the need for dedicated platforms where students could gather, collaborate, and practice entrepreneurial skills outside the standard classroom structure. The impact of this initiative was undeniable. The value of



these student-led incubators was quickly recognized by policymakers, leading to a landmark decision: the Government of Kerala officially adopted ISED’s model, implementing Entrepreneurship Clubs in virtually all colleges across the State of Kerala.

Cultivating the Ecosystem

‘Entrepreneurship Clubs’, the programme designed and subsequently taken up by the Directorate of Industries and Commerce Government of Kerala, was just the beginning. Given its low enthusiasm,

both with the educational institutions and the Government, prompted the Institute to broad base its scope with a new idea: ISED Entrepreneurship Literacy Initiative (ISED-ELI). The new idea seeks to have add-ons to nourish the basic initiatives into full-fledged ecosystem development strategies. ISED remains deeply committed to nurturing this ecosystem. It regularly engages with these Clubs and platforms, providing mentorship, organizing workshops, facilitating access to industry experts, and offering the latest insights gleaned from our extensive studies and research into entrepreneurship dynamics.

A Future Built on Innovation

ISED’s engagement with Kerala’s educational institutions is not merely about launching businesses; it is about launching futures. By integrating the entrepreneurial spirit directly into the learning process through the “ISED Edupreneurship Programme” and pioneering the widespread adoption of Entrepreneurship Clubs, it cultivates a generation of job creators, innovators, and resilient leaders. The vision is clear: when education proceeds the “entrepreneurial way,” the accelerated supply of innovative minds becomes a natural outcome,



ensuring a vibrant and prosperous future for Kerala.

Transition & the Paradigm Shift

Since 1980, India's approach to small enterprises has transitioned from a protectionist, "Small Scale Industry" (SSI) focus toward a globally competitive, technology-driven "Micro, Small, and Medium Enterprise" (MSME) framework.

Protectionism and Decentralization(1980–1990)

Policy focus, during this phase, was on protecting SSIs from large-scale competition through product reservation and subsidies. The Industrial Policy Statement of 1980 emphasized "ancillarisation" to link small units with large industries. The District Industries Centres (DICs) became the primary nodal agencies for grassroot-level support.

Liberalization and Transition(1991–2005)

The 1991 reforms forced a shift from "protection" to "promotion". Direct reservation of products began to be gradually phased out as MSMEs faced international competition. The 1991 Policy for Small, Tiny and Village Enterprises allowed equity participation up to 24% by other undertakings to encourage technological tie-ups. The establishment of SIDBI (1990) provided a specialized financial institution for the sector.

Institutionalization and Formalization(2006–2019)

The legislative hallmark of this era was the formal recognition of "Medium" enterprises and the inclusion of the "Services" sector. The MSMED Act, 2006 established the current three-tier classification, and created MSME Facilitation Councils to address the receivables problem.

Digitalization and Global



Scale(2020–2026)

A shift toward "Atmanirbhar Bharat" (Self-Reliant India) and digital transformation, are characteristic of the latest phase. Recent policies prioritize 'ease of doing business' through unified portals like 'Udyam'. The 2020/2025 Revised Definitions eliminated the distinction between manufacturing and services, thereby introducing composite criteria based on both investment and turnover. By 2026, the focus has expanded to high-tech "micro-multinationals" and integration into Global Value Chains (GVCs).

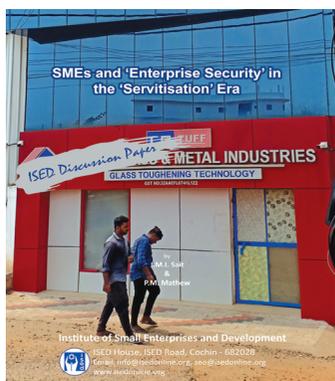
Initiatives like the Emergency Credit Line Guarantee Scheme (ECLGS) and MUDRA Yojana have helped expanded credit access. The Public Procurement Policy mandates that central ministries purchase at least 25% of their requirements from MSEs. Infra The Cluster Development Programme (MSE-CDP) remains a flagship for enhancing collective productivity. Dedicated schemes for women and rural entrepreneurs, such as PMEGP and the PM Vishwakarma Scheme, drive inclusive growth.

6

“Enterprise Security”: the ISED Wheel

In the evolving landscape of global economics, public policies for enterprise development have historically been characterized by an “ad hoc” and “problem-solving” approach. Too often, these interventions are reactive—designed to mitigate crises after they emerge rather than anticipating the needs of a dynamic market. The ISED believes that for entrepreneurship to truly flourish, we must move beyond the “post-mortem report” of policy failures. While a proactive approach is critical, it cannot be built on intuition alone. It demands a strong, integrated analytical approach that identifies systemic bottlenecks before they stifle growth.

SMEs are prone to a range of vulnerabilities and shocks due to factors such as limited resources, which make them less resilient to both internal issues and external crises. These vulnerabilities can be categorized into operational, financial, human resource, and external risks. For sustainable economic development, their ‘security’ and ‘resilience’ need to be identified and monitored on a regular basis. The core of ISED’s mission is to empower entrepreneurs to not just survive, but thrive, in an unpredictable world. While the traditional view of enterprise development often overlooks such vulnerabilities, ie. ‘Enterprise security’, ISED stands out by pioneering this very concept. It does not just focus on growth, but on sustainable, resilient growth in the face of increasing vulnerabilities. ISED, as a knowledge institution and thought leader,



has pioneered the concept of “enterprise security”, in the year 2018, as an innovative analytical framework, particularly in the context of MSMEs in India.

‘Vulnerability’ and ‘security’ are two intrinsically linked

concepts, acting as opposite sides of the same coin: one describes a weakness, while the other describes the measures taken to counter that weakness. They exist in a constant, dynamic relationship across various contexts, from personal safety to international relations. Their mutual relationship can be understood through the lens of “enterprise security.” This framework views an enterprise as a living entity whose survival depends on balancing its internal weaknesses against external protection.

ISED’s innovative contribution is the concept of “Enterprise Security”, which goes beyond simply protecting a business from obvious dangers like theft or cyberattacks. It is a holistic approach focused on making small businesses strong and resilient against everyday threats and big crises alike. To be operational in day to day life, it needs to be demystified to the understanding of the layman and the grassroots level political workers. Imagine a small shopkeeper or a local artisan. Traditional “security” might mean a lock on the door or an antivirus on their computer. ISED says this isn’t enough. “Enterprise Security” is about the overall health and stability of that business. ISED realized that small businesses are often fragile, or “structurally vulnerable,” to things that are outside their control, like, a sudden change in government policy, a big bank suddenly stopping loans (NPA issues), a major event like a pandemic (as seen with COVID-19), lack of access to the right information or professional help, or big market changes. These problems can shut down an honest, hardworking person’s livelihood overnight.

ISED developed “Enterprise Security” (ES) as an extended concept of livelihood security, addressing vulnerabilities specific to small enterprises in a holistic way, a framework gaining traction post-Pandemic. Its integrated approach factors various vulnerabilities (market, financial, operational) into a single model, allowing for comparison of business unit security and providing a platform

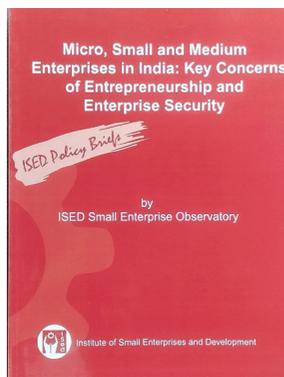
for convergence of banking and insurance for SMEs. They look at security not just as survival but as resilience, considering internal factors, external threats, and the ecosystem, including risk assessment and management. India needs integrated solutions by linking banking, insurance, and risk, making them unique through this holistic, policy-relevant research and focus on SME resilience and sustainable growth.

ISED's approach to 'Enterprise Security' stands out. This framework moves beyond just 'livelihood security' to an integrated approach that factors in various, often interconnected, vulnerabilities. Its research, often published through the ISED Small Enterprise Observatory, examines security through a triple bottom line principle: economic, social, and environmental dimensions. This ensures a comprehensive understanding of threats.

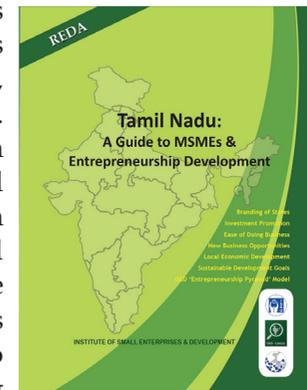
MSMEs are the engines of job creation. By advocating for ISED's "enterprise security" framework, you are ensuring that these job creators are protected and can continue to provide livelihoods for local families. In essence, ISED's innovation is the realization that you cannot have sustainable economic development without first addressing the "security" and structural vulnerability of the individual enterprises that form the backbone of the economy. It is a practical, data-driven approach to an often-ignored problem.

Policy Impact

ISED's research, often published in reports and discussion in forums involving government bodies like the Ministry of MSME and NITI Aayog, provides empirical evidence that highlights the vulnerabilities of small enterprises and the need for a robust support system. The concept of "Enterprise Security" likely feeds into broader national discussions on improving the overall business environment and risk mitigation for MSMEs, complementing the objectives of the MSMED Act, 2006, and national programs like RAMP.



ISED's work influences State-level policies by offering specific, regional insights. State governments, in collaboration with central bodies, develop their own strategic plans informed by such research. The Punjab Right to Business Act 2020, which aims to improve the 'ease of doing



business', draws from the ISED expertise that identifies regulatory burdens as a major threat to "Enterprise Security". Tamil Nadu's SMEs First policy, Gujarat's sick unit revival policy, Telengana's Health Clinic scheme, and Kerala's SME Growth Programme: These initiatives address specific challenges identified in research related to enterprise viability, access to finance, and health (sickness/revival), which are all dimensions of a comprehensive "Enterprise Security" framework. ISED's studies, such as the Regional Enterprise Development Assessment (REDA) programme, provide evidence-based arguments for targeted state interventions to protect and promote MSMEs. ISED's work acts as a significant input, providing data and a conceptual framework that underscores the necessity of a stable, supportive ecosystem for MSMEs, thereby helping to shape specific policy measures at both national and state levels. How does it stand out?

- **Holistic & Integrated:** Unlike fragmented approaches, ISED combines diverse risks (financial, operational, market) into a unified framework, addressing the complex reality of SMEs.
- **Context-Specific:** Deep focus on the Indian SME sector, using data and identifying unique phenomena (like Kerala's 'rentier entrepreneurship'), makes their insights highly practical and specific.
- **Proactive & Forward-Looking:** By developing ES, ISED offers a proactive tool for navigating modern economic challenges, including pandemics, rather than just reactive measures.
- **Bridging Theory & Practice:** Their work links research (e.g., on NSSO data) with practical

policy implications, promoting development and advocating for new financial models like Responsible Banking.

ISED Innovations

ISED distinguishes itself through several unique aspects:

- “Enterprise Security” Pioneer: ISED is noted for originating the specific conceptual framework of “enterprise security,” making it a thought leader in this niche area.
- Knowledge-to-Policy Pipeline: The institute has a strong track record of its research directly translating into public policy and practical development practices at both state and national levels in India (e.g., the “India Enterprise Security Framework”).
- Holistic, Contextual Approach: ISED emphasizes a balanced and nuanced perspective that considers the difficult socio-economic, cultural, and political contexts surrounding SMEs, leading to practical and well-founded policy conclusions.
- Institutionalized Knowledge: It operates as a knowledge center with a clear motto of “sustainable development through enterprise,” focusing on knowledge creation, dissemination, and communication rather than just general training.
- Consultative Track Record: ISED maintains a strong consultative relationship with key national and international bodies, including United Nations agencies, Ministry of MSME, NITI Aayog, and the Indian banking system, which lends authority to its insights.

7

The New Enterprise Era: Moving from ‘Directives’ to ‘Rights’.

The Institute of Small Enterprises and Development (ISED) posits that the “benevolent state” model—where the government acts as a charitable provider of schemes—is insufficient for achieving genuine “ease of doing business”. ISED’s vision advocates for a transition to a “rights-based system” for enterprise development. In essence, while the “directive” approach provides a moral compass for governance, the “rights” approach offers a legally binding safety net, transforming business promotion from a governmental option into a constitutional obligation. ISED believes this shift is vital for unlocking the true potential of enterprise development across India, at both the national and State levels.

The Current Scene

‘Directive Approach’ is a policy discretion. It treats state support as a set of non-justiciable guidelines or policy goals for the government. It involves the government setting out broad objectives and plans, but the implementation is largely discretionary. The state is encouraged (morally or politically), but not legally obligated, to provide support, infrastructure, or a conducive environment for businesses. It often relies on specific legislative actions and programs for its implementation, which can be subject to shifting political priorities or the availability of funds. If the state fails to meet these objectives, enterprises or individuals have no legal recourse in a court of law.

This creates a scenario where the ‘security’ and growth of enterprises can become vulnerable to administrative apathy or sudden policy changes.

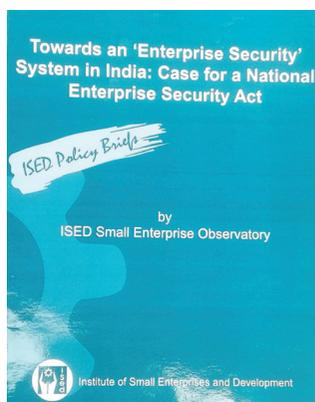
The ‘Rights Approach’ is a framework for ‘entitlement’ and ‘security’. It establishes

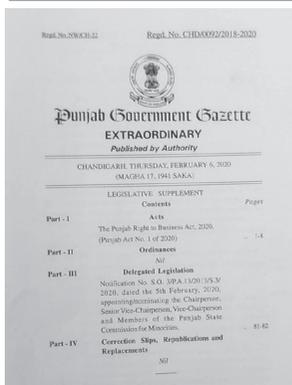
enterprise development and security as a fundamental entitlement, protected by law. This approach imposes legally enforceable obligations on the state, making it a duty to refrain from actions that hinder legitimate enterprise and to take positive actions to protect and promote the business environment. ‘Rights’ are often enshrined in a nation’s foundational laws or a specific statute, such as a ‘National Enterprise Security Act’, an proposed by ISED, ensuring they are automatically enforced and do not require further, potentially contingent, legislation. Businesses or individuals can approach the courts to seek redress if their right to establish or operate an enterprise is arbitrarily violated. This shifts the dynamic from seeking government benevolence to demanding legal justice. It prioritizes the welfare of the individual entrepreneur, guaranteeing basic freedoms and equal opportunity necessary for existence and development, thereby fostering political and economic democracy.

