



CAF Charities Aid
Foundation
India

ACHIEVING INCLUSIVE & SUSTAINABLE INDUSTRIALIZATION BY PROMOTING SMEs

SMALL BUSINESS II GLOBAL IMPACT

POSITION PAPER 2017



21st International Conference
on Small & Medium Enterprises

About WASME

World Association for Small and Medium Enterprises (WASME) is a global non-profit organization, headquartered at Noida, India, that has been spearheading the cause and development of Small and Medium Enterprises (SMEs) world over since its inception in 1980. Over 35 years, WASME has emerged as one of the most representative, effective and leading international organization working towards the promotion of SMEs worldwide through Policy Advocacy, Information Dissemination, Conferences, Seminars, Events, Trainings, Publication, Network linkages and many more.

www.wasmeinfo.org

About CAF INDIA

Established in 1998, we are a not-for-profit organisation working to build a society motivated to give ever more effectively and help transform lives, and communities. In order to achieve this vision, CAF India has been actively engaged with stakeholders across a broad spectrum of areas. We are a member of the CAF Global Alliance that has nine offices internationally and distributes funds to over 100 countries across the world.

www.cafindia.org

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भारत के उपराष्ट्रपति
VICE-PRESIDENT OF INDIA
MESSAGE

As one of the significant contributors to the GDP of the country, Small and Medium Enterprises (SMEs) constitute a vital foundation of India's economy. It is therefore pertinent to be aware of the contributions made by the SME sector in the country through their diverse responsible business interventions. The national engagement of SMEs in advancing the SDGs is extremely critical to comprehend.

Therefore, the release of the position paper "*Achieving Inclusive and Sustainable Industrialization by Promoting SMEs*", by World Association of Small and Medium Enterprises (WASME) and Charities Aid Foundation India (CAF India), is of immense significance, as this uniquely positioned knowledge resource is aimed towards aligning the role of SMEs in achieving an inclusive and equitable sustainable development in the country.

The need to strengthen policy framework, sharing of case practices and providing the overall landscape of the SME sector in India will enable the business across all realms to further enhance their responsible practices and efforts towards the overall benefit of the community.

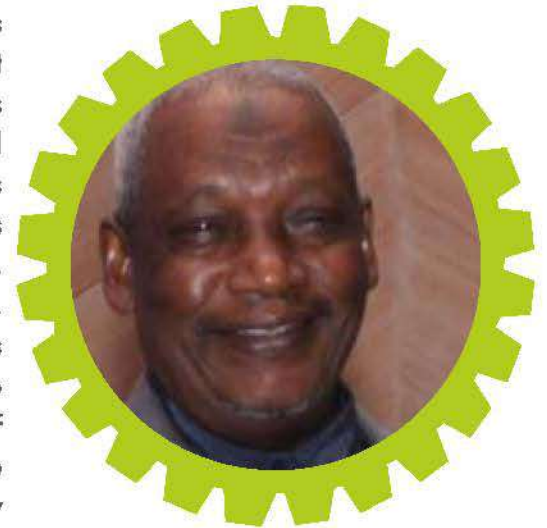
The paper offers a positive solution-oriented framework that perceives technology, adoption of green infrastructure policies, and amalgamation of shared value approach within the global value chain as essential drivers that will enable the growth of SMEs to enhance their substantial contributions to the overall sustainable development of the country.


(M. Venkaiah Naidu)

New Delhi
29th November, 2017

Message WASME

World Association for Small and Medium Enterprises (WASME), since its inception in 1985, as the global voice of SMEs, is one of the most representative and leading international non-governmental organizations engaged in the promotion of MSMEs worldwide. We works closely with all MSME experts in different parts of the world and also enjoys consultative/observer status with concerned agencies in the United Nations including UNESCAP, UNCTAD, ITC, WIPO, UNIDO, UNESCO, UNCITRAL, ILO and several other inter-governmental and international organizations. WASME has been actively engaged in crafting the Development agendas for SMEs, advocating for their greater recognition and enabling them to effectively contribute to the economic prosperity and social wellbeing of their respective country. In India also, WASME maintains strong relationship with Indian Government Bodies, Ministry of MSMEs and carried out many activities like regular submission of Pre-Budget proposals, recommendation to MSME Act, 2006 to Development Commissioner (SSI), Ministry of Small Scale Industries in 2005, presented memorandum to various policy initiatives etc. Through multi-dimensional activities like Policy Advocacy, Information Dissemination, National & International Conferences & Seminars, Events & Trainings, Publication & Research, Network linkages, etc., we assist in creating best, integrated, innovative and sustainable working frameworks for SMEs in all industry sectors.

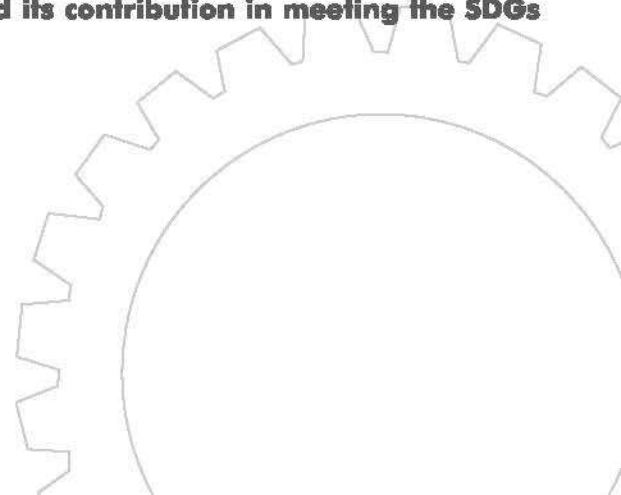
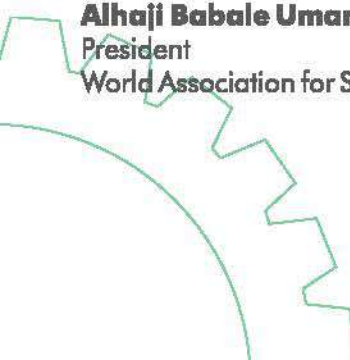


WASME has been striving to strengthen the communication and coordination with the United Nation (UN) agencies and have been actively participating and advocating SME Concerns in major UN meetings. In line with the momentous adoption of the UN's 2030 Agenda for achieving Sustainable Development Goals (SDGs), a landmark effort for providing a shared global vision towards sustainable development for all, Annual International Conference on Small and Medium Enterprises (ICSME 2017) themed around "Achieving inclusive and sustainable industrialization by promoting SMEs" is being organised with the aim to align the SME development goals with integrated and indivisible core dimensions of sustainable development: Economic, Social and Environmental.

