

## Groundbreaking ISED Framework Demands “De-risking Strategy for MSMEs

**Cochin, India:** The Institute of Small Enterprises and Development (ISED) has launched a transformative regulatory framework, championing the concept of "Enterprise Security" to permanently alter how governments support Micro, Small, and Medium Enterprises (MSMEs). Rather than treating small business assistance as a temporary state charity or conditional financial subsidies, the new paradigm demands that enterprise survival be recognized as a fundamental economic right, mirroring the guarantees relating to National Food Security. The latest in the Institute's iconic Series, "India MSME Report 2026", was released here today by Ms. Mercy Ipao, Joint Secretary, Ministry of MSME, Government of India.

Every economy and country experience cycles of growth and depression. These cycles are highly irregular and unpredictable. But the eternal truth regarding doing business remains: Business is the art of risk management and strategies. Risk management is the defensive shield that prevents 'failure', while strategy is the offensive drive that creates 'growth'.

SMEs, of course are the most vulnerable section of businesses in the world. Key adversaries in the economy, such as Covid 19, and the more recent Middle East crisis, affect all businesses, small and large. However, based on historical evidences and scientific studies, economists have proved that, such major shocks affect small businesses more, with different degrees and timing. They call it "asymmetric lagging vulnerability". The simple meaning is this: The Iran-US war situation might have affected your business in some degrees; but the worst is yet to come. Why?

Major episodes, like a prolonged war, or an epidemic like Covid 19, affect small businesses or MSMEs, in two stages: an early cool stage, and a subsequent stage of heat-build up, when employers start cost-cutting measures and lay-off.

There is always a "Damocles' Sword" above the heads of MSMEs: the diminishing margins. How this scare of the small businesses can be reduced, and help them grow, the Report explores.

Helping them meaningfully, requires a due recognition of entrepreneurs in society. 'Entrepreneurship' is the backbone of the nation—a critical economic resource born from human cognitive skills. The ISED argues that in the digital era, protecting this resource is paramount for sustainable development. Just as the government ensures human survival by guaranteeing subsidized food, it must guarantee "public goods"—such as seamless credit, accessible technology, and fair market opportunities—to ensure the survival of

small businesses. “Entrepreneurship itself is a public good”, says, Institute Director, Dr.P.M.Mathew.

When MSMEs are badly affected, in all countries, governments step in with relief measures. In India, Government of India came up with some progressive measures, such as ECLGS scheme. But, the MSME engine screams of stops, not because of a “hardware” problem; the software, itself, is often in problem. The software problem, or the “structural problem” of the MSME engine needs to be corrected. Institute of Small Enterprises and Development (ISED), through its research and constant field level interactions with entrepreneurs across the country, has come out with the “ISED Enterprise Security & Resilience Framework”.

The ordinary entrepreneur (“Aam Udyami”) knows how to manage his usual risk of doing business. What he needs most, is support in managing “cascaded risk”, ie, the series of new developments every day, that erodes his limited business margins. The answer to the question, “why businesses do not grow”, is here itself.

The Message: The time has come for a radical shift from “promotion” to “de-risking” of MSMEs. ISED has developed a stage-by stage action plan, both for businesses and their stakeholders. Promotional agencies, banks, and insurance companies will have to invariably.

Max Balakovskiy, representative of the OECD, Paris, highlighted the innovativeness of the ‘ISED Framework of Enterprise Security’ against the backdrop of current research and policy in this area. Thomas Devasia, former Member IRDAI, highlighted on the need for greater convergence of banking and insurance , to the interests and benefits of MSMEs.

The Institute of Small Enterprises and Development invites policymakers, business leaders, industry associations, and the media to explore this vital shift in economic policy. By shifting our focus from temporary subsidies to structural rights, we can build a resilient, inclusive, and thriving MSME ecosystem for the future. Instead of treating MSME support as temporary government charity or financial subsidies, the ISED framework demands that business survival be treated as a fundamental economic right, directly mirroring the principles of National Food Security.

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Issued by Director, Institute of Small Enterprises and Development