Box.1. : Moving from Service Delivery to “Right to Business”

The Punjab Right to Business Act (2020) and Kerala’s K-SWIFT represent two distinct philosophies in ‘ease of doing business’ for MSMEs. Punjab relies on a legislative-heavy approach to legally exempt businesses from red tape, while Kerala employs a process-driven digital interface to streamline and automate it. While digitization is powerful, the experience of these two States show that it is only half the battle. ‘Digital plus legal’, obviously, is the way forward for enhancing efficiency. Efficiency is only “final” when digital portals are backed by statutory penalties (like Punjab’s RTS Act) for officers who cause delays.

The Punjab Right to Business Act (2020), informed by Institute of Small Enterprises and Development (ISED) evidence-based research, pivots from procedural timelines to a, trust-based model





for MSMEs. This approach, emphasizing self-certification, over regulatory, oversight, provides a superior framework, for immediate operational commencement, compared to, general RTPS, acts. By, combining, legal, exemptions, with digital, efficiency, this,

model, advocates for merging, statutory penalties with, automation to, truly enable business, operations. More, information, on, the, findings, is available, through the, ISED India, MSME Report series.

ISED Contribution-Milestones

ISED has widely written on the need for a national Enterprise Security Act, which would embed the “right to enterprise” in a strong legal framework. This is seen as crucial in an environment where small enterprises often face significant vulnerability. By establishing this right, the state would be mandated to provide a stable and predictable environment, protecting enterprises from arbitrary administrative actions and ensuring access to essential services and fair competition.

This proposed legislation aims to provide a statutory basis for the right to establish and operate

an enterprise without undue bureaucratic hurdles, ensuring that the government is held ‘accountable’ for creating a conducive business environment.

This ISED philosophy found favour with the Government of Punjab, which enacted the landmark Punjab Right to Business Act, 2020. The Act aims to exempt new MSMEs from certain state-level inspections and approvals for a period, signifying a move from a “directive” to a “rights-based” governance framework. In essence, while the “directive” approach provides a moral compass for governance, the “rights” approach offers a legally binding safety net, transforming business promotion from a governmental option into a constitutional obligation. ISED believes this shift is vital for unlocking the true potential of enterprise development across India, at both the national and State levels.

Conclusion

The “rights” approach to enterprise development, as championed by ISED, is a paradigm shift. It moves beyond discretionary government support to legally guaranteed rights, empowering entrepreneurs and fostering an ecosystem of accountability and legal certainty. By adopting such an approach nationally, India can truly unlock its entrepreneurial potential, ensuring that enterprise development is not a matter of government benevolence but a secure right of every citizen.

8

The Power of Partnerships: Networking for SME Success

Despite their strategic role in the Indian economy, the MSME sector is marked by its characteristic ‘entrepreneurial atomism’. Yet, their contribution to employment generation, economic growth, and regional development is, by no means, insignificant. These, often atomic, units struggle with a unique challenge that the ISED has aptly termed the “invisibility syndrome”- the lack of transparency, data, and collective voice that keeps them from receiving the appropriate attention and tailored policy interventions from major stakeholders. At the same time, these stakeholders have their ‘business case’ of continuous engagement with these enterprises, which often remains realised partially due to information barriers or logistical constraints.

The Problem of Inertia

The “invisibility syndrome” makes MSMEs suffer from limited bargaining power in both the market and policy spaces. While individual cluster-based strategies can offer some relief through collective efficiency, a broader, more effective solution is needed. A fragmentation of support efforts across various actors create significant barriers, making it difficult for entrepreneurs to access benefits and support systems.

In India, while ‘social capital’ is leveraged effectively in community-based initiatives like Self-Help Groups (SHGs) for poverty alleviation, such systematic mobilization by formal financial institutions and other stakeholders for tapping the huge potential with SMEs, remains an underdeveloped practice. Most of these stakeholders have a stand-alone approach, rather than cooperation for the common good. According to ISED, this profound inertia in grassroots entrepreneurship development cannot be broken by individual stakeholders acting alone due to their inherent constraints. It requires a “critical minimum effort” involving strong, coordinated stakeholder participation.

Individually, every major stakeholder—from public

sector banks and insurance companies to government promotional agencies and business associations—is

interested in the health and growth of the SME sector. However, the sheer volume and fragmented nature of MSMEs make it difficult to track their specific aspirations, activities, performance, and needs at the ground level. This limited clarity leads to poorly targeted policies and high-risk perceptions among stakeholder institutions, such as banks, insurance companies, and promotional institutions, creating a vicious cycle.

Lack of data makes it hard to design effective, need-based programs. Financial institutions hesitate to lend without clear visibility into MSME’s capabilities and creditworthiness. As atomic units, MSMEs have limited power in the market and policy space. Relevant information on the impact and efficacy of legislative initiatives rarely reaches policymakers directly from the target population. The “invisibility syndrome” thus results in a significant “knowledge gap” that hinders the sector’s true potential.

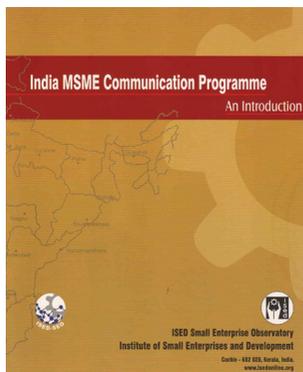
ISED Solution: The NPN and IMCP

The National Partnership Network (NPN) presents a powerful and innovative solution to this entrenched problem. ISED steps in as a neutral “knowledge broker,” facilitating an integrated communication programme that provides a common, workable platform for all stakeholders. The NPN model is a demand-driven, truly participative framework operationalized through the flagship ‘India MSME Communication Programme (IMCP)’.

The innovativeness and social relevance of this model lie in its multi-pronged approach:



- **Knowledge Generation:** Through the ISED Small Enterprise Observatory (ISED-SEO), the programme conducts field research and brings out the annual 'India MSME Report' series, a comprehensive sourcebook that provides independent, scholarly views and data on the sector. This bridges the knowledge gap.
- **Inclusive Partnership:** The NPN operates on an inclusive mode, where the partners' commitment to the cause is as valued as their resource contribution. Partners include the RBI, various Union and State government ministries, public and private sector banks, and industry associations, among others.
- **Facilitated Communication:** ISED facilitates dialogue and information dissemination through high-profile events, workshops, and the "India MSME Darshan" (field-level outreach) programme, which covers several centres across the country. This ensures that information is effectively communicated to relevant audiences and, crucially, that feedback is gathered from the ground up for policymakers.
- **Concrete Outcomes:** The programme moves beyond mere reporting to identify problems, suggest solutions, mediate disputes, and highlight new business and policy intervention opportunities for its partners. By making the "invisible" visible, the NPN model enables collective action, helping MSMEs access financing, technology, and market opportunities more effectively. It is a powerful example of how a sustained, inclusive, and knowledge-based intervention can break historical inertia and foster action at the grassroots level.



The NPN model, the India MSME Report, and the IMCP, generally hold a strong and reputable position among key stakeholder institutions in India, primarily for their role in providing crucial, independent data and facilitating structured dialogue in

a fragmented sector. The reputation stems from ISED's function as a neutral "knowledge broker" that successfully integrates diverse interests. The network is widely considered a credible and long-standing platform that offers non-partisan insights, a critical aspect given the varied interests of government, banks, and private enterprises. Its longevity (over 28 years) is a testament to its sustained relevance and perceived value by its partners. Stakeholders view ISED as an essential facilitator that can achieve what individual organizations cannot: collective, ground-level data collection and unified advocacy.

Feedback by Stakeholder Institutions

The ongoing participation and reliance on ISED's data for policy discussions are indicative of positive informal and formal feedback. The major comments and general consensus from participating stakeholders often centre on the following themes:

1. Bridging the Knowledge & Data Gaps

Stakeholders, including financial institutions and government planning bodies, value the India MSME Report series for providing robust, field-level data that quantifies the "invisibility syndrome". This information is crucial for evidence-based policy making and risk assessment, which is often difficult to obtain through standard government channels. ISED reports have been instrumental in highlighting critical challenges like insufficient formal credit access (with a significant portion of MSME credit demand fulfilled by informal sources), technological obsolescence, and the need for skill development and better infrastructure. These findings drive the agenda for partnership actions.

2. Value of the Partnership Model

Participants recognize ISED's unique ability to bring together disparate actors (government officials, bank managers, insurance providers, and MSME entrepreneurs) who usually operate in silos. This multi-stakeholder platform is frequently cited as the primary mechanism for fostering cooperation and generating "critical minimum effort". Stakeholders appreciate that the IMCP moves beyond theoretical discussions to offer workable, implementable programmes and mediation services, allowing them to go "an extra mile" in supporting the sector,

despite their internal constraints.

3. Influence on Policy and Practice

The research generated through the NPN network is often acknowledged in broader economic discussions as an important independent viewpoint, helping to shape nuances in state-specific or sector-specific policies rather than a one-size-fits-all national approach. The most significant comment is the collective understanding that the NPN model successfully makes the often “invisible” grassroots MSMEs visible to high-level decision-makers, thereby enhancing their access to necessary resources and reducing regional imbalances. In essence, the NPN has a strong reputation as a trusted, neutral, and effective mechanism for translating ground-level realities into actionable insights for India’s economic ecosystem.

Innovativeness of the NPN Model

The NPN model, developed over 28 years, is a unique, demand-driven, and truly participative approach to breaking this inertia. Its innovativeness lies in several key aspects: ISED acts as a “knowledge broker,” an independent entity that gathers, processes, and disseminates critical, evidence-based information on the MSME landscape. This is not generic data, but actionable intelligence on specific regional, sub-sectoral, and policy issues. The NPN is structured on an “inclusive partnership” model where the role of partners (over 350 institutions including major banks, government bodies, and associations) is valued not just by their financial contribution, but by their commitment to the cause. This ensures broad social capital and logistical support. The IMCP is a comprehensive platform that integrates knowledge building, extensive dissemination (through annual reports and “India

MSME Darshan” field visits), and participatory articulation. This structured communication ensures that all stakeholders are working from the same informed baseline. By providing a common, well-informed ground for dialogue, the NPN enables stakeholders to align their individual interests and efforts towards collective action, effectively addressing issues that no single entity could solve alone.

Social Relevance and Impact

The NPN model’s social relevance is profound, focusing on the “bottom of the pyramid” to broad-base mass entrepreneurship. The program has a track record of tangible results, including:

- **Informing Policy:** Policy briefs derived from field-level feedback are submitted to high-level government and financial authorities, leading to the identification of critical policy interventions and directions for change.
- **Bridging Gaps:** The program facilitates “banker-entrepreneur” dialogues and helps resolve local-level disputes and infrastructure bottlenecks, directly benefiting individual entrepreneurs.
- **Targeted Support:** It has identified new business opportunities, supported women’s entrepreneurship issues and addressed crucial issues like child labor and green production in relevant industries.

By transforming the perception of MSMEs from an “invisible” collection of units to a visible, dynamic, and vital sector of the economy, ISED’s model offers a scalable and sustainable framework for inclusive national development.

9

ISED ‘Sustainability Bridge’ Framework

In the current Indian business environment, a significant amount of confusion persists regarding the distinct, yet interrelated, concepts of Corporate Social Responsibility (CSR) and Sustainability. While international standards are progressively influencing the domestic narrative, the adoption of these principles is often hampered by the perception that business ethics is a “Western concept,” inapplicable to the traditional Indian ethos. ISED, in collaboration with the International Centre for Corporate Social Responsibility (ICCSR), Nottingham, has been actively addressing this, emphasizing that, while CSR in India has deep historical roots—often rooted in the philosophy of stewardship (trusteeship)—modern business requirements necessitate a more strategic approach.

Regulatory Reforms

Government initiatives have, over the last decade, accelerated the transition from voluntary philanthropy to mandatory compliance, aiming to align Indian practices with international standards. The landmark amendment, making CSR mandatory for eligible companies under Section 135, was a transformative step, shifting the focus from sporadic, voluntary charity to a structured, 2% of profit allocation for social development. Following the legislative amendment, the SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR) framework, making sustainability reporting mandatory for the top 1,000 listed entities. This is not limited to manufacturing, as SEBI’s guidelines now extend to banks and financial institutions, necessitating rigorous ESG (Environmental, Social, and Governance) disclosures.

The Gap: Compliance vs. Fundamental Business Case

Despite these regulatory advances, a major gap exists in the Indian corporate sector. ‘Business

ethics’ and ‘sustainability’ are often viewed merely as a compliance burden (a “tick-box” exercise) rather than a fundamental long-term business case. The strategic integration of ESG factors into core operational strategies—vital for risk management and long-term competitiveness—is still evolving.

The Current CSR Scene

The current limitations of India’s CSR framework stem from several key issues:

- **Welfare over Business Integration:** Unlike developed economies where CSR is often strategically linked to core business interests and sustainable value creation, in India, it is largely perceived as a philanthropic obligation focused on welfare activities. The inherent business case for strategically aligned social investment remains inadequately articulated.
- **Government Mandates and Fund Diversion:** A significant portion of corporate CSR funds is frequently channeled into government flagship programmes and relief funds, often perceived as a quasi-tax or a compliance requirement rather than a strategic investment in community development or business sustainability.
- **Divergent Motivations:** Public Sector Undertakings (PSUs) often view CSR as a mere mandatory expenditure, while private corporations may sometimes leverage it primarily as a tool for public relations, diluting its true developmental impact.