The 21st edition of ICSME 2017 emphasises on 'Small Business, Global Impact' that highlights the key role of small businesses in generating global impact on the sustainable development. It also aims at fulfilling one of our core fundamental missions to enable SMEs to be more competitive, environmental friendly, social responsive. Culturally sensitive and ethical in business practises by integrating SME development agenda with the SDGs agenda propounded by UN. In other words, the endeavour is to engage all leading key stakeholders across the world in an open and thought provoking dialogues concerning SMEs development and their need to align with the goals of achieving sustainable development through responsible business. Considering the momentous role played by the SMEs, access to sufficient resources is enormously significant to sustain the business cycle.

With this common vision and shared values, I thank you for coming together in spirit and I am equally confident of the launch of this position paper with the objective that it will showcase the prospects SMEs hold as one of the key engine of growth across the global and its contribution in meeting the SDGs targets.

Alhaji Babale Umaru Girei
President
World Association for Small and Medium Enterprises (WASME)



Foreword CAF INDIA

We at Charities Aid Foundation India (CAF India) have been committed to expand the principles of philanthropy across the country with a motive to strengthen institutions, community and people, largely placed at the marginalised echelons of society. Over the years we have encouraged private sector to enhance their responsibility by showcasing their commitment and extending their resources towards pressing social development issues for the overall benefit of the people. With the mandatory legislation of Section 135 and the voluntary adoption of Sustainable Development Goals (SDGs), India has symbolically directed a strong message that only through partnerships among stakeholders, the eradication of poverty and empowerment of individuals will be achieved. More so, the role business in achieving SDGs has been leveraged, from small to medium to large, business across the sectors have realised that to achieve economic empowerment, it is significant to first address the environment and social empowerment of societies. In this regard, the onus is now on leaders from the private sector to join hands in partnerships with government and civil society organizations to achieve a holistic sustainable development.



CAF India is pleased to be a knowledge partner with the World Association of Small and Medium Enterprises, as signatories to the United Nations Global Compact, this partnership is of emblematic resonance, underlying the collaboration of entities working on the global agenda and contextualising the issues in the local context. In India, the traditional forms of corporate philanthropy were largely practiced by the traditional business families, traders and even small enterprises. In contemporary times, this has been reflected in the mandatory CSR law, largely now associated with formal companies on the basis of three crucial indicators annual turnover, net profits and net worth, so as to ensure that they spend 2% of average net profits made during the three preceding years, as a result the ambit has been restricted to more or less fifteen to twenty thousand companies falling under the purview. There is a need to map and assess the social responsibility activities that is being conducted by the small and medium enterprises – one of the largest contributors to India's GDP.

By 2025, the Indian economy will emerge as one of the leading economies in the world, and SMEs comprising of highest employed people will form an imperative role in the overall development of the country. It is pertinent to empower the largest contributors (SMEs) of the economy, as the challenges to meet the SDGs for India are humongous, it requires around 5-7 trillion \$, annually to achieve the SDGs. The impetus to strengthen the SMEs system is explicit in Target 8.3 of the wider Goal of SDG8 – Decent work and Economic Growth that calls for policy interventions and other instruments to promote the growth of MSMEs. While enhancing their commitments to SDGs, the Government of India has already established diverse policy mechanisms such as Make in India, Skill India, Start-up India are intended to strengthen the backbone of SMEs in the country. The strengthening of these indigenous business institutions is indeed crucial for them to holistically participate in the social and environment development of the country. In fact, in our experience, many contributions of SMEs as a part of their social responsible efforts remain unmapped due to their informal forms of giving to charities, institutions or directly to the communities etc. In fact, it is interesting to note that despite the mandatory compliance many SMEs are investing in local areas of development as a voluntary commitment.

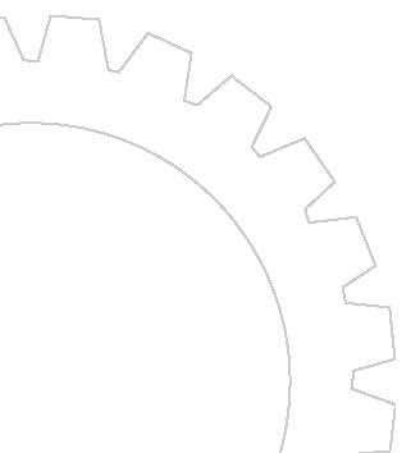
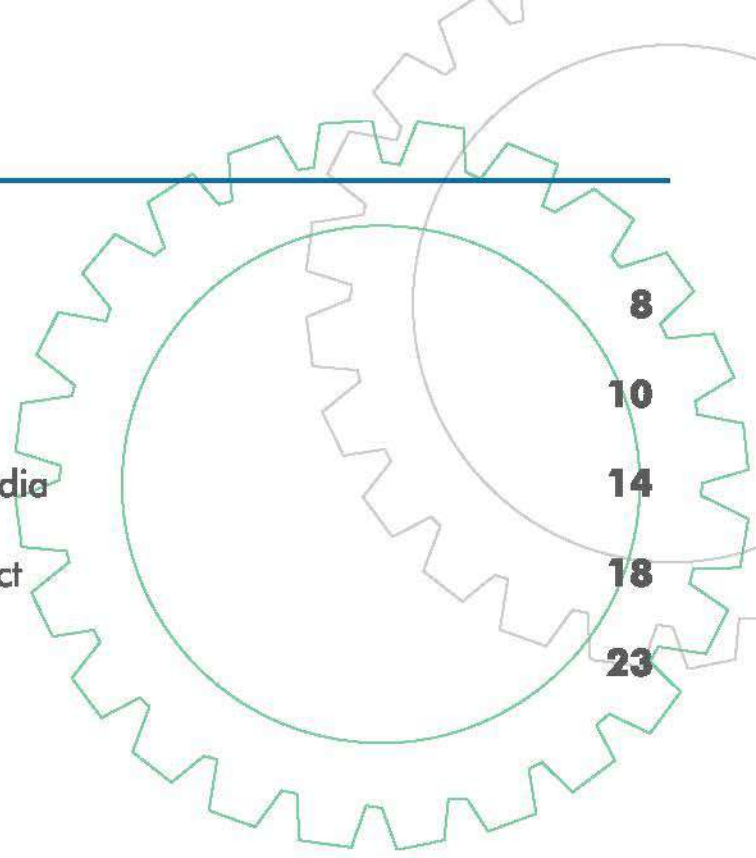
Therefore, the objective of this position paper is to highlight the wide spectrum of SMEs in India, SDGs as an opportunity to enhance social good while doing business in a responsible manner, most crucially through showcasing of case practice and providing key recommendation the endeavour is to highlight specific sustainable SMEs models that are contributing to meet the SDGs targets. I hope to see an acceleration of collaborative efforts between civil society, government, academia and our SME partners in India and globe, to emerge with innovative programmatic solutions that would address the diverse challenges of India and lead us to a sustainable and an equitable society.

Meenakshi Batra
Chief Executive Officer
CAF India



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BACKGROUND

Small and Medium-scale enterprise (SMEs) occupy an important and strategic place in economic growth and equitable development in all countries, constituting as high as 90% of enterprises in most countries worldwide. Based on statistics published by International Monitoring Fund (IMF) and World Bank, SMEs are now acting as key driving force behind a large number of innovations and contributes significantly towards the growth of the national economy through investment, employment generation and exports of goods. SMEs have emerged as a highly vibrant and dynamic sector of all transitional economies, including India. Rural industrialisation and economic linkage with backward areas, thereby reducing regional imbalances and ensuing at the same time more equitable distribution of national income and wealth remains keys outcomes of this sector. SMEs are complementing large industries as ancillary units through enormously contributing to the socio-economic development of the country. All these factors collaborating with each other assist in ensuring the significant role SMEs will play in achieving inclusive and sustainable industrialization across the globe.

There is no universal definition of SMEs since the sector is diverse and flexible that resists any narrow categorisation. SMEs are generally defined on the basis of annual turnover, number of employees, investment in plants and machineries, assets etc. Indonesia defines SME based on net assets and annual turnover. In Malaysia, a combination of employment and capital measurements defines SMEs, while in Thailand there is no common definition at all. In case of India, however, the definition of MSMEs in accordance with the provision of the Micro, Small and Medium Enterprise development (MSMED) Act 2006 are classified as an enterprise engaged in the manufacture or production, processing or preservation of goods as specified below:

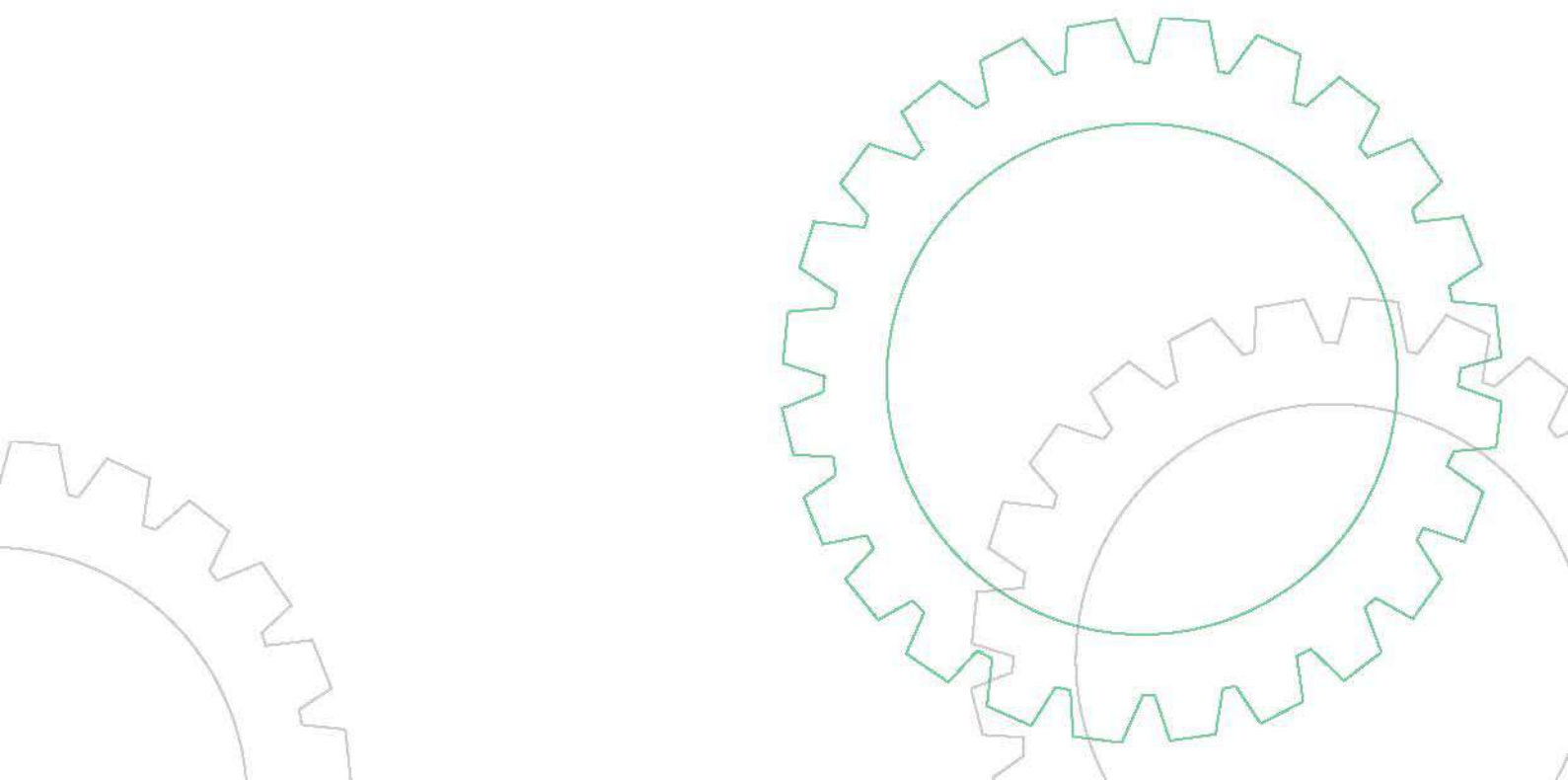
- I. A micro enterprise is an enterprise where investment in plant and machinery does not exceed INR. 25 Lakh;
- II. A small enterprise is an enterprise where the investment in plant and machinery is more than INR. 25 lakh but does not exceed INR. 5 Crore; and
- III. A medium enterprise is an enterprise where the investment in plant and machinery is more than INR. 5 Crore but does not exceed INR. 10 Crore.

The sector is well recognized world over owing to its significant contribution in achieving various socio-economic objectives, fostering entrepreneurship and providing base support to any industrial setup for the economic growth. SMEs sector is fundamental for maintaining growth with equity. Amidst its contribution, growth needs to be inclusive in nature i.e. ensuring equitable opportunities for economic participants during economic growth with benefits incurred by every section of society as well as contributing significantly to the sustainable industrialization. Growth cannot be inclusive until and unless the fruits of the growth is percolated to the bottom of the pyramid. Globally, the SMEs segment development has shown mixed results depending upon various policies, schemes and initiatives undertaken by both developing and developed economies in order to keep the momentum of growth and holistic development. Many transitional economies have demonstrated that the SMEs segment constituted the backbone for maintaining their economic growth rates as well as employment generation rates and provide stability at times of economic instability. It is therefore important for any transitional economy which embarks upon new wave of economic path to adopt SMEs framework of opportunity that will provide all necessary impetus to seize the opportunities created by emerging domestic and global demand due to increase consumerism and spending; increase in foreign direct investment (FDI) in existing and emerging business and the rising expectation of double digit growth rate as expected from numerous business sectors.