Three Barriers to Impact

The stagnation of CSR effectiveness stems from three systemic misalignments:

- **The Welfare Trap:** Unlike many developed nations where CSR is a strategic tool for

“Shared Value,” in India it is often relegated to peripheral welfare activities. The business case—how social investment can strengthen the industrial ecosystem—is rarely articulated.

- **The Funding Diversion:** A significant portion of CSR funds is effectively reclaimed by the state as companies are often encouraged to invest in flagship government programmes or relief funds, rather than creating localized industrial impact.
- **The Purpose Paradox:** Public sector undertakings (PSUs) frequently view CSR as an “obligation fund” to meet compliance, while the private sector often treats it as a “publicity fund” to enhance brand optics rather than driving structural change.

The ISED-ICCSR Perspective: Rethinking ‘Responsibility’

ISED and the International Centre for Corporate Social Responsibility (ICCSR), Nottingham,



University of
Nottingham
UK | CHINA | MALAYSIA

have been articulating this neglected case for a more holistic approach. Our joint efforts focus on shifting the discourse from mere philanthropic spending to Strategic CSR and Sustainable Business Models. The focus is on integrating ethical behaviour into the very DNA of business operations, including supply chains, employee treatment, and environmental impact management. Recognizing the unique socio-economic landscape of India, we advocate for models that blend local context with global best practices, ensuring that “responsibility” drives both social upliftment and long-term, sustainable profitability. In fact, many companies, including some banks in India, engage in ESG reporting as a ‘window-dressing’ exercise, and thereby losing the latent business potential they have with the MSME market segment.

What else can be done?

The core argument is not to abandon the welfare aspects of CSR but to integrate them within a broader, more strategic agenda of economic growth and self-reliance, particularly by bolstering the manufacturing sector’s ecosystem. By strategically deploying CSR funds into initiatives that foster

SME growth and innovation, large corporations and banks can achieve both social impact and long-term business resilience.

This paradigm shift demands innovative initiatives that create shared value:

- **Vendor Development Schemes:** Large corporations can utilize their CSR budgets to invest in capacity building, skill development, and quality improvement programs for their existing and potential SME vendors. This, not only strengthens the supply chain, but also ensures that the SMEs are capable of meeting global standards, thereby integrating them into the larger manufacturing value chain.
- **Area Development Schemes:** Instead of scattered, isolated projects, corporations can focus their CSR efforts on concentrated area development initiatives. By adopting specific industrial clusters or geographic regions, companies can improve local infrastructure, establish common facility centers, and enhance the overall business environment, creating a thriving ecosystem for SMEs. This would require the support of intelligent professional agencies.
- **‘Entrepreneurial City’ Model:** A visionary approach involves collaborating with government and other stakeholders to develop “entrepreneurial cities” or specialized industrial townships (eg: ISED model of ‘Aero-entrepreneurial City’). These models would integrate essential infrastructure, skilled labor pools, and supportive policies, funded partly by pooled CSR resources, thus creating vibrant hubs of manufacturing activity and employment generation.
- **SME Idea Labs:** Beyond ‘brick and mortar’ institutions, these are collaborative hubs of intelligent knowledge workers, having a multi-faceted understanding of what SME business is all about. These are ideally private initiatives that are adept in resource development and management from the scratches, and having capabilities to foster innovation by helping SMEs. They function as “idea incubators” that provide space, technology, and mentoring to solve business challenges, and linkage leads to accelerate growth. Such institutions,

alternatively called 'Knowledge Brokers' act as essential intermediaries that bridge the gap between SMEs, researchers, and external experts to facilitate open innovation and digital transformation. They reduce the cost of accessing external knowledge and help SMEs overcome resource limitations, enabling them to discover and adopt new business ideas. The international practice is that, the sponsor companies or banks can fully depend on such institutions, who, though indirectly, are able to bring new customers to financial institutions, and vendors to the corporations.

Effecting this change requires collaborative effort and a new framework for engagement. ISED, through initiatives like the IMCP and in engagement with its NPN members, is well-positioned to advocate for this shift. By facilitating dialogues, developing pilot projects, and articulating the clear business case for this approach, it is possible to redirect India's substantial CSR funding toward a more impactful, sustainable, and inclusive economic agenda.

Ultimately, CSR should evolve from a mere obligation to a strategic driver of national progress. By aligning the interests of large corporations with the growth potential of manufacturing SMEs, we can unlock a powerful engine for innovation, employment, and shared prosperity.

Benefits to Large Corporations

- **Enhanced Reputation and Brand Image:** Sponsoring SME development projects helps large corporations build a positive public image and foster consumer trust and loyalty.
- **Stronger Supply Chains:** By improving the competitiveness and capabilities of SMEs, large firms can secure more reliable and collaborative partnerships within their supply chains, ensuring ethical sourcing and operational efficiency.
- **Talent Attraction and Retention:** A strong commitment to social responsibility helps attract motivated, purpose-driven employees and can lead to higher productivity and lower turnover rates.
- **Risk Management and Legal Compliance:**

Engaging in robust CSR initiatives, particularly those focused on ethical and fair labor practices within the supply chain, helps companies manage reputational risks and ensure compliance with environmental and labor regulations.

- **Innovation and New Opportunities:** Collaboration with local communities and small businesses can open doors to new business opportunities, foster innovation, and help identify new markets for products or services.

As we move through 2026, the challenge for Indian industry is to transition from "compliance-driven" CSR to "values-driven" sustainability. By integrating SMEs into the strategic CSR agenda of large companies, we can create a multiplier effect that drives inclusive growth. The only legal stipulation today, is that, such activities should align with its CSR mandate areas of sustainable development, rural development, and vocational skill enhancement. A good CSR expert can give necessary advice, support, and documentation in this regard. It is no longer just about giving back; it is about building forward. Channelising CSR funds into downstream entrepreneurial activities, creates shared value for large corporations by securing reliable supply chains, fostering local economic growth (reducing risks), enhancing brand reputation, attracting talent, and ensuring regulatory goodwill. Thus, SMEs can be integrated into their core operations, transforming them from beneficiaries to strategic partners.

Conclusion

For Indian businesses, the future requires moving beyond the "comply or explain" approach towards a "comply, sustain, and thrive" approach. The collaboration between ISED and ICCSR aim to provide the necessary intellectual and operational framework to make this transition, ensuring that Indian businesses are not just compliant, but genuinely sustainable in the global arena. ISED, with its global expertise in 'Responsible Business' and 'Sustainability' practices and strategies, remains committed to facilitating this bridge between corporate India and the SME sector to ensure that every rupee spent on CSR contributes to a more robust, and meaningful 'business case' along with it.

10

The NTFP Turnaround: An ISED Subsector Success Story

Introduction

While the “green economy” in its original form—often associated with high-tech transitions, carbon markets, and industrial-scale renewables—faces marginalization due to high investment costs, policy gaps, and a focus on “greenwashing” existing growth models, Non-Timber Forest Products (NTFPs) provide a more immediate and inclusive pathway for sustainable development. NTFPs, today, are recognized as a “pro-poor” economic pillar that aligns closely with Sustainable Development Goals (SDGs). Research across 2024–2025 indicates that NTFPs can reduce monetary poverty by 19% to 78% in forest-fringe communities.

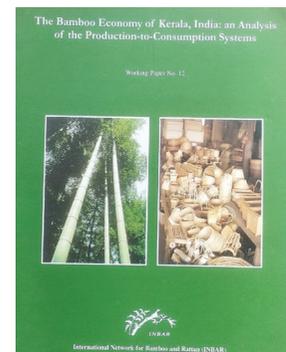
Globally, the Bamboo & Rattan (B&R) subsector is recognized as the largest and most significant NTFP in terms of trade value, scope, and international distribution. The ISED has made a unique and significant contribution to the development of the subsector, both in India and internationally. The Institute, particularly through the efforts of P.M. Mathew, has significantly contributed to the subsector by changing the perception of bamboo from “poor man’s timber” to a valuable, eco-friendly resource. Its work in the mid-1990s, with a focus on practical models and policy research that emphasize on economic growth and environmental sustainability, has influenced the research and policy direction for the subsector in India and globally.. The Institute has been a global pioneer in transforming the B&R subsector from a traditional subsistence activity into a modern, sustainable industry.

ISED Contributions

ISED’s strategy diverges from traditional, broad-based industrial policies by focusing on the specific dynamics and constraints of individual subsectors. This granular approach allows for targeted interventions that address unique challenges within

specific value chains, leading to more sustainable and impactful development outcomes. ISED’s contributions, particularly since the mid-1990s, have fundamentally shaped the research and policy agenda for the subsector. Its key contributions include:

- **Conceptualizing the ‘Bamboo Village Network’ (BVN) Model:** ISED developed the ‘Bamboo Village’ as a unique concept to operationalize a sustainable B&R sub-sector in Kerala, aiming to provide substantial employment opportunities. This operational model was the result of a joint project with the SIDBI in 1995, and its findings were subsequently adopted by the Government for implementation.
- **International Recognition and Collaboration:** The BVN concept garnered international attention, leading to ISED being honoured with the prestigious Oshikawa International Award by the Asian Productivity Organization (APO), Tokyo.
- **Production-to-Consumption Systems (PCS) Model:** ISED’s pioneering work was showcased at the Bali International Bamboo Congress (1995). This Indian experience formed the basis for a subsequent multi-country project initiated by the International Network on Bamboo and Rattan (INBAR), China, in 1996, which focused on the ‘PCS model’.
- **Research and Policy:** ISED’s research, including publications like *Flexible Specialisation for Rural Industries? A Study of the Bamboo and Rattan Subsector* (1994), has provided critical insights into



the socio-economics and potential for value-addition in the industry. The research of the ISED team, led by P.M. Mathew, has been cited in numerous academic and policy documents, influencing the discourse on rural industrial development and sustainable livelihoods.

- **Promoting Entrepreneurship & Skill Development:** Beyond research, ISED has actively promoted the subsector with an innovative value creation model, involving entrepreneurial capability enhancement strategies. Through these initiatives, it has played a pivotal role in placing the B&R subsector firmly on the agenda of national and international development organizations, promoting its use as an eco-friendly alternative to timber and a tool for inclusive economic growth. ISED's most significant contribution lies in its pioneering application of the "subsector model" for rural industries, which has had a profound impact on local economic development (LED) strategies both in India and internationally.
- **ISED-SIDBI Project:** ISED's collaboration with SIDBI focused on analyzing the entire "production-to-consumption system" of bamboo in various Indian States, identifying bottlenecks in technology, marketing, and finance. This led to recommendations for targeted credit flow and infrastructure support, moving beyond generic MSME schemes.
- **International Collaborations (INBAR and APO):** The model gained international recognition through projects with the International Network for Bamboo and Rattan (INBAR, China) and the Asian Productivity Organization (APO, Tokyo). This work involved multi-country projects and research into IPR implications for rural industries, demonstrating the global relevance of ISED's subsector expertise. The findings highlighted how 'flexible specialization' could be applied to traditional industries for enhanced competitiveness.

ISED Small Enterprise Observatory

To anchor its programmes in robust data, ISED established the world's first SME Observatory under an "inclusive partnership" model. This

platform consistently generates evidence-based research and policy briefs, filling critical knowledge gaps for policymakers, financial institutions, and international partners.

Influence on LED Strategies

ISED's research consistently demonstrates that effective development action must be based on a holistic understanding of local specificities, not just national mandates. The Institute has played a consultative role with State Planning Boards and local government institutions, advocating for strategies that unearth latent potential within regional economies.

Lessons for Sustainable Development Agenda

The work of ISED, particularly its subsector-focused approach, offers crucial lessons for policymakers and practitioners:

- **Policy Requires Granularity:** Generic policies often fail to address the specific vulnerabilities and opportunities within diverse SME landscapes. A focus on specific subsectors (like bamboo, textiles, or food processing) allows for more effective, tailored interventions.
- **Knowledge is a Prerequisite for Action:** Interventions must be guided by robust, evidence-based research. ISED's success stems from its ability to create and disseminate knowledge consistently, ensuring that policy is informed by ground realities.
- **Local Context Matters:** Development strategies must be rooted in the local socio-economic, cultural, and political context. The "Entrepreneurial Village Model" and the focus on "Local Economic Development" underscore the importance of bottom-up, community-driven initiatives over one-size-fits-all national programmes.
- **Empowering the Entrepreneurial Spirit:** ISED's philosophy is anchored in the belief that human capability and creativity are infinite resources. The core mission is to release this entrepreneurial potential in individuals and communities, especially in rural areas, to drive sustainable economic growth.
- **Foster Strategic Partnerships:** Collaborations

between knowledge institutions, government bodies (SIDBI, Ministry of Rural Development), and international organizations (INBAR, APO, UNIDO, ILO) are vital for scaling up impact and ensuring global best practices are applied locally.

ISED, through its innovative subsector model, has provided a powerful template for fostering resilient and dynamic small enterprise sectors that are the true engines of sustainable and inclusive growth.

11

SME Lending: ISED's 'Fi-Re Convergence' Model

Introduction

Despite their vital contribution to the Indian economy, a vast majority of MSMEs, particularly micro and small enterprises, lack access to formal credit. This gap is exacerbated by the risk-averse nature of conventional lenders and prevailing policy and institutional bottlenecks. The core issue is not merely the availability of funds, but the fundamental mis-match between the needs of the MSME sector and the operational models of financial institutions. The Reserve Bank of India (RBI) addresses the SME credit problem by emphasizing that both financial services (banks, NBFCs, and fin-techs) and non-financial services (access to knowledge, technology, and market linkages) are crucial for sustainable growth and bridging the existing credit gap.