Fostering public-private partnerships and creating effective networks of small-firm and clusters may be the most expeditious path to a dynamic SME sector. Grouped in local systems of production, SMEs can often be more flexible and responsive to customer needs than large integrated firms. They can also effectively manage to pool resources and share the costs of training, research and marketing. Clustering facilitates exchange of personnel and diffusion of technology thus creates new possibilities for efficiency gains. Importantly, these local networks and support systems can help SMEs meet the challenges of globalization. Whether alone or in clusters- SMEs are now seeking international assistance and support through strategic alliances, franchising and joint ventures.

The SMEs sector continues to demonstrate remarkable resilience in the face of trailing global and domestic economic circumstance. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to absorb and survive critical economic shocks, even of the gravest nature. Despite the pivotal role and strategic importance in the context of industrial development and economic growth of the country, the SMEs sector experiences several constrains and challenges at every stage of their operation, whether it is access to low cost financial credit, buying raw materials, manufacturing of products, access to low cost technology, inadequate infrastructure facilities, distribution and marketing and lack of access to global markets are some of them. To overcome this, a mixed and favorable environmental support both political and economic from the present government of the state is needed. For example, import tariffs on selective products need to be imposed in order to provide ample scope for development of local domestic productive capacity under the programme of import-substituting industrialization. Also initiatives favoring the growth and adoption of policies should use local institutions, groups of industries and inter-firm linkages to create and strengthen the micro-level bonds which can underpin global competitiveness.

Going with the global perspective and the newly agreed Sustainable Development Goals (SDGs), which talks about building resilient infrastructure, promoting inclusive and sustainable industrialization and foster innovation in particular-SDG 9. The global community addresses these and other challenges by committing itself to an industrial development that is inclusive and sustainable (ISID), thus highlighting close linkages with virtually all other SDGs as regards job creation, sustainable livelihoods, better health, technology and skills development, food security, green technologies, environmental protection, building resilient cities and climate change mitigation- all through support and assistance from the SMEs sector. At present, the sector is the major growing force behind the fastest growing economies of various nations, in terms of contribution to the national GDP, scale of assets, diversification of products and the increase in employment. Many lucrative opportunities can be tapped by SMEs in the foundry industry, electronics industry, chemicals, leather, textiles, agro and food processing, pharmaceuticals, transport and tourism industries etc. The globalisation of business has increasing drawn SMEs into global value chains through different cross-border activities, all through inclusive and sustainable means ensuring effective and efficient use of resources and sharing the benefits of it with the lowest bottom of the pyramid.



CHAPTER I: SMEs AND SDGs

“We simply cannot achieve the SDGs without them...”

By designating 27 June as the annual Micro-, Small and Medium-sized Enterprises Day, the UN General Assembly has recognized the importance of these enterprises in achieving the Sustainable Development Goals (SDGs) – especially by promoting innovation, creativity, and decent work for all (SDG 8) . In a statement earlier this year, a representative of the UN said, “These enterprises (SMEs) are among the world's most powerful job creators, drivers of productivity, and agents of growth globally. We simply cannot achieve the SDGs without the support and leadership from such enterprises worldwide.”

“SMEs address societal needs through various market mechanisms...”

Although there are various targets of the SDGs that require proactive engagement of SMEs, Goal 8 assumes significance in the context of such enterprises having the potential to 'promote sustainable growth and ensure decent work for all'. SDG 8 lays emphasis on entrepreneurship, job creation, innovation, and small and medium-sized enterprises (SMEs). SMEs already constitute the majority of the world economic activity in both developed and developing nations. The role of SMEs in the achievement of this new set of Global Goals is significantly large. SMEs provide employment to both high and low-skilled people from various geographic areas besides addressing societal needs through various market mechanisms.

Further, Goal 9: Building resilient infrastructure, promoting sustainable industrialisation and fostering innovation undeniably requires the action of businesses, especially SMEs and entrepreneurs for its effective implementation. Income inequality is a global issue which, as per reports, is on the rise . SMEs can be engaged in addressing the issue of income inequalities (SDG 10) globally. To that end, SMEs need to be strengthened to provide good-quality jobs. Small businesses also have a significant role to play in achieving gender equality by empowering women through women entrepreneurship.

“The 2030 Agenda acknowledges access to finance as one major challenge for SMEs and calls for development-oriented policies that encourage their growth...”

There are numerous examples of how SMEs provide livelihoods to most people in developing countries. In fact, SMEs are the largest contributors to job creation. They account for more than 90 per cent of firms and are responsible for 50 per cent of formal jobs in emerging economies. SMEs represent 90 per cent of total employment when taking into account formal firms and the large share of SMEs operating in the informal sector. While this applies to most countries, African and Asian countries in particular will rely on SMEs to provide employment for their growing working age populations; the number of new entrants into African labour markets, for example, will increase from 23 million a year in 2015 to 32 million a year in 2030.

The SDGs recognise the role of SMEs to “promote strong, inclusive and sustainable economic growth and decent work for all” (SDG 8 and 9). The 2030 Agenda for Sustainable Development acknowledges access to finance as one major challenge for SMEs and calls for development-oriented policies that encourage their growth and formalisation (SDG 8.3). It also calls for the integration of small-scale firms, in particular from developing countries, into global value chains (GVCs) (SDG 9.3).

“Access to finance and participation in global value chains are two important interventions that can prop up small businesses...”

Considering the significant role of SMEs towards the actualisation of the SDGs, there is a need for strengthening them and thereby, maximising their potential. To this end, policymakers around the globe are required to address market and institutional failures that impede SME development, provide a business environment and enabling policies to make SMEs more productive, and create mechanisms to bridge productivity gaps between small businesses and large enterprises - as well as assist SMEs to catch up with those firms that are close to the global

technology frontier. SDGs highlight that access to finance and participation in global value chains are two important interventions that can prop up small businesses. Yet, SMEs in developing countries face multiple obstacles, including the lack of skilled workers, legal and regulatory frameworks not tailored for small-scale firms, and inadequate access to financing. Targeted policies on skills, new financing instruments, sustained investment in infrastructure and smart regulations could help remove such constraints. The ability of SMEs to participate in GVCs also can yield substantial benefits, such as spill-overs of production technology and managerial know-how. At the same time, opening up domestic markets may pose great challenges for local traditional artisans to compete with foreign partners who can use more advanced technologies to scale up their activities. Policies are crucial to facilitate strong industrial linkages between large established firms and local production networks to integrate SMEs into regional and global value chains.

“In low-income countries, the most typical path for SMEs' entry into GVCs is the sale of their goods and services to larger firms. In comparison, SMEs in middle- and high-income countries operate in low value-added as well as in high-skilled activities...”

SME participation in regional and global value chains vary across countries. In the Association of Southeast Asian Nations (ASEAN), the share of SMEs participating in global production networks, as direct and indirect exporters, varies from 6.3 per cent in Indonesia to 46.2 per cent in Malaysia. Nevertheless, SMEs' participation is particularly low in low-income countries. Their participation in GVCs is concentrated mostly upstream in resource-based commodities and downstream in final manufacturing assembly. In low-income countries, the most typical path for SMEs' entry into GVCs is the sale of their goods and services to larger firms. In comparison, SMEs in middle- and high-income countries operate in low value-added as well as in high-skilled activities.

SMEs are powerful partners. They can have tremendous impact in embedding responsible business practices and sustainability in today's complex global value chains. Their power and potential to help the world achieve the 2030 Agenda is very clear.

At the same time, the UN has called for broader cooperation to foster greater economic development and tackle the challenges faced by these enterprises. This includes partnerships for capacity building, integrating these enterprises into the formal economy, and ensuring greater access to financial services, microfinance and credit.

“India's SMEs are likely to play a greater role than before in its holistic development...”

For sustained, inclusive and sustainable economic growth, India will require to enhance its SME sector and other labour intensive sectors. It would require growth strategies that generate employment opportunities for its youth. In addition to this, for India to ensure sustainable economic growth it needs to look at costs of resource efficiency and promoting sustainable production systems. IMF expects India to be the third largest economy in the world after US and China, with a growth rate of over 8 per cent, by 2050. India's SMEs are likely to play a greater role than before in its holistic development. SMEs contribute 12-13 per cent to GDP of India and the projected desirable contribution to India's GDP from MSMEs ranges from 20-25 per cent. The finances required by MSMEs for such contribution is about INR 148 lakh crores (USD 2,360 billion). Of this INR 148 lakh crores (USD 2,360 billion), India is yet to find financial source for INR 105 lakh crores (USD 1,672 billion) . According to a compilation by Adam Fishman of the World Resource Institute, the current unmet need for credit for MSMEs has been estimated to be up to USD 2.5 trillion in developing countries and USD 3.5 trillion globally; over 200 million SMEs lack access to financial services.

India's SMEs are likely to play a greater role than before in its holistic development. These enterprises help to build a thriving entrepreneurial ecosystem, in addition to promoting the use of indigenous technologies. The sector has exhibited consistent growth over the last few years, but it has done so in a constrained environment often resulting in inefficient resource utilisation. Of the many challenges impeding the growth and development of SMEs, inadequate access to financial resources is one of the key bottlenecks that make these enterprises vulnerable, particularly in periods of economic downturn. Target 8.3 focuses on policy interventions and other instruments like financial services that can promote growth of MSMEs.

Target 8.3 is closely linked with other targets of Goal 8 which focus on increasing employment opportunities and ensuring sustained economic growth. Investments in MSMEs under this target substantially contribute to the GDP of the country. It shall at the same time increase job opportunities for youth and skilled population. Further, this target is also closely linked to Targets 9.2 and 9.3 as it aims to promote small scale industries and other enterprises, and aims for inclusive industrialisation. Investments in SMEs have a potential to contribute to both of these targets. This target is also closely linked with Target 12.1 which aims for sustainable production. Strategies for growth of MSMEs will therefore closely determine the achievement of this Target 12.1.



CASE STUDY

Producing Green Products and Reducing Waste by Reusing and Up-cycling

Source: Partnership for SDGs

SDG Linkage: 

Location: Dhaka, Bangladesh

Completion: September, 2020

SDG Partners: The Small & Medium Enterprise Foundation and Young Entrepreneurs Associations of SMEs

Financing: USD 20,000 (1.6 million Taka)

Contribution: SME Foundation is using its own resources for capacity development and setting market linkages.

Description: Producing green products and reducing waste by reusing and up-cycling industrial waste discarded by the large, export-oriented, ready-make garments industries in and around Dhaka City, Bangladesh.

Implementation Methodology: Many export-oriented, ready-make garments industries in Bangladesh hardly bother to up-cycle, recycle, or reuse the huge waste they left behind. Often this waste is also used as fuel for traditional cooking stoves, making huge amount of toxic smoke, or incinerated, which causes health hazard. Sometimes it is even used to do earth-filling without sorting out the synthetic items from it, causing further problems in eco-system damage. The said project is the newest local innovation done by