The 'Fi-Re convergence model' proposed by the ISED, is an innovative mechanism that emphasizes the critical interface and integration of the financial sector (Fi) and the real economy (Re) for the sustainable development of SMEs. ISED advocates for a strategic approach that moves beyond conventional credit delivery to "responsible banking," addressing the significant credit gap and the unique challenges faced by MSMEs. This model is particularly relevant in times of economic volatility, such as during the COVID-19 pandemic, where a significant "confidence crisis" can affect both consumer and producer confidence. The key aspects of the Fi-Re convergence model include:

- **Bridging the Divide:** It addresses the historical disjunction between financial policies and the ground-level realities and needs of SMEs.
 - **Ensuring Relevant Finance:** It advocates for the flow of finance that is not only adequate but also relevant and inclusive, supporting the unique entrepreneurial potential within communities and regions.
 - **Promoting Inclusivity:** This approach is designed to enhance the overall entrepreneurship base of the country, ensuring that development strategies are inclusive rather than selective.
 - **Policy Approach:** It necessitates a concrete policy approach and strong political will to integrate financial decision-making with real-world sustainability considerations and enterprise development.
- In essence, the Fi-Re convergence model provides a framework for aligning the objectives and practices of the financial system with the actual requirements for SME value creation and job generation.
- The key characteristics of this model include:
- **Integrated Financing:** Unlike traditional credit delivery, the model emphasizes "responsible banking" and a functional interface between financial institutions and the operational needs of the real economy (SMEs).
 - **Convergence Mechanism:** It implies a strategic alignment where financial instruments are not just loans, but are integrated with business development services, technology upgrading, and market access to ensure enterprise sustainability. In the ISED scheme of engagement under the India MSME Communication Programme (IMCP), this convergence is built in through an Inclusive Partnership Model that integrates various stakeholders into a unified development strategy.
 - **Value Chain Focus:** In 2025, ISED's focus has evolved to apply this convergence specifically within Global Value Chains (GVCs), helping SMEs navigate international trade complexities and reciprocal tariffs.
 - **Sustainable Growth:** It supports a two-pronged approach, of improving traditional bank lending, while simultaneously enabling SMEs to diversify into non-bank instruments and private investment. This framework is central to ISED's flagship India MSME Report series, which in 2025 focuses on aligning SME growth

with India's 'Viksit Bharat' agenda through enhanced value chain integration.

ISED's Strategic Approach to Convergence

The key mechanisms of this convergence include:

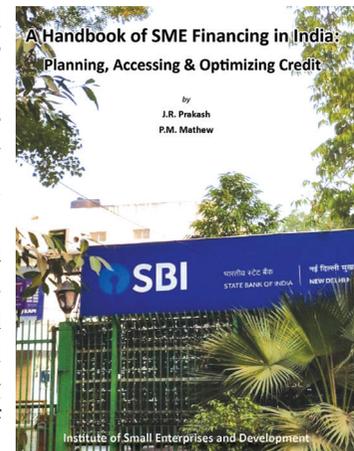
- **Inclusive Partnership Mode:** The program aligns the efforts of the Union & State Governments, and other key stakeholders (such as financial institutions) to ensure that policy findings are grounded in field realities.
- **Knowledge-Based Integration:** It translates information and statistics into a "knowledge base" shared across institutions, ensuring that financial engagement is informed by evidence-driven reporting like the annual India MSME Report Series.
- **Linkage Management:** The approach identifies and manages linkages (synergies or trade-offs) between different objectives, such as financial inclusion, stability, and consumer protection, to ensure that achieving one goal supports the others.

ISED's strategy for achieving financial-real sector convergence in MSME development involves several key initiatives:

- **Knowledge Generation and Policy Advocacy:** ISED conducts extensive research, producing the annual India MSME Report series and various discussion papers that provide

evidence-based analysis for policymakers, including the RBI, Ministry of Finance and the NITI Aayog. This research highlights the structural changes and financing needs of different MSME subsectors (e.g., the rural services sector, solopreneurship, genderpreneurship).

- **Promoting "Responsible Banking":** The Institute advocates for a more nuanced and empathetic approach from the financial sector, one that considers the specific constraints of MSMEs such as low capital base, receivables-based cash flow issues, and fluctuating market conditions.
- **Institution Building and Capacity Creation:** ISED works to develop the "enterprise ecosystem" by collaborating with industry associations and government bodies to provide professional support, knowledge-sharing, training, and information services to entrepreneurs. This includes integrated



Box 1. Responsible Banking: Integrating Sustainability in India

Responsible banking is a strategic, ethical approach where financial institutions align their business strategies, products, and investment portfolios with society's goals—specifically the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement—prioritizing long-term environmental, social, and economic well-being over short-term profits. In India, it is highly relevant as banks transition from traditional, transaction-centric models to proactive, sustainable, and inclusive practices. It bridges the financial-real sector interface by promoting green financing (renewable energy), green deposits, and ESG-linked loans while enhancing financial inclusion for underserved communities. Through regulatory push (RBI/SEBI), this approach helps mitigate climate risks, build trust, and address social inequalities, making banks key drivers of India's 2070 net-zero and sustainable development agenda. Banks in India are hesitant to fully adopt "Responsible Banking" principles, due to a combination of structural, regulatory, and capacity-related barriers. While some private banks are adopting these, the sector generally lags due to a focus on short-term profitability, data deficiencies, and the voluntary nature of current guidelines.



sectoral value addition initiatives like the India MSME Communication Programme (IMCP) and the ISED Small Enterprise Observatory, which help formalize the sector and improve credit access.

- **Developing Alternative Models:** Recognizing the limitations of traditional finance, ISED explores and promotes alternative financing windows, including microfinance and self-help group (SHG) linkages, to ensure sustainable enterprise development.
- **Advisory and Consultative Roles:** The Institute's participation in expert committees by the Union and State governments and the RBI, helps to directly influence national MSME policy and ensure financial sector reforms that are relevant to the real-world needs of small enterprises.

Through these multi-pronged efforts, ISED translates research and opportunities into practical solutions, aiming to groom job creators and to help revitalization of the financial system.

Operational Strategies

The 'Finance Park' concept introduced by the Institute, is a practical, physical implementation of the theoretical Fi-Re convergence model. It serves as a dedicated institutional platform where the objectives of the financial sector (Fi) and the real sector (Re) physically converge to provide comprehensive support for SMEs. The Link between the Fi-Re Model and 'Finance Park' is as follows:

- **Operationalizing Convergence:** The 'Finance Park' is designed to remove the traditional barriers between lending institutions and entrepreneurs by co-locating all necessary stakeholders, thereby operationalizing the "functional interface" proposed by the Fi-Re model.
- **Integrated Services:** Instead of merely offering credit, the 'Finance Park' provides a holistic ecosystem of services, mirroring the Fi-Re model's emphasis on integrating finance with non-financial inputs. These include:
 - o **Financial Access:** Facilitating diverse financial instruments beyond traditional bank loans (e.g., non-bank finance, private equity).
 - o **Business Development:** Offering access

to business development services, technology upgrades, and market linkage support.



- o **Policy Advocacy:** Serving as a centre for policy interaction and feedback, ensuring that financial policies align with the real-world needs and challenges of MSMEs.
- **A "Responsible Banking" Hub:** The Park acts as the physical manifestation of "responsible banking," where the financial sector commits to understanding and engaging with the ground realities and value chains of the real sector, moving beyond a transactional credit approach.
- **Focus on GVCs:** The latest ISED reports emphasize the 'Finance Park' as a tool to help SMEs navigate Global Value Chains (GVCs), directly applying the Fi-Re model's focus on enhancing SME competitiveness in international markets. In essence, the Fi-Re model provides the theoretical framework for integrated finance and real sector development, while the 'Finance Park' is visualised as the operational arm.

Financial Resilience in ISED's "Enterprise Security" Framework

Financial sustainability is not a monolithic concept; it is highly fragmented and varies significantly among different categories of MSMEs based on unit size, age, location, and ownership profiles (men/women/marginalized groups). Traditional, "one-size-fits-all" financial inclusion strategies fail to address the unique vulnerabilities of these diverse, often resource-constrained entities.

ISED views financial resilience not merely as a profitability metric, but as an "Enterprise Security" problem. True financial resilience is the ability of an enterprise to withstand, adapt, and recover from unforeseen shocks (e.g., pandemics, climate events, market volatility). If an enterprise lacks this resilience, its very security and long-term existence are at risk.

The “Fi-Re Model”. This provides the foundational logic and strategic framework for developing targeted, evidence-based interventions. The model focuses on:

- **Disaggregated Analysis:** Recognizing that women-owned and micro-enterprises face higher barriers and require tailored, rather than general, financial products.
- **Preventive & Adaptive Capacity:** Shifting focus from just access to credit, to proactive cash flow management, digital capabilities, and diversified funding sources.
- **Responsible Finance:** Aligning financial services with the specific, operational reality of the enterprise to ensure sustainable growth.
- **Strategic Framework:** Designing operationally meaningful interventions that allow financial institutions and policy bodies to treat financial resilience as a security imperative.

Through its research and modeling, and field level experiments, ISED advocates for moving beyond traditional “banking the unbanked” towards building “responsible finance” that strengthens the internal security of MSMEs. The Fi-Re Model empowers policymakers to design solutions that are not just inclusive, but robust, ensuring that MSMEs can transform crises into opportunities for development. It ensures that the most vulnerable segments of the SME ecosystem are equipped for long-term sustainability.

Financial Sector Expectations on SME Engagement

Banks in India expect professional agencies like the Institute to provide crucial support in credit risk assessment, capacity building for bank staff, and bridging the information gap for the SME sector. This collaboration helps banks navigate the unique challenges of SME lending, such as a lack of formal credit history and limited collateral.

The vast scope of the MSME finance market in India needs no introduction. By leveraging the expertise of professional agencies, banks aim to mitigate risk, streamline lending processes, and ultimately accelerate the flow of formal credit to the vital SME sector. The concerns relating to the following areas are:

- **Enhanced Credit Risk Assessment Data:** Banks require professional agencies to gather and provide alternative data points and insights into the operational and business sustainability risks of SMEs, beyond traditional financial statements. This data, sometimes incorporating big data analytics and AI-driven tools, enables more informed lending decisions.
- **Capacity Building and Training for Bankers:** Agencies are expected to develop programs that equip financial professionals with the specific knowledge and “soft skills” necessary for effective SME financing. This includes training on entrepreneurial sensitivity, evaluating business lending opportunities, and managing stress in MSME accounts.
- **Facilitating Financial Inclusion and Awareness:** Banks need support in extending their reach to underserved SMEs, especially in rural areas. Agencies can help by providing a common platform for information exchange, increasing financial awareness among SME owners, and bridging the gap between available financial products and SME needs.
- **Policy and Regulatory Insights:** ISED, with its consultative experience with bodies like the RBI, and the SLBCs, is expected to provide banks with timely insights into evolving regulations and policy adherence, ensuring compliance with priority sector lending targets and other government mandates.
- **Market Intelligence and Sector Analysis:** Agencies are valuable for their ability to scan and collate developments in the economy related to SMEs. Banks rely on this market research and data to identify growth opportunities, understand sectoral challenges, and tailor their products to the unique needs of different SME clusters.
- **Support for Digital Transformation:** With the push for digitalization in the banking sector, agencies are expected to assist in integrating Fintech solutions and digital lending platforms, which can improve operational efficiency and expand access to credit for SMEs.

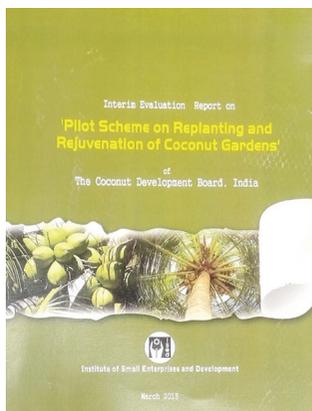
12

Catalysing Green Growth: ISED's Transformative Role

The global shift towards sustainable energy has opened up new avenues for economic development, particularly in developing nations. Such a sustainable energy future requires more than just technological advancements; it demands a robust ecosystem that nurtures innovation and entrepreneurship. The activities of ISED have made significant and varied contributions to fostering entrepreneurship within the renewable energy sector, particularly across South Asia.

In the context of Indian SMEs, “Go Green” often remains a secondary ideal due to perceived high costs and regulatory complexity. However, the Institute transforms this into a practical necessity by positioning green business as a value creation opportunity at the ground level. The ISED rationale and focus on development is not idealistic, it believes that, people can be energised into the entrepreneurship stream by convincing them on value creation opportunities. Sustainability must be linked to immediate business benefits for SMEs.

The strategic framework of ISED for green business is anchored in the theory of “collective efficiency”. Using its flagship ‘India MSME Report Series’ and the ISED Small Enterprise Observatory, the Institute provides ground-level data to help SMEs identify specific green business. Moving beyond simple operational setup, ISED offers strategic services for “day-to-day problem solving,” integrating green practices into the firm’s core competitive advantage. As an accredited Cluster Development Agency, ISED promotes resource sharing and “circular” models within SME clusters to overcome individual resource limitations. ISED bridges the gap between



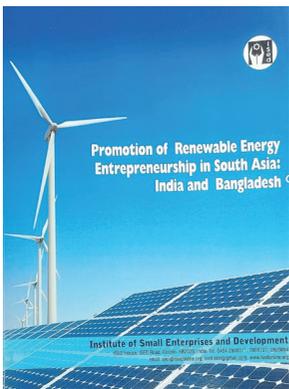
grassroots SMEs and policy-making bodies like the Ministry of MSME and international partners (eg: OECD, UNIDO, ADB) to ensure green policies are practical and incentivized rather than merely punitive.

Key Contributions and Interventions

At the forefront of fostering entrepreneurial ecosystems within this critical sector stands the ISED. The Institute has leveraged the knowledge platform of the ISED Small Enterprise Observatory, to make varied and significant contributions to renewable energy entrepreneurship, spanning South Asian collaborations, knowledge dissemination, and targeted interventions. Such concerted efforts span initiatives such as, a major regional project, an international seminar, authoritative publications, and other strategic interventions, that have contributed to catalysing green entrepreneurship. ISED’s approach is rooted in the belief that private enterprise is the fulcrum of sustainable economic development, and that human capabilities (entrepreneurship) can even overcome resource constraints. This philosophy has guided the Institute’s multifaceted engagement in the renewable energy subsector.

The initiatives under the USAID Multi-Country Project on Renewable Energy Entrepreneurship stands out. A key pillar of the contributions has been a large-scale South Asia project, designed to integrate renewable energy sources into the regional grid and promote cross-border energy trade. A cornerstone of ISED’s initiative was to share existing knowledge and best practices, particularly from India, with other regions in Africa and Asia. This project served as a practical test bed, demonstrating how macro-level RE businesses can provide a platform for developing sustainability-oriented entrepreneurship.

ISED and USAID co-sponsored an influential international seminar that brought together



researchers, policymakers, business delegates, and entrepreneurs from around the world. Facilitating networking and collaboration, the seminar helped bridge the gap between technological innovation and practical market application, thereby strengthening the entrepreneurial

ecosystem. The proceedings of such seminars have been vital in consolidating knowledge and shaping future policy recommendations.

ISED's work extends to practical, on-the-ground interventions. This includes promoting value chain-based SME development models, such as those related to CBG, which turn organic waste into valuable resources, boost rural economies, and create a circular bio-economy. These efforts, individually and in cooperation with other CSOs, are designed to be scalable and sustainable, generating domestic

jobs and fostering an entrepreneurial spirit at the grassroots level.

The Vision Forward

ISED believes that the role of entrepreneurship in promoting renewable energy in developing countries is a vital, though often under-researched, area. Their work underscores the importance of a holistic understanding and intelligent interventions. By building capacity, creating knowledge platforms, and advocating for policies that support MSMEs in the green sector, ISED continues to play a pivotal role in driving a sustainable and entrepreneurial energy future. The varied interventions by ISED illustrate a comprehensive approach to fostering entrepreneurship in the renewable energy sector. By combining practical field projects, international knowledge sharing, and accessible authoritative guidance, they have not only promoted economic development but also championed environmental sustainability and social equity across South Asia. Their work stands as a testament to how targeted efforts can ignite a new generation of green entrepreneurs.

‘Udyami Panchayat’: A Foundational ‘Direct Democracy’ Model

The global discourse surrounding economic growth consistently positions “Business in the Community” as a strategic area, navigating the delicate balance between corporate rights and civic duties. Businesses, as corporate citizens, are entitled to ‘rights’ analogous to those of individuals; yet they simultaneously bear a significant responsibility toward the communities they operate within; this dynamic is particularly intricate for MSMEs. MSMEs are vital stakeholders in the development process, yet they frequently struggle with nominal representation in formal democratic platforms, a gap acutely felt within India’s three-tier Panchayati Raj system.

The ISED posits that enhancing the representative role of MSMEs can significantly boost productivity and inclusive growth. In response to this need, the Institute conceptualized an innovative mechanism: the ‘Udyami Panchayat’ (Entrepreneurs’ Assembly), which is akin to women’s representation in local government bodies, which is envisaged to be mandatory under the Constitution.

This innovative tool transforms local governance by constituting decision-making bodies at the Panchayat level composed of:

- Existing local industrialists and service providers.
- Potential start-ups and entrepreneurs, and
- experts with deep knowledge of local resources and opportunities;

This body may meet periodically—notably before State Assembly Budget sessions—to deliberate on and formulate proposals for local economic schemes and projects.

The ISED model addresses a universal challenge: how to effectively integrate private sector concerns into decentralized governance structures. While the ‘Udyami Panchayat’ is a unique coinage in India, the core principle of institutionalized local business

engagement exists in various forms globally and nationally. While the ISED comparative research and articulation through the IMCP has fuelled a new thinking in favour of decentralised enterprise development strategies and a corresponding stakeholder management system, the current institutional mechanism in India revolves around various indirect agencies. In many States, district-level or city-level Chambers of Commerce (affiliated with bodies like FICCI, CII, or local associations) engage with municipal corporations and district administrations. However, these are often advocacy groups operating parallel to, rather than embedded within, the official democratic governance structure. Industrial Development Corporations in States like Maharashtra (MIDC) and Gujarat (GIDC) often involve local business associations in managing industrial estates, but their scope is usually limited to infrastructure management within the estate, not broader democratic representation in the Panchayat or Municipality.

Implications of the Model

The Model posits a paradigm shift in local economic governance. The implications of formalizing MSME representation at the local government level are far-reaching:

1. Bridging the Governance Gap

The most immediate implication is the creation of a structured, official platform for dialogue between local government bodies (Panchayats and Municipalities) and local enterprises. This moves MSME engagement beyond ad-hoc consultations to a formal, institutionalized process. It grants MSMEs an official voice in local decision-making processes, ensuring that development plans are informed by ground-level economic realities. While, in India, Panchayati Raj Institutions (PRIs) have a constitutional mandate for economic planning, their full potential remains constrained. Participation is a crucial first step for fostering entrepreneurship

at the grassroots level, and to support the several limited initiatives aimed to bridge this gap, such as, Start-Up Village Entrepreneurship Programme (SVEP), PMEGP, Skill Development Initiatives, and Digital Integration programmes.

2. Tailored Policy Formulation

By having direct input from entrepreneurs, local bodies can formulate more relevant, context-specific economic policies and development schemes. This allows for the precise identification of local bottlenecks—be they related to infrastructure, access to credit, regulatory hurdles, or skill shortages—and the co-creation of solutions that address these specific challenges effectively.

3. Enhanced Accountability and Transparency

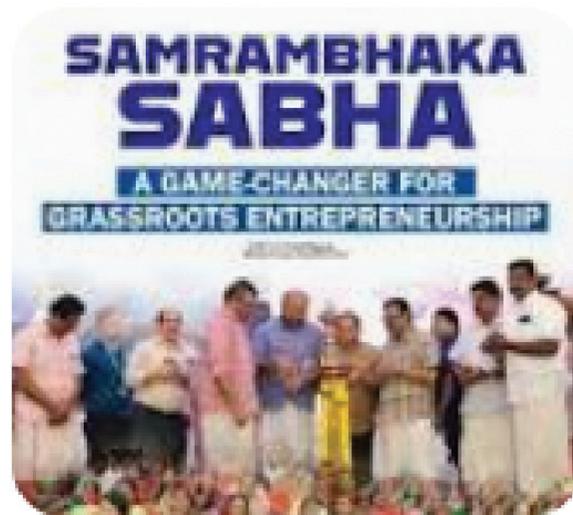
Formal representation increases accountability on both sides. MSMEs are better informed about local government initiatives and can provide constructive feedback on their implementation. Concurrently, local government officials gain a direct channel to address business community concerns, fostering greater transparency in resource allocation and scheme delivery.

4. Fostering a Pro-Business Ecosystem

Creation of an “Udyami Panchayat” platform can best signal the local government’s commitment to sporting the business community. This recognition is crucial for boosting entrepreneurial morale, attracting local investment, and fostering a generally pro-business ecosystem at the grassroots level, which is essential for job creation and local economic resilience.

‘Samrambhaka Sabha’, the Kerala Model

The Kerala model of ‘Samrambhaka Sabha’ stands out for its attempt to create a formal, bottom-up consultative body that is part of the local government’s operational framework. It is envisaged as a local, panchayat-level body formed under the State’s ‘Year of Enterprises’ initiative to create a grassroots ecosystem for entrepreneurs, focusing on identifying local needs, reporting new businesses, addressing grievances, linking with skill development, and ensuring access to resources and markets for local growth. The Samrambhaka Sabha is visualised as a component of “MSME



Facilitation”, a directive provision with the States under the MSME Development Act 2006, and not like women’s representation, which is mandatory under the PRIs, including the Gram Sabha, as a mandatory provision of the Constitution of India.

International Experience

Internationally, the integration of local business voices into governance structures is common, often facilitated through different institutional designs:

- **Local Economic Development (LED) Forums:** In South Africa and other developing nations, LED initiatives often establish multi-stakeholder forums that bring together government, business, and civil society to plan and implement local economic strategies. These function similarly to the ‘Udyami Panchayat’'s intent.
- **Business Improvement Districts (BIDs):** Predominant in North America and Europe, BIDs are specific geographic areas where local businesses vote to charge themselves an extra tax to fund improvements within that district. While focused on specific service delivery, BIDs involve a formal governance structure that integrates business decision-making with municipal government approval.
- **Public-Private Partnerships:** Many countries utilize formal PPP frameworks at the municipal level for infrastructure projects and service delivery, which institutionalize the private sector’s role in local governance.

There are also public-private partnership models, in other countries, such as the 'Business in the Community' (BITC) in UK. While both the BITC model and the ISED 'Udyami Panchayat' model aim to integrate business interests with societal wellbeing, they differ significantly in their structural approach, primary drivers, and relationship with governance. BITC generally follows a top-down influence model, where large businesses leverage their resources to solve societal issues like the ethnicity pay gap or climate change. ISED's 'Udyami Panchayat' is a bottom-up democratic model that empowers the smallest entrepreneurs to influence local government spending and resource allocation. The BITC model emphasizes the duties of a business to be a "force for good" through voluntary initiatives.

How does the ISED Model Stand out? The ISED model emphasizes the rights of MSMEs to have a seat at the table in the democratic process, viewing them as essential partners in local planning rather than just donors to community causes. While BITC consults with the government on policy (e.g., ethnicity pay reporting), it remains a private-sector-led network. The 'Udyami Panchayat' is envisaged as a formal government-recognized platform where entrepreneurs meet within the local state machinery to resolve grievances and propose development projects. The ISED 'Udyami Panchayat' model is a pioneering Local Economic Development (LED) strategy tailored for developing economies, ensuring that the MSME sector—often the largest employer—has a formal, productive voice in grassroots democracy.

14

ISED's Aero-City Model: Your Handbook for Logistics-driven Growth

Cities, today, compete fiercely against each other for a share of mobile capital, investments, and jobs in a globalized economy, and 'Place marketing' and branding have become new strategic approaches. The modern concept of an "entrepreneurial city" is a theoretical framework in urban studies that describes a style of urban governance where local authorities actively pursue innovative strategies to enhance their economic competitiveness and attract investment, often through public-private partnerships and place marketing. The concept, in essence, is a city that proactively markets itself, manages like a business, and builds its future around entrepreneurial activity rather than relying solely on traditional state-led welfare or industrial models.

From 'Clusters' to 'Entrepreneurial City'

How does it differ from another collective efficiency strategy today: industrial clusters? Essentially, a 'cluster' is a specialized component, whereas an 'entrepreneurial city' is the vibrant system that nurtures many such components. In the context of contemporary urban and economic development, the distinction between an 'Entrepreneurial City' and 'Industrial Clusters' centres on their primary driving forces and structural origins.

'Entrepreneurial City' is a market-driven model. It is a "tactical response" to external economic

pressures and resource limitations. It functions as a self-organizing system where clusters emerge over time from the independent activities of entrepreneurs reacting to market demands. In this model, the city itself acts as an entrepreneurial entity, using innovative strategies and flexible, real-world tactics to

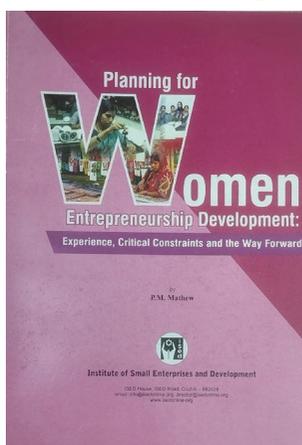
increase its economic value and competitiveness. Industrial clusters, however, is a policy-driven model. Historically, many industrial clusters are entities shaped by state regulations and deliberate government interventions aimed at correcting regional inequalities or fostering development in underdeveloped areas. These are often formal "agglomerations of interconnected companies" supported by dedicated public institutions, such as business associations or training providers, mandated by specific policy frameworks. The 'Entrepreneurial City' model prioritizes flexibility and active style. Its growth is tied to the "entrepreneurial atmosphere" and the ability of human agents (entrepreneurs) to catalyse resource production and flow.

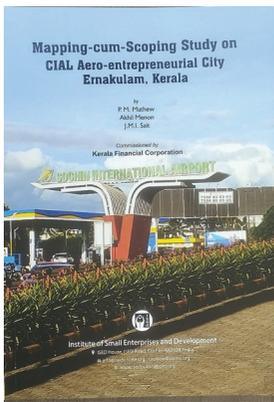
The governance of 'Entrepreneurial City' shifts from traditional public administration, toward a model that rewards innovative entrepreneurs and brands the city to attract global investment. In the case of Industrial Clusters, the focus is on area development and regional planning. While policies aim to reinforce cluster strengths, they often struggle to trigger the "high-growth" entrepreneurship seen in self-organizing market models.

Aero-Entrepreneurial City: the ISED Model

Aero-entrepreneurial city is a logistics-driven growth model. It refers to an economic or business strategy where the optimization of the supply chain—transportation, warehousing, and distribution—is the primary engine for increasing revenue, competitiveness, and overall market value. In modern business, logistics has transitioned from being a "behind-the-scenes" cost center to a strategic growth driver.

The ISED conceptualisation of 'entrepreneurial city' is based on an integrated view of all opportunities around airports as major investment projects. The Institute promotes a strategic approach to urban and regional development, moving beyond traditional





planning models, to one where entrepreneurship is the core driver of growth.