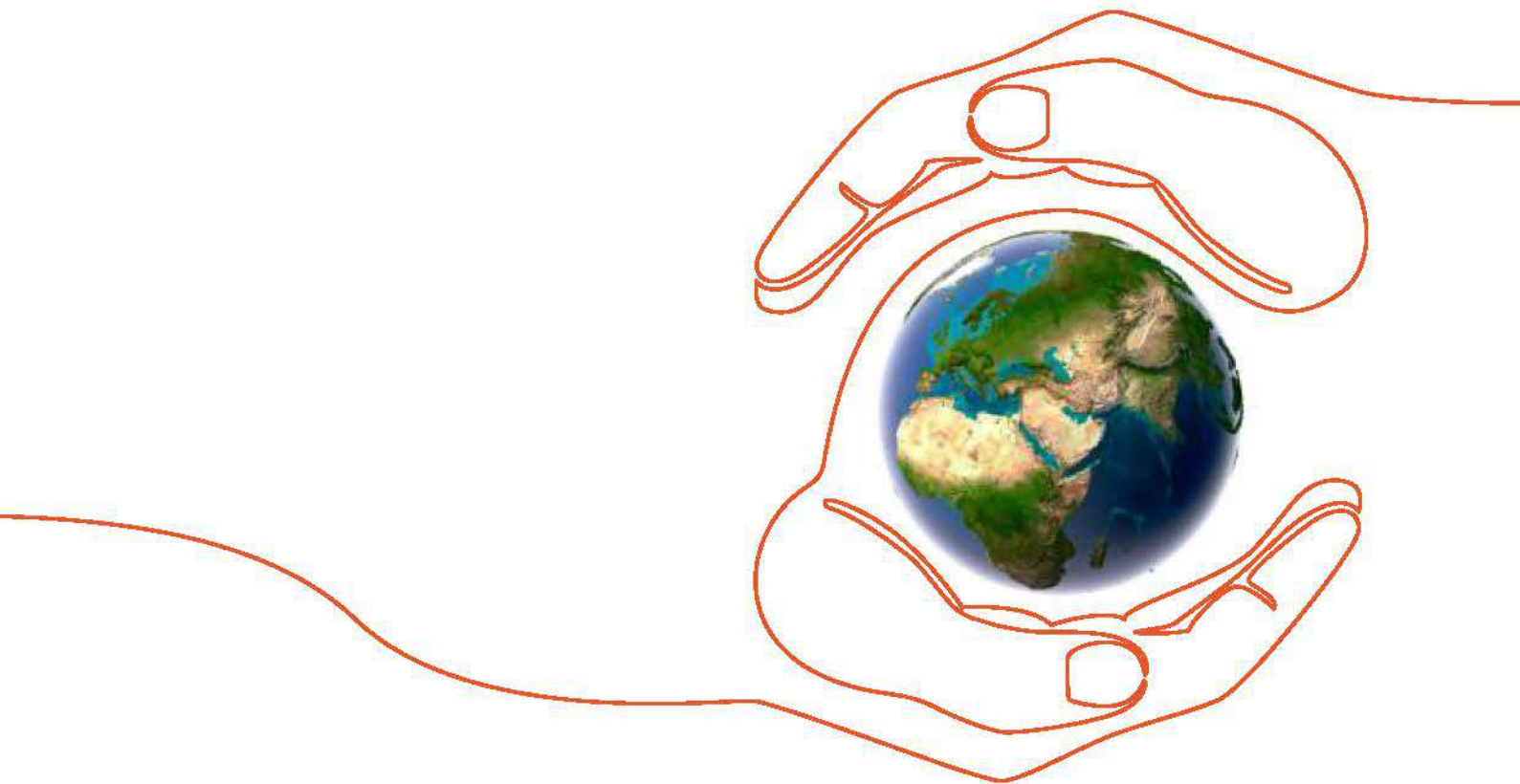
and for the needs of local, 'poor people'. No external expert or resources were invested to find this solution. No big company conducted research and development to coin this sort of product. Small firms in this cluster successfully penetrated into competitive export markets, progressed technically by moving up the value chain, and acquired new technologies and innovation in both products and process. The project is particularly interesting since issues like climate change, reducing carbon, and increasing resource efficiency are high concern in the international stage. It plays a critical role in creating green jobs and employing unskilled and semi-skilled people in the production process.

Arrangements for Capacity Building and Technology Transfer: The 'Saidpur Model' shows that a developing country like Bangladesh is capable of bringing not only the transition from productive capacity to innovation capabilities, but it also proves the viability of using local technology to achieve the low cost innovations. This is a unique example of how a local innovation can be fostered and valued alongside the wider development of high technology, which is commonly associated with globalization.

This local innovation is being tried and tested by community members, making it more likely to be taken up and valued. This case shows how adapting simple technologies can provide alternative means of income generation in era of globalization.

Coordination Mechanism: SME Foundation started to promote this project, labelling it as 'Saidpur Model'. Initially no financial institution agreed to give them loans as they were in no position as formal business entity – they don't have even trade licenses, and they have no capacity to provide collateral support.

On the other hand, they were also not qualified to get loans from NGOs. SME Foundation had to coin an exclusive financial product at a low interest rate and without collateral to support this cluster. The cluster then expanded the business rapidly, and started getting support of different government machineries.



CHAPTER 2: CURRENT POLICY LANDSCAPE IN INDIA

“The solution to India's challenges lies in providing answers to the question on poverty, from eliminating it to fostering the creation of wealth by many across the nation”.

POLICY LANDSCAPE IN INDIA

SMEs form the foundation of the manufacturing sector in all large manufacturing countries. They generate employment within the manufacturing sector, and contribute to the country's exports. India has abandoned the approach of reserving sectors for its SMEs and instead, has adopted the more sustainable approach of nurturing competitive SMEs. SMEs adopt newer technologies and improve their productivity most effectively within industrial clusters around larger enterprises preferably linked with technology institutes. To help the growth of innovative and competitive manufacturing enterprises, both small and large, India must stimulate the growth of dynamic clusters. Difficulties faced while acquiring land and poor infrastructure are major handicaps for Indian manufacturing enterprises. The clustering of enterprises, along transport corridors and adjacent to ports, also enables the provision of good infrastructure to them.

One of the principal determinants of Small and Medium Enterprises' competitiveness is innovation. Developing economies such as India face a formidable challenge in this regard due to limited government capacity to foster innovation support mechanisms. Modern concepts such as cluster development are often underutilized or ignored. India has gained in the global innovation index ranking moving six spots (60 out of 127 countries) from previous years, which in a way reflects the need for sustained innovative capacity of Indian firms and Indian small and medium-sized enterprises (SMEs) in particular. The Government of India classifies SMEs as a part of the MSME (micro, small, and medium-sized enterprise) sector.

Government policy-which touches upon virtually every aspect of innovation including access to finance, technology, market knowledge, and building of R&D and educational institutions-remains one of the most crucial factors in SME innovation.

The Government of India has introduced several major policy initiatives for support and promotion of micro, small & medium enterprises in the country. These include; establishment of Small Industries Development Bank of India (SIDBI) in 1990 for promotion and financing of MSME sector, Credit Guarantee Fund Trust of Micro and Small Enterprises (CGTMSE) was in 2000 to offer credit facilities to eligible borrowers and the Prime Minister's Employment Generation Programme (PMEGP) in 2008 to generate employment opportunities in rural and urban areas through new self-employment ventures/projects/micro enterprises. Over 13 million people are required every year in 90 skill categories.

The SME sector has been accorded special status and importance in the Five-Year Plans since inception in view of the advantages it offers for better utilisation of resources of capital and skill at the local level. The continuous support provided to the sector in the form of incentives, infrastructural facilities and other assistance in the industrial policy resolutions has facilitated the sector to acquire a place of prominence in the socio-economic development of the country. The number of enterprises in the SME sector is estimated to be over 13 million, providing employment to estimated 42 million persons. As per the latest estimates, the micro and small enterprises sector accounts for about 39 percent of the manufacturing output and 33 per cent of the national exports of the country (the estimated contribution is 45% and 40% respectively for the micro, small and medium enterprises (MSMEs) as defined under MSMED Act, 2006). Further, in recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

**Over 13 MILLION
people are required
every year in 90 SKILL
categories**

The factors – strengths coupled with opportunities – that work in favour of Indian SMEs include their high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility, location wise mobility, low intensive imports, capacities to develop appropriate indigenous technology, import substitution, contribution towards defense production and competitiveness in domestic and export markets.