There is a growing emphasis, today, on faster, high-value logistics (like air freight for e-commerce), a radical shift away from roads and railways to airways. It's more about diversification and optimization, with huge investments in rail (like

India's freight corridors) and road infrastructure (like GST for smoother goods movement), aiming for a balanced, multimodal system to reduce road congestion, costs, and emissions, with air cargo handling critical niche roles for speed.

ISED pioneered the concept of 'Aero-entrepreneurial city', in the context of a project that was initiated in the context of the Cochin International Airport (CIAL). This project identified a broad shelf of opportunities

surrounding the airport, demonstrating the practical application of the concept. The Project was founded on the following principles:

- **Challenging the 'Bypass Model':** ISED has questioned development models that rely heavily on the services sector or external remittances (referred to as the "Bypass Model" in the context of Kerala), arguing that such approaches are unsustainable. The Institute advocates for a strategic approach with "inclusive entrepreneurship development" as its focal point.
- **Integrating SMEs into Core Strategy:** A key contribution is the argument that MSME policies should not be stand-alone but integrated into the key growth strategies of a city or region. This involves recognizing the vital role of the private sector, particularly SMEs, in job creation and economic vitality.
- **Policy Advocacy:** ISED actively participates in policy dialogues, making key recommendations for a strategic shift in MSME policy from populist to pragmatic approaches. This includes emphasizing the role of the "entrepreneurial state" in encouraging innovation and risk-taking, which leads to the creation of "growth machines" through various development projects. The specific concept of an "Aero-entrepreneurship City" was mooted in response to changing global logistics and urbanisation patterns.
- **Shifting Economic Hubs:** Acknowledging the decline in the relevance of traditional port-enclave development, ISED highlights that airports and airways now occupy a central space in the global logistics map. The concept is built on the premise that this shift implies new roles and opportunities for entrepreneurship development, using airports as focal points for economic activity. It moves beyond just the traditional "aerotropolis" idea to a more integrated entrepreneurial ecosystem.

In essence, ISED's contribution lies in providing a knowledge-based, strategic framework for urban development that places enterprise and entrepreneurship at the centre of sustainable economic growth, specifically adapting this to the modern context of air travel and logistics hubs.

Box: 1. Union Budget 2026-27 & ISED Recommendations



The Union Budget 2026-27 carries a new programme of "City Economic Regions (CERs). The objective of the programme is to further amplify the potential of the cities to deliver the economic power of agglomerations, by mapping them on spatio-economic grounds, based on their specific growth drivers. While the Union finance Minister envisages this on a 'challenge mode', the details of the new programme are awaited. ISED has already developed an approach and basic framework through the 'ISED Aero Entrepreneurship Model'. The Institute's articulation of the model is alignment with its new paradigm of 'Hubanomics', just-in-time production and rapid urbanization, the ISED Aero-City' Model envisages a new role and opportunities for entrepreneurship development with airports as focal points (For details, ISED, 2024). With the announcement of the Finance Minister, the conceptual framework, as developed by the Institute, opens up new opportunities of exploration at the national level.

Bridging the Insurance Divide: ISED's Globally Relevant Model

The Insurance sector, in India, is expected to grow at a CAGR of roughly 6.4% to 7.1% through 2025 and beyond. SMEs are a critical strategic sector for the insurance industry today, due to their massive untapped market potential, their role as a global economic backbone, and the emergence of digital technologies that finally make serving them profitable. For insurers that successfully enter this segment can contribute up to 30% of total profits. 'Embedded Insurance' is an emerging trend that offers opportunities. Coverage is increasingly being bundled into accounting software, e-commerce sites, and payroll systems, creating seamless "point-of-need" distribution. India has a significantly huge base of micro enterprises. However, their insurance penetration remains astonishingly low. Such a situation is not good from the angle of "enterprise security".

ISED Centre for Financial Education and Research finds some important reasons for the huge untapped insurance potential of SMEs. MSMEs often require "bite-sized" or micro-insurance products with low premiums. For traditional insurers, the administrative cost of acquiring and servicing these small accounts often exceeds the margins. A significant portion of MSMEs operate in the unorganized sector and are geographically dispersed beyond major metros, making them expensive to reach through traditional agency models.

Scope & Business Case

SME insurance involves several types designed to protect these enterprises from various financial losses and legal liabilities, such as for purposes like protecting physical assets, covering legal claims from third parties, ensuring business continuity during disruptions, and safeguarding employee well-being. In the context of SMEs, insurance serves as a financial safety net to protect capital, ensure business continuity, and fulfil legal obligations. The common types of SME insurance

include, commercial property and fire insurance, liability insurance, business interruption insurance, employee protection, cyber liability insurance, commercial auto insurance, marine and transit Insurance, and specialized coverage, including directors and officers (D&O) insurance to protect leadership from personal liability for managerial decisions and trade credit Insurance to secure cash flow against unpaid invoices. In India, insurance categories relevant to SMEs are handled by a mix of public sector giants, major private insurers, and specialized digital-first "insurtech" companies, by eleven companies.

'Protection Gap' is a key problem and opportunity for the insurance industry. In markets like India, less than 3% of the 63 million MSMEs have insurance, presenting a massive growth opportunity for early movers. Insurers view SMEs as strategic because their survival directly impacts national economies. Unlike large corporations with deep cash reserves, SMEs are more susceptible to shocks like fires, cyberattacks, or supply chain disruptions. Insurance acts as a "resilience catalyst" by enhancing an SME's creditworthiness, making banks more willing to lend for further growth.

Products from the Life Insurance Corporation of India (LIC) support SMEs primarily by addressing human capital risks and providing financial security for business continuity. Through Key man Insurance, it protects the business against the loss of vital individuals (partners, directors, or specialized experts). Offering life coverage, such as Group Term Insurance, acts as a powerful employee benefit, enhancing commitment and reducing turnover costs. LIC's group schemes help SMEs manage statutory obligations, gratuity and superannuation by creating dedicated investment corpuses. Policies can facilitate a smooth transition if an owner dies and provide funds to repay outstanding business debts, preventing financial collapse. A life insurance policy is often accepted as security for commercial

loans, providing SMEs with easier access to liquidity. Specifically designed for very small enterprises, these plans offer a low-cost blend of insurance and investment.

SMEs are now primary targets for newer risks, making specialized coverage essential. With 2026 seeing increased digital payments, cyber insurance has become a must-have for SMEs to recover from ransomware and data breaches. Rising environmental volatility has driven demand for business interruption and property insurance tailored for small-scale manufacturers and retailers. Despite the massive economic potential of India's 6.3 crore (63 million) MSMEs, insurance companies remain cautious due to several structural and behavioural hurdles. Estimates suggest that less than 5% of MSMEs are meaningfully insured.

Many MSMEs lack formal credit histories or real-time operational data, making it difficult for insurers to accurately underwrite risks. Though smaller businesses are more vulnerable to diverse risks, historically, products were designed for large corporations. With a shift toward modular, industry-specific plans (like surety bonds), many MSMEs still find standard policy language too complex to understand. Commission caps and low margins on small-value policies discourage agents and brokers from actively pursuing the MSME segment. Here lies the role of 'knowledge brokers', as a kind of powerful intermediaries

The sector is currently undergoing a "digital-first" transformation. New platforms are embedding insurance into existing tools (like payroll or warehouse software) to reduce acquisition costs. The IRDAI has introduced the "use-and-file" regime in 2025, allowing companies to launch modular, affordable plans for underserved segments within weeks rather than months.

MSMEs in India, are slow in adopting insurance coverage due to a combination of financial constraints, a lack of awareness regarding specific risks, and fundamental structural issues within their businesses. With only about 3% of 62 million MSME business owners having insurance, insurers expect to significantly increase penetration by raising awareness and offering accessible products. Their expectations relate broadly to five areas, such as, Increased uptake of diverse policies, adoption of

digital platforms, better risk management practices, demand for tailored & affordable products, and Improved awareness and transparency.

The ISED Advantage

The Institute of has been pioneering a unique engagement model with the Indian insurance sector to address this critical gap. The ISED acts as a specialist development support organization, working to bridge the gap between financial institutions (including insurance companies) and the MSME sector. The core of the challenge lies in a fundamental market mismatch. Insurance companies recognize the immense potential and valuable aggregate risk profile of the SME sector. However, the relatively small average size of individual SMEs makes direct, one-on-one engagement economically unviable for large insurers. This "missing middle" problem leaves a vast number of small businesses inadequately protected against various risks, from property damage to business interruption, thereby increasing their vulnerability and hindering stable growth.

ISED's Inclusive Partnership Model

ISED's engagement model presents a globally relevant solution by acting as a crucial bridge between the formal financial sector (insurance companies) and the real economy (SMEs). The model focuses on aggregation, information symmetry, and a cluster-based approach to make the sector 'visible' and accessible to large financial institutions.

Key pillars of this innovative partnership include:

- **Collective Efficiency:** ISED works to cluster SMEs, creating a larger, more attractive risk pool for insurers. This collective approach overcomes the individual size constraint and reduces the transaction costs for insurance providers.
- **Knowledge Resource & Advocacy:** ISED serves as a vital knowledge institution, providing data, research, and policy analysis on the MSME sector. This information helps insurers better understand the specific needs and risk profiles of different enterprise clusters, enabling the design of tailored insurance

products.

- **Building Trust and Awareness:** The Institute leverages its deep connection with the entrepreneurial community and various industry associations to build trust and educate SMEs on the importance and availability of insurance products. This addresses the information gap on the demand side, which is often a major barrier.

Benefits to Insurance Companies

This ISED-led model is not merely a theoretical framework; it is a practical application of bridging policy and practice to achieve inclusive growth. By facilitating access to formal insurance, the initiative enhances the resilience and sustainability of SMEs, which in turn strengthens the entire economic ecosystem. It offers a powerful example of how a collaborative approach, involving research institutions and the private financial sector, can unlock the potential of the real economy. ISED, as a specialist institution, works with stakeholders in the MSME ecosystem to bridge the insurance protection gap and promote financial inclusion. ISED's contributions involves:

- **Aggregating Demand:** By working with ISED, insurers can reach a consolidated market of SMEs, reducing individual acquisition costs, and making the segment more commercially viable.
- **Research and Data Analysis:** ISED, through initiatives like the annual India MSME Report by the ISED Small Enterprise Observatory (ISED-SEO), provides critical data and insights into the MSME sector's challenges and needs, including the state of insurance penetration and inclusion. This research informs government bodies and insurance companies in designing effective policies and products.
- **Awareness and Education Campaigns:** ISED likely collaborates on or spearheads educational initiatives and workshops to inform MSME owners about the importance of formal risk management and available insurance options, addressing the common problem of low awareness and misconceptions.
- **Policy Advocacy and Recommendations:** As

an expert institution, ISED uses its research findings to advocate for supportive policies and regulatory reforms from bodies like the Insurance Regulatory and Development Authority of India (IRDAI) that facilitate the development of affordable and accessible insurance products for small enterprises.

- **Facilitating Stakeholder Dialogue:** ISED acts as a bridge between MSMEs, financial institutions, and insurance providers, encouraging collaboration to create a more supportive ecosystem. This includes highlighting the need for simplified product offerings and seamless claims processes to build trust.
- **Developing an Insurance Inclusion Index:** Research conducted by ISED fellows or in collaboration often aims to develop metrics, such as the Insurance Inclusion Index, to measure and rank the level of insurance penetration across States, identifying areas for focused intervention and tracking progress toward national financial inclusion goals. ISED significantly contributes to insurance inclusion in India by addressing the foundational barriers of awareness, accessibility, and affordability within the MSME sector:
- **Highlighting the Protection Gap:** ISED's research and reports highlight the massive insurance under-penetration among MSMEs (only 3-5%) and the potential risks they face. This data serves as a call to action for insurance companies and regulators.
- **Promoting Insurance as a Risk Mitigation Tool:** Through its advocacy and BDS programs, ISED educates entrepreneurs on how insurance can provide a safety net following a loss, thus ensuring business continuity and contributing to socio-economic stability.
- **Informing Policy Design:** The Institute's work informs government and regulatory bodies like the Ministry of MSME and the IRDAI, helping to shape supportive policies and schemes, such as the Kerala government's initiative to reimburse a portion of the insurance premium for MSMEs.
- **Enhancing Access to Financial Services:** By improving MSME's overall financial robustness

Box.1. Shifting Gears: Need for a Specialized SME Insurance Regime

Heading into 2026, India's SME insurance landscape is undergoing a critical, structural evolution from a purely volume-driven approach to one focused on value-driven scope. Despite the sector's economic significance, over 85% of India's 66 million+ MSMEs remain underinsured, creating a massive protection gap. To bridge this, insurers are facing a dual mandate: designing tailor-made, specialized products—such as parametric coverage for climate shocks and cyber insurance—and scaling their market adoption. While "insurance inclusion" aims to increase the sheer number of covered enterprises through digital-first accessibility, "insurance innovation" focuses on creating nuanced, risk-appropriate products. In this evolving ecosystem, Knowledge Brokers act as the crucial link, leveraging AI-driven insights to transform raw data into customized risk management strategies. To move beyond 15% penetration, the future demands not just digital adoption, but a shift toward personalized, transparent coverage that directly addresses the unique operational vulnerabilities of Indian MSMEs.

and creditworthiness through risk mitigation awareness, ISED indirectly enhances their access to a wider range of financial services, including insurance.

Bridging the Divide

ISED functions as a crucial knowledge partner and development facilitator, working to create an ecosystem where insurance is understood as an

essential component of a sustainable and resilient MSME sector.

This partnership is a blueprint for other developing economies looking to formalize and secure their vast informal and small enterprise sectors, demonstrating that with the right intermediary and innovative approach, even the most challenging market segments can be effectively engaged.

The MSME sector is widely recognized as a critical engine for economic growth and employment generation, both in India and globally. Yet, a persistent challenge for this vital sector is gaining adequate access to finance and risk mitigation tools, particularly insurance. While insurance companies view SMEs as a valuable aggregate segment, they often struggle to engage them individually due to their relatively smaller average size and perceived administrative complexities. ISED's engagement with India's insurance sector presents a unique, globally relevant model for effectively bridging the financial and real sectors to promote SME resilience and growth. This partnership is critical in today's dynamic economic landscape, addressing a long-standing gap in the SME ecosystem.

This pioneering approach demonstrates how institutional collaboration can transform perceived challenges into opportunities. By connecting the formal financial sector with the grassroots realities of small enterprises, the ISED model not only promotes financial inclusion but also strengthens the overall resilience and competitiveness of India's vast SME sector on a global stage.



16

Development Finance: Making it Ubiquitous, Keeping it Impactful

India's financial landscape for MSMEs is anchored by key development institutions such as the NABARD, SIDBI, Exim Bank and the SFCs. Based on its ground level experience, ISED consistently demonstrates, effective development financing requires more than just capital; it demands a robust ecosystem of knowledge creation, skill transfer, and targeted advisory services. ISED's forte is this practice-driven approach.

'Development Finance' needs to be an ubiquitous culture to ensure its impact for the SME constituency and for entrepreneurship development, in general. It must move beyond being a passive, isolated function (an "institutionalised widow") and become an active, pervasive part of the entire business ecosystem to effectively support the growth of SMEs; this involves making financial accessibility, literacy, and support into an integrated whole.

Ubiquitous development finance, through diverse instruments and digital solutions, directly mitigates the usual SME credit accessibility barriers, and to enhance productivity, innovation and reach. The imperatives, therefore, relates to five key areas:

- **Diversify financing channels:** Expand beyond traditional bank loans to include alternative options like microfinance, peer-to-peer lending, crowdfunding, and venture capital, tailored to specific SME needs.
- **Technology Leverage:** Utilize digital finance platforms to streamline lending processes, reduce costs, improve efficiency, and overcome geographical barriers.
- **Enhance financial literacy:** Beyond the usual 'supply-side' version of "financial literacy", enhance the capacity of both the borrowers and the lending officials simultaneously. Institutionalisation can often help to achieve 'scale'; but, understanding of the MSME 'scope' is a special skill, which, the DFI personnel, in many cases, fall short of.

- **Strengthen institutional support:** Develop supportive regulatory frameworks and strengthen the capacity of financial institutions to effectively serve the SME sector.
- **Foster collaboration:** The DFIs need to work as a major connecting link of a larger stakeholder network, with respect to addressing adequacy, availability, and congruence issues.

The Missing Link

The DFIs rationalise their role in relation to a perceived long-term structural change. The gap between policy intent and ground-level impact often lies in non-financial barriers: lack of entrepreneurial capacity, inadequate market intelligence, and an inability to navigate complex policy environments.



The work of ISED provides the essential "market support structure" that builds SME competitiveness and ensures that financial interventions by DFIs and SFCs yield maximum impact. Institutional finance in India has historically operated as supply-side financing, where credit availability and terms are determined primarily by the institutional frameworks and risk perceptions of lenders rather than the specific needs of borrowers. Because these institutions are often governed by rigid regulatory mandates and long-standing internal perceptions, structural changes tend to occur slowly. ISED advocates this problem of inertia to be addressed through a paradigm shift through a dual policy: 1) focus on responsible finance as a policy approach; and 2) 'Finance Park' as a structural framework, that is capable of bringing in convergence and just-in-time policies.

The Engagement Model of ISED

The core of ISED's methodology involves rigorous research and converting that research into actionable knowledge resources and training programmes. This knowledge forms the bedrock upon which successful DFI and SFC initiatives are built. ISED has significant experience in designing and implementing EDPs, meant for nurturing first-generation entrepreneurs, a key constituency for institutions like SIDBI and NABARD, ISED conducts extensive contract research and independent studies that provide granular insights. Studies and organisational support for REDPs undertaken for SIDBI, NABARD and SFCs provide district-level intelligence necessary for targeted lending and promotional activities. Comprehensive REDA reports, such as the Gujarat MSME Report, Tamil Nadu MSME Report, and the Kerala Enterprise Development Report, analyse local dynamics, highlight development gaps, and propose strategic, inclusive entrepreneurship models. Detailed feasibility studies, such as the Aero-entrepreneurship City Project for the Kerala Financial Corporation (KFC), help SFCs evaluate niche, high-potential investment opportunities.

Beyond such regional and sub sectoral studies, ISED participates in high-level policy dialogue, including serving as an expert member on the Reserve Bank of India's Standing Advisory Committee on SSI Credit Policy, and various official committees of the Government of India. This ensures that ground-level realities of MSMEs are channelized into national policy formulation.

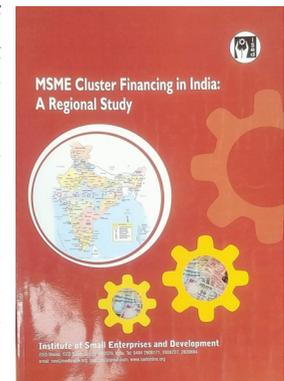
ISED has a proven track record of collaborating with major financial and promotional institutions at both national and State levels commercial banks, DFIs, NBFCs, MFIs, and official institutional for a such as SLBC and the RBI network. The Institute's unique value proposition lies in its integrated approach, where knowledge and research inform actionable development strategies. The ISED Small Enterprise Observatory serves as a permanent knowledge hub, providing vital information to stakeholders.

ISED offers a range of business development services (BDS), including entrepreneurship training, mentoring, business up-scaling packages, and management training. These non-financial services are critical for building the human capabilities necessary for successful enterprises. It provides customized

consulting and policy advice to government ministries, international organizations, and financial institutions. Its experts serve on various committees, including those for the Planning Commission and the Reserve Bank of India, ensuring its field-level insights influence top-tier policy formulation. The very essence of development financing requires a strong ecosystem of knowledge creation, skill transfer, and advisory services. ISED's activities bridge the gap between policy and practice, providing essential non-financial support that enhances the effectiveness of DFI interventions.

Conclusion

The experience of ISED underscores a critical realization: for DFIs to achieve sustainable impact, financial capital must be synergized with robust knowledge and capacity building. ISED's model, which combines research, training, and policy advocacy, provides a powerful template for how knowledge institutions can be strategic partners to financial institutions, driving holistic and inclusive economic development. The symbiotic relationship between ISED's knowledge-based support and the financing mechanisms of NABARD, SIDBI, and SFCs is clear. By providing the intellectual infrastructure—knowledge, skills, and advisory capacity—ISED helps de-risk investments, enhance entrepreneurial success rates, and ensure that development finance achieves its ultimate goal: sustainable economic development through enterprise. This integrated approach is essential for building a resilient and inclusive economy for the future.



17

Crafting an Entrepreneurial Civil Society: The ISED Model

In many countries, civil society action for promoting enterprise and entrepreneurship is a rare phenomenon, with such roles largely performed by government agencies. India has historically followed a similar path, with extensive government initiatives driving industrial development. However, the ISED stands out as a unique institution fully devoted to fostering entrepreneurship through a civil society-led, knowledge-based approach. Driven by the motto, “sustainable development through enterprise,” the Institute identifies its core role as a development support organisation, focusing specifically on MSMEs as the seedbed of entrepreneurship.

ISED as Pioneers

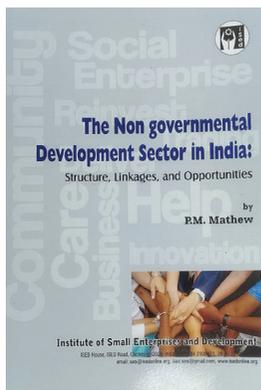
ISED distinguishes itself by adopting a holistic, knowledge-centric, and community-integrated approach that complements, rather than simply replicates, government efforts.

- Knowledge-Based Action and Research: ISED functions as a premier knowledge institution and a think-tank, with the ISED Small Enterprise Observatory (ISED-SEO) at its core. Its programs are anchored in robust, independent research on how entrepreneurs are born, their economic contributions, and how public policy affects their growth. This research-based understanding allows for intelligent interventions and the creation of models for enterprise development, many of which have influenced national and state-level government schemes, such as the Ambedkar Hasthkala Vikas Yojana(2001) and the Kudumbashree model(1997) in Kerala.
- Integrated Business Development Services (BDS): ISED provides a wide array of non-financial BDS to entrepreneurs, especially those who cannot afford market rates. These services go beyond mere setup assistance to include:
 - ◆ Mentoring and training: Skill development and start-up programmes for youth and potential entrepreneurs.
 - ◆ Advisory and policy support: Offering expert advice to entrepreneurs, financial institutions, and government bodies on project development, marketing solutions, and finance.
 - ◆ Non-commercial business development services (NCBDS): Channelizing world-class services to Indian MSMEs through its international networks.
 - Focus on Collective Efficiency and Networking: ISED practices “collective efficiency,” believing that networking and institutional initiatives are crucial for enterprise development. It works with a wide range of stakeholders, including government agencies, financial institutions, business associations, media, and other non-governmental actors, to ensure that the fruits of policy reach the grassroots level. This collaborative approach helps pool experience and enables the articulation of SME needs to policymakers.
 - Targeted Cluster Development: ISED has made a unique mark in cluster development by focusing on modeling programs for replication by other agencies. It has designed and implemented specific cluster development initiatives, such as programs for the traditional beads-making craft and collaborations with the Coconut Development Board, to promote specific sectors and regional development.
 - Development Communication: Through platforms like the India MSME Communication Programme (IMCP) and the ISED Small Enterprise Observatory, the institute effectively communicates the concerns of the small enterprise constituency and shares vital information with the public and media,

enhancing self-analysis and advocacy within the entrepreneurial community.

In essence, ISED fills a crucial gap by demonstrating that a civil society institution, grounded in knowledge creation and strategic interventions, can be a powerful catalyst for enterprise and entrepreneurship, working both independently and in concert with government bodies to foster sustainable and inclusive economic development.

The ISED Way: Pioneering Civil Society Action



ISED recognizes that human capabilities and creativity are the true engines of economic growth and that the private enterprise sector, particularly MSMEs, is the fulcrum of this development. ISED carves out a distinct role for civil society by acting as a “development support organisation” that bridges the gap between policy

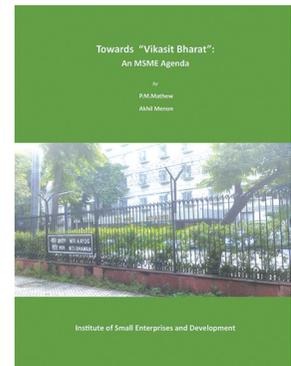
formulation and grassroots implementation.

- Knowledge Creation and Research: ISED anchors its programs on an evidence-based knowledge base. It conducts independent and commissioned research on the dynamics of MSMEs, public policy impacts, and emerging business opportunities, which informs its on-the-ground action and advocacy.
- Non-Commercial Business Development Services (NCBDS): Recognizing that many small entrepreneurs cannot afford market-rate services, ISED provides a “special window” for non-commercial services. This includes a wide array of support, such as start-up assistance, business plan preparation, marketing solutions, and financial information.
- Modelling and Piloting Innovative Programs: The Institute designs and field-tests

scalable models for entrepreneurship development that can be replicated by government and other agencies. Examples include:

- ◆ The Urban Micro Enterprise Development Program (UMEDP): A model piloted with the Cochin Corporation for the urban poor.
- ◆ Rural Entrepreneurship Development Programs (REDPs): Initiated jointly with institutions like NABARD and SIDBI, some of which have shown exceptional success rates.
- ◆ Craft Cluster Development: Working with the Ministry of Textiles, ISED developed a model that led to the Ambedkar Hasthkala Vikas Yojana, reorganizing traditional crafts under producer associations.
- Advisory Services and Policy Advocacy: ISED works closely with various stakeholders, including government ministries, planning bodies (like the erstwhile Planning Commission and State Planning Boards), financial institutions, and business associations, to ensure that policies are shaped by real-life experience.
- Networking and Linkages: The Institute believes in ‘collective efficiency’ and fosters networks among entrepreneurs, the academic world, media, and other civil society actors. This collaborative approach helps pool experience and ensures that the benefits of policy reach the common person.

By integrating research, direct professional support, and policy advocacy, ISED demonstrates that civil society can be a powerful, independent force in fostering a sustainable enterprise culture in India, an area where governmental action has traditionally been dominant.



Gender in Entrepreneurship: From ‘Welfare’ to ‘Economic Opportunities’

Women’s entrepreneurship development has evolved from a marginal topic into a critical driver of sustainable, inclusive, economic growth and social transformation, making its theoretical and practical understanding essential for modern development agendas. In theory, fostering women’s entrepreneurship addresses profound gender inequities by providing a pathway to economic independence, unlocking untapped potential, and challenging traditional, restrictive social roles. In practice, evidence shows that empowering women entrepreneurs leads to significant job creation, higher household income, and increased investment in education and health, and greater industry diversification, particularly in emerging economies. Therefore, this Handbook aims to bridge the gap between academic perspectives—highlighting the “glass ceiling” and the need for structural change—and actionable, on-the-ground, gender-specific support strategies.

The Need for a Paradigm Shift

Historically, “Women Entrepreneurship Development” was often siloed as a social justice or poverty alleviation tool, often limiting women to low-scale, subsistence-level micro-activities. Governmental and non-governmental interventions have primarily focused on poverty alleviation, self-employment, and skill training, treating women-owned enterprises as a tool for financial inclusion rather than a primary engine of economic growth. From the point of view of entrepreneurship development, a financial inclusion approach, essentially has the effect of “putting the cart before the horse”. as it has been proved in the case of the SHG movement. While SHGs have often contributed to ‘social empowerment and social capital formation’, such contributions have not been matched with creation of entrepreneurial capabilities. A good example is the “supply-side” approach to microfinance—focusing merely on providing credit (the cart) rather than first ensuring

the capacity to generate sustainable revenue (the horse).