The clear thrust of the recent policy initiatives has been three-fold: i) enhance competitiveness through encouraging an innovative ethos amongst firms and being quality conscious; ii) increase links with multiple stakeholders with a view to benefit from networks both nationally and globally; and iii) strive for a larger market presence beyond the domestic. The policy attaches importance to networking with stakeholders both upstream and downstream in the entire global value chain, from raw material procurement to processing/manufacturing to marketing to customer services.

In the policy circles there has been a growing recognition of both the criticality and possibility of enhancing SME competitiveness through reducing cost of production, improving product/service quality and targeting niche markets. The most explicit such initiative has been the creation of the National Manufacturing Competitiveness Council (NMCC), which would, basically, identify and focus on certain clusters and firms in certain promising sub-sectors. The interventions would include technology upgradation, design and IPR protection, marketing and sales promotion strategy and skill upgradation etc. Table 2 provides a list of the sub-schemes under the National Manufacturing Competitiveness Programme (NMCP).

The following four major areas have been proposed to be covered for appropriate intervention, based on the diagnostic studies and discrete requirements of the enterprises or cluster or industry:

- Manufacturing and engineering
- Marketing
- Financial and general management
- Information technology

TABLE 2: SUB-SCHEMES UNDER NMCP

1. National Programme on Application of Lean Manufacturing
2. Promotion of ICT in Indian manufacturing sector
3. Mini-Tool Rooms to be set up (by the Ministry of SSI)
4. Technology and Quality Upgradation Support for SMEs
5. Support for Entrepreneurial and Managerial Development of SMEs
6. Design Clinic scheme to bring design expertise to the manufacturing sector
7. Enabling manufacturing sector to be competitive through quality management standards and quality technology tools
8. National campaign for investment in Intellectual Property
9. Market assistance/SMEs and technology upgradation activities (the Ministry of SSI in co-operation with TIFAC/CSIR)
10. Marketing Support/Assistance to SMEs

Source: <http://www.nmcc.nic.in/NMCR.aspx>

A holistic and integrated focus on building a nationwide entrepreneurial ecosystem can reshape India's socioeconomic landscape in the next decade and enhance its socio-economic dimensions of growth.

Participation in global value chain is another area where SMEs have been feeling need to upgrade the technological capability and, quintessentially, expanding global market access. Although in its formative stages, government efforts are on to facilitate networking between SMEs and foreign firms. 'Make in India' has been launched by the current Prime Minister to transform India into a global design and manufacturing hub. Advisory and other services are being made available to SMEs to link with global production networks (GPNs) towards activities such as joint procuring of inputs, joint selling and undertaking and benefiting from joint market research. Some of the steps in this direction include 84 starting of a number of business support services as awareness and training

programmes for familiarizing firms with systems of patenting, norms under the IPR regime; the establishment the National Intellectual Property Organisation (NIPO) has been an effort in that direction.

CORPORATE SOCIAL RESPONSIBILITY IN SME

“Though a large number of SMEs have been engaged in socially relevant activities which are beyond what could be considered as their immediate business pursuits, the debate on CSR as also the promotional instruments has remained somewhat skewed towards the large scale sector in India. Most of the SMEs being anchored in towns and villages or in the remote areas have considerable adaptability to the local settings, exposure to local problems and also access to local resources. They, thus, are eminently suited to pursue CSR”.

Corporate Social Responsibility (CSR), also called as corporate conscience, corporate citizenship, social performance or sustainable responsible business etc., is a form of corporate self-regulation integrated into a business model. CSR functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. A universally acceptable definition of the term is yet to emerge in the evolving literature on CSR, however, its admitted goal has been to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. The core of CSR is managing the triple bottom line and be able to integrate and balance between economic, environmental and social issues going above legal requirements.

Many SMEs have been doing things that could today be called CSR even if they do not know or use the term themselves. In most cases it has been found less formal and more intuitive than by larger enterprises. Because of their huge number as well as the vast regional spread, the challenge in India is to involve more SMEs to do more CSR. Corporate Philanthropy is widely prevalent in the SME sector in India. Their significant contributions to the health, education, religious institutions and temples cannot be undermined.

Most SME owners significantly complement the work of the Government and the NGO's in the towns/villages/cities they operate in. In an exploratory study conducted on CSR in SME's done in the Pune Industrial belt by the NGO Business Community Foundation, it was found that the general impression among SME's is that following mandatory Government laws makes them socially responsible. A lot of SME's are of the opinion that philanthropy and CSR are one and the same. Since many of the SME's are at a stage where they are struggling to establish themselves and do not have the manpower or resources to address these issues and they tend to ignore them.

UNIDO continues to articulate very appropriately that “A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes”.

At a whopping approximately 48 million, India has the second largest number of SMEs in the world, after China. SMEs usually identify themselves closely with the region or town where they are located. The social and environmental issues of concern to them will probably be local or regional in nature. It is at this level that the positive impact of having a greater CSR participation can best be felt in economic, social or environmental terms. SMEs from the same cluster or sector often face common social and environmental issues. Addressing these issues collectively can reduce the costs of action and result in improvements that an individual SME acting alone cannot achieve. A concept of 'Collective Corporate Social Responsibility (CCSR) is being propounded which addresses growth and development of SMEs in cluster providing unique sectoral advantage in the collective implementation of CSR.

In India, business activities have a long historical and cultural traditions, welfare activities are often informal and linked to cultural local traits. Traditional values such as people/employees being treated as ends in them, as well as values like sharing and consensus are still strongly manifested in business life. While many systems and practices which have a historical ethical existence are embedded in the daily activities and are loosely in use but have not been consciously evolved

due to which the capacity to benchmark them is still at very early stages. Analysis of the role and positioning of welfare activities conducted by SMEs in India and the manner in which CSR is understood and followed internationally by the large corporations around the world reflects a huge variance. The MNC's generally hold a stakeholder view while considering and implementing their CSR strategies while the SMEs may consider a social capital view while working on their CSR plans. A dialogue between the SMEs and the MNCs would cultivate better opportunities and environment for furthering the CSR activities in the developing world mitigating challenges both.

Indian SMEs are generally unwilling to expose themselves to the myriad rules and regulations governing industrial and economic development unless there are compelling benefits by doing so. Besides their sheer number and diversity, the fact that their owners and managers are more often very busy and intensely focused on ensuring the short term survival of the enterprise, make SMEs a difficult group to reach. There is also the challenge that many SMEs may not see social and environmental issues as immediately relevant to their business. SMEs operate in an environment where the notion of quality management is still distant except to the ones catering to the export demand where emphasis on quality is stringent but due to price competitive advantage and lack of competition, involving into CSR as a competitive tool the motivation for involving in CSR is absent.

Some of the most important factors influencing the nature and level of CSR participation by SMEs are: sector; size; age and history (including whether or not the enterprise is family owned); geographic and cultural context; position in the value/production chain and nature of client relationships. Ethical and moral considerations are found to be the main drivers of CSR amongst the SMEs.

As a general rule, the smaller the enterprise, the greater would be the relative role of ethical and moral considerations as drivers for CSR. The business case, where it exists, will often be unique to an individual enterprise and influenced by the societal context in which the company is working.

In the knowledge economy that India aspires to be, CSR can increasingly be a source of innovation. It facilitates access to and sharing of information. By managing CSR in a strategic and conscious manner, enterprises can better reap these advantages. At one extreme CSR participation by SMEs has been viewed as an extension of profit-making activities and, at the other extreme, involvement in CSR with community stakeholders, has been understood as a purely altruistic activity. What needs to be scrutinized closely is the suitability of CSR models developed in the west and their implementation in other parts of the world, especially the developing eastern nations?



SMEs GOOD PRACTICES: INNOVATION TO IMPACT

Encouraging the growth of Small and Medium Enterprises (SMEs) is widely seen as important part of the industrial policies of many developing and developed countries. Concerns that back policies supporting programs for the growth of SMEs range from the laudable aims for creating jobs, to making effective and sustainable use of existing resources that impacts in reducing poverty, welfare, raising incomes, enhancing technical and entrepreneur capacities as well as fostering key social and political constituencies in civil society. It has been emphasised that SMEs have come to play a significant role due to the failure of the large scale manufacturing sector in meeting many of the needs and fulfilling the hopes and aspiration of modernisation and growth theories. The changed principle in theories of development from traditional mode of production to new forms of economic restructuring via flexible systems of productions emphasised on down-sizing and recognition that SMEs are a key, and not merely previously thought peripheral, component of the production system.

The fact remains that despite the growing awareness and significance SMEs holds as an integral part of the industrial development, strategies aimed to support them have tended, more than not, to fail. Success stories in form of cases studies do exist but are rare. The important question therefore remains-where are the policy makers and development practitioners are going wrong? This chapter therefore explores and review some of the cases studies of SMEs success from India. The uniqueness of these cases studies emphasises on the new innovative and technologically linked SMEs sector. It also highlights the new clustering and networking approach that resulted in enhancing economic growth and spur technical progress in SMEs. Some of the few cases studies are as following:

CASE STUDY 1: RURAL INNOVATION AND SMES

Innovation, simply speaking, is an outcome of the basic problem faced by individual on day to day basis. As an solution to problem, innovation make uses of information, imagination and available resources on ground in most economical ways leading to improved life and economic prosperity of the community. An innovation can be evolutionary and revolutionary in nature depending upon the impact it creates in the community and society at large. Hence there is a wide

spread agreement that economic growth of any nation depends largely on how that country innovates and reinvents itself in the competitive environment. Innovations in rural areas are making greater impact and visibility considering how low-cost and efficient model of business it is in nature. A large number of venture capital firms are investing in such innovative model of economic growth. Global philanthropic foundations such as Gates Foundation, Omidyar Network and the Acumen Fund are keen to invest in innovations with a social impact in India.

India is in position to mount a strong initiative for affordable innovations by taking advantage of low cost and a large talent based resource it possesses. Engagement with key multi-stakeholders and creating public-private partnerships for promoting people-centric research will require all the necessary support. Innovation in rural region has added and contributed to the social and economic value chain and lead to the economic development and growth of the community. It therefore becomes very important to study cause and benefits of innovation in rural region.

A case study of Vasante Futane presents innovations in rural regions, where a farmer innovated and developed new varieties of mango through cross-pollination process resulting into some marvellous mango varieties having a unique smell, taste and size. Vasante Futane is a farmer with a difference. He is completely into organic farming since 1982, growing grains, fruits and vegetables. But the urge in him to do something creative prompted him to do something really creative and innovative.



What he did?

He brought mango seeds from all over the country not grafted ones, but the desi varieties and grew them as trees in the hot and non-irritated land of Rawala Village in Amravati, where Futane practised farming. Some survived others was not those lucky. However, real innovation began when he decided to develop these into special varieties. He then cross-pollinated the mango varieties and in the process created new unique varieties of mangoes. This marked the beginning of new success story and experimentation that resulted into developing almost about 40 new

varieties of Mangoes of which 10 were of exceptional quality and taste.

Such rural innovation in agriculture didn't need any advertisement or branding as such. Instead of taking the goods from farm to market, the market itself came to the farm, making it one of the successful models of economic growth having huge potential in the Indian market. He has further added modern horticulture practices like grafting his cultivation practices for commercial success. All grafted varieties are also organic. Thus buy nothing from the market; they grew just enough wheat, rice, vegetables and edible oil crops like groundnuts. Their annual turnover is just over 2.5 lakh from 25-50 quintals of mangoes, earning a profit of 1.5 lakh. There is no need for getting any certification from any agency as they feel that their 30 years of experience in following organic cultivation is certification in itself.

This local innovation is being tried and tested by community members, making it more likely to be taken up and valued and the Small and medium enterprise (SMEs) are now eager to adopt it. This case shows how adapting simple technologies can provide alternative means of income generation in era of globalization.

CASE STUDY 2: THE KNITWEAR CLUSTER OF TIRUPPUR

The cotton knitwear sector in India has also experienced a remarkable record of export growth in the course of the 1980s and early 1990s as global demand for cotton clothing rose. Tiruppur (the name is associated with the Tamil word for spinning), despite its small size and relative obscurity, has emerged as India's leading cotton knitwear export centre, manufacturing garments sold by recognised high street retailers in Europe. Tiruppur has been described as a "boom town", whose growth is tied to the cotton textiles industry. According to one recent estimate, Tiruppur's direct knitwear exports were in 1993 worth nearly US\$ 500 million, whereas if indirect exports are also included (taking note of exports of Tiruppur made garments sold through Bombay and Delhi based traders and producers).

At the centre of the Tiruppur cluster are the cotton knitwear garment manufacturers. These consist of three types of "producers": first, manufacturing exporters; second, merchant exporters; and third, non-exporting manufacturers.

While each category has large, medium and small units within it, the first and second categories "dominate the scene [and] control (formally and informally) a variety of enterprises spanning both horizontally and vertically" related ties. The third category, namely non-exporting manufacturers, undertakes subcontracting tasks for firms in the first and second categories, and sells to the domestic market. These units tend to be somewhat smaller and to produce simpler items (i.e. white men's vests) which are easier to cut and stitch and do not need dyeing.

There are large numbers of other textiles related activities also present in Tiruppur, offering the knitwear sector both local backward and forward production linkages. These include firms undertaking: cotton ginning, yarn spinning, cloth dyeing and bleaching, calendaring, specialist tailoring and screen printing. There are also ancillary units