ISED, through its long-standing research agenda, has argued for a radical shift—a shift from ‘women entrepreneurship development’ to ‘Inclusive Entrepreneurship’. This approach views women not as beneficiaries of welfare but as a huge, untapped economic potential, acting as drivers of innovation and sustainable livelihoods.

The ISED Approach: “Genderpreneurship” as Economic Opportunity

ISED’s contribution lies in introducing “Entrepreneurship” as an innovative, mainstream concept within the gender discourse, often termed as “Genderpreneurship”. This involves a paradigm shift, from treating women’s enterprises as “subsistence units” to viewing them as “growth-oriented, productive enterprises”. It also recognizes women not just as a distinct segment needing handholding, but as a crucial part of the total system of industrial development and economic growth. This approach also merits consideration for the focus on unlocking “Bottom of the Pyramid”(BoP) opportunities, and for acknowledging that women entrepreneurs are critical to discovering new market opportunities at the base of the economic pyramid.

ISED has introduced an innovative framework that situates women as central, rather than peripheral, to the broader entrepreneurial ecosystem. This shift is defined by three core pillars:

- **Integrated Economic Role:** Rather than viewing women’s development as a specialized “welfare” track, ISED treats it as unharnessed reservoir of economic potential. This approach recognizes that achieving a less gender-discriminant growth pattern is vital for unlocking India’s full industrial and enterprise capabilities.
- **Capability over Category:** ISED distinguishes

between a physical “enterprise” and the abstract “entrepreneurship” (a capability). By moving beyond simple business ownership counts, the Institute focuses on nourishing specific entrepreneurial traits—achievement motivation, risk-taking, and strategic leadership—ensuring women are seen as “real entrepreneurs” rather than just “small business owners”.

- **Structural Mainstreaming:** The concept of “Genderpreneurship” challenges the efficacy of isolated programs. It advocates for an ecosystem where women can access the benefits of all entrepreneurship support schemes, ensuring they are integrated into high-growth sectors like technology and manufacturing rather than remaining restricted to “women-friendly” crafts.

Key Initiatives and Impact

ISED has implemented this shift through several strategic actions, such as, gender-sensitive research, “right to enterprise” framework, action research on women-dominant subsectors, such as craft clusters, and through a critique of the “Bypass Model” of women entrepreneurship. The ISED Small Enterprise Observatory has consistently produced evidence-based reports that analyse the socio-cultural, educational, and legal barriers to women’s entrepreneurship, advocating for policy reforms. Together with partners like Kanjikode Industries Forum and media houses such as ‘News18’, ISED championed the “Right to Enterprise” concept, ensuring that women have equal access to resources and recognition as entrepreneurs. Recognizing the women-dominant nature of rural crafts, the Institute developed models to transition these traditional, low-income activities into organized, high-potential enterprises.

By reframing women’s economic participation as a huge potential opportunity for the nation, ISED has provided a new vocabulary for policymakers.

This transition ensures that support systems are designed to foster sustainable, far-reaching ventures that contribute to GDP and job creation, rather than just short-term individual livelihoods.

Redefining the Entrepreneurship Ecosystem

The ISED contribution also emphasizes that the “system” itself needs to change to facilitate this shift in relation to three areas, such as, from subsidies to support services, addressing gender constraints, entrepreneurship as an attitudinal shift: moving beyond financial subsidies toward providing holistic Business Development Services (BDS) that include technology, marketing, and mentorship. ISED studies highlight that the low participation of women is not just a lack of skills, but a result of systemic, structural barriers that require policy-level intervention. The Institute believes that fostering entrepreneurship is about nurturing a, ‘can-do’ attitude in society, creating a culture where women can thrive as innovators.

Looking Ahead

The future of MSME growth in India lies in bridging the gender gap. By repositioning women as key economic actors and “Genderpreneurship” as a core pillar of economic strategy, ISED is contributing to a more sustainable, inclusive, and productive economic future. The Institute’s research and advocacy have transformed the narrative: from helping “the weaker gender” survive, to empowering a critical economic constituency to lead. ISED interventions in the subject area recommend shifting from a “welfare” approach to “genderpreneurship” by implementing a “Right to Enterprise” framework, establishing national auditing systems, and providing Non-commercial Business Development Services (NCBDS) to foster high-growth women-led ventures. Key strategies in this regard include, allocating dedicated funding for medium-scale expansion, promoting access to general support schemes, and utilizing data-driven monitoring to overcome gender-specific structural barriers.

SELECTED BIBLIOGRAPHY

- British Executive Services Overseas (2003): BESO Annual Review (London, BESO).
- Chakrabarty, K.C (2010): Bank credit to Micro, Small and Medium Enterprises (MSMEs) – present status and way forward(Mumbai, Reserve Bank of India)
- FICCI (2014): MSME Definition in India: The Present State & the Imperatives (New Delhi/Cochin, ISED/ FICCI).
- FICCI (2016): Propelling MSME Growth: Ways & Means (New Delhi, FICCI/ Institute of Small Enterprises and Development).
- Government of Gujarat (2011): Vibrant Gujarat Small & Medium Enterprises Convention: Speaker Profiles (Gandhinagar, GIDC).
- Government of Gujarat (2013): Gujarat Micro, Small & Medium Enterprise Report 2013(Gandhinagar/ Cochin, Department of Industries & Mines/ ISED).
- Government of India (2001): Pravin Visaria Committee on Unorganized Manufacturing (New Delhi, Ministry of Statistics & Programme Implementation)
- Government of India (2007): Analytical Report on Survey Capabilities of Private Agencies(New Delhi, Ministry of Statistics & Programme Implementation)
- Government of India (2017): Report of the One-Man Committee for a National Policy for Micro, Small & Medium Enterprises (New Delhi, Ministry of MSME).
- Government of India(2002): Report of the Study Group on Development of Small Enterprises(New Delhi, Planning Commission).
- Government of India(2012): Report of the Working Group on MSME Growth for Twelfth Five Year Plan(new Delhi, Planning Commission).
- Government of India/ISED(1990): Understanding Informalism: an Inquiry into Some aspects of Industrial Development of Kerala(New Delhi/Cochin, Planning Commission/ISED).
- Government of Kerala (2002): Database of the Kerala Economy,(Ed. P.M.Mathew),(Trivandrum, State Planning Board/ISED).
- Government of Kerala/ISED (2016): Kerala Enterprise Development Report 2016(Trivandrum/Cochin, Department of Industries & Commerce/ISED).
- Government of Punjab (2020): The Punjab Right to Business Act 2020(Punjab Act No.1 of 2020)(Chandigarh, Government of Punjab).
- Government of Tamil Nadu/ISED (2018): Tamil Nadu Micro, Small & Medium Enterprises Report 2018(Chennai/Cochin, ISED/ Department of Micro, Small & Medium Enterprises).
- INBAR (1998): The Bamboo Economy of Kerala, India: an Analysis of the Production to Consumption Systems (Beijing, INBAR).
- Institute of International Education (IIE)(2002): PMI Global Leadership Conference(New York/Cairo, IIE).
- International Trade Centre (2009): World Directory of Trade Promotion Organizations & Trade Support Organizations (Geneva, ITC).
- ISED (2005): international workshop on Entrepreneurship Development in the Renewable Energy Subsector in Asia (Cochin, ISED Small Enterprise Observatory).

ISED (2005); Small & Medium Enterprises in Local Economic Development: The Cochin Declaration (Cochin, ISED).

ISED (2016): A Manual for Labor Market & Skill Development Stakeholder Analysis (Cochin, ISED).

ISED (undated): India Micro, Small & Medium Enterprise Report (various issues).

ISED (1997): International Conference on Small Enterprise Development: The International Experience and Asia-pacific Imperatives (Cochin/ ISED/Cochin University of Science & Technology).

ISED (undated): India MSME Communication Programme: National Report (various issues) (Cochin, Institute of Small Enterprises and Development).

ISED (2002): The Handbook of Small Enterprises in Kerala (Cochin, ISED/ISED Small Enterprise Observatory).

ISED (2011): The Nongovernmental Development Sector in India: Structure, Linkages, and Opportunities (Cochin/New Delhi, ISED/Planning commission).

ISED (2018): Towards an 'Enterprise Security' System in India: Case for a National Enterprise Security Act (Cochin, ISED).

ISED (Undated): India Enterprise & Entrepreneurship in the States Report (various issues) (Cochin, ISED).

ISED/ NABARD (2016): Rural Services Sector in India: Structural Changes and Implications for Policy (Cochin/Mumbai, ISED/NABARD).

ISED/KFC (2024): Mapping-cum-Scoping Study on CIAL Aero-entrepreneurial City, Ernakulam, Kerala (Cochin/Trivandrum, ISED/Kerala Financial Corporation).

Kochi Municipal Corporation (2018): Budget Speech, 2017-2018 (Cochin, Kochi Municipal Corporation).

Mathew, P.M (2019): Planning for Women Entrepreneurship Development: Experience, Critical Constraints & the Way Forward (Cochin/Trivandrum, ISED/State Planning Board).

Mathew, P.M (2002): SME Policy in the 1990s; A study on India & the United Kingdom (Cochin/New Delhi, ISED? K.K.Birla Foundation).

Mathew, P.M (2018) Rural Enterprises in India: A Review, Rural India Perspectives, (Mumbai, NABARD/ Oxford University Press).

Mathew, P.M (2018): Small & Medium Enterprise Policy in the New Millennium: A Study on Developed & Emerging Economies (Cochin/New Delhi, ISED/ICSSR).

Mathew, P.M (2024): Business as usual is going to be too difficult; be too careful, Pride of Kerala, (Ed) Malayala Manorama

Mathew, P.M. & J.M.I. Sait (2016); Improving Ease of doing Business for MSMEs: A Review of Union & State initiatives in India (New Delhi/Cochin, FICCI/ISED)

Mathew, P.M Ed. (2000): Small Enterprise Development: The Experience of the South & the North (New Delhi, Oxford & IBH).

Philippe Cadene & mark Holmstrom (1998); Decentralized Production in India: Industrial districts, Flexible Specializations & Employment (London, Sage Publications)

Sait, J.M.I (2003): Enterprise Development for the Returning Migrants in Kerala, India (Cochin/ New Delhi, ISED/International Labour Organization).

Swiss Development Cooperation (1995): A Situational analysis of Small Industry Associations in India (New Delhi/Cochin (SDC/ISED)).

United Nations(2001): Directory of Trade& Investment Related Organisations in Asia & the Pacific, (Bangkok, ESCAP).

USAID/ISED(2005): Promotion of Entrepreneurship in the Renewable Energy Subsector in South Asia(Cochin/ New Delhi, ISED/USAID).

Various web links available.....

Testimony by Doyens...



"This report has a good understanding of the difficult socio-economic, cultural and political context of the SMEs. Having a balanced and nuanced perspective, it offers very useful analytical tool and typologies; naturally, it leads to some well-founded policy conclusions and suggestions for the way forward. All serious policy makers should read and inwardly digest them"

George B Assaf, Former UNIDO representative to the United Nations; spokesperson of the UNIDO, and of the Director General, UNIDO.

"The initiative of the ISED Small Enterprise Observatory is commendable. It immensely helps the Ministry of MSME to shape its policies, as also to review such policies from time to time..."

"Madhav Lal, Secretary, Ministry of MSME, Government of India.



Informed decision making and handholding are critical in ensuring MSME health...., The rich work of Institute of Small Enterprises and Development in this regard is commendable".

S.S. Mundra, Former Deputy Governor, Reserve Bank of India

Micro finance has to grow beyond its conventional borders. Enterprises having job creation potential outside the limited family circuit have to come up in large numbers. In this context, the rich work at the Institute of Small Enterprises and Development as also the ISED Small Enterprise Observatory are commendable.

Malcolm Harper, Professor Emeritus, Cranfield University, UK



The excellent global analysis of SME issues by ISED offer much lessons to other developing countries in the Commonwealth block and elsewhere".

Jose Maurel, Director, Commonwealth Secretariat, London

About ISED Impacts Handbook (1988-2026)

What does it take to build a resilient 'enterprise' culture? For four decades, India's MSME sector has undergone a radical transformation. This Handbook maps this journey, mirroring the evolution of the Institute of Small Enterprises and Development (ISED). This isn't just a corporate history; it's a breakdown of the mission and machinery behind a global movement.

While data on India's "Enterprise Pyramid" is notoriously scarce, this Handbook provides the missing links for researchers and policy-makers. The ISED Impacts Handbook offers an exclusive look into the engine room of India's MSME evolution. Step inside our vision, explore our methods, and discover how we are building a more inclusive, enterprising world. Data-rich and mission-driven, this book fills a critical gap in the study of India's "Enterprise Pyramid." Whether you're a long-time ally or a new supporter, learn exactly how we work—and how you can join us in shaping the future of entrepreneurship.

About Institute of Small Enterprises & Development (ISED)

Institute of Small Enterprises & Development (ISED) is an interdisciplinary Centre with 'Enterprise & Entrepreneurship' (E&E) as its forte. Besides its think-tank role, the Institute engages itself in strategy development, action projects, and advisory services to governments and international organizations. Established in 1988, it has several recognitions and accolades to its credit. Besides its participation in several expert committees of the Government of India and the Reserve Bank of India, the Institute's pioneering contributions to the E&E constituency have been duly honored with the Oshikawa International Award (Asian Productivity Organization, Tokyo), and the 'Global Leader in Small Business Promotion' Award (Institute of International Education, New York).



ISED

ISED House, ISED Enclave, ISED Road, Cochin-682 028, India

URL: www.isedonline.org | Email: seo@isedonline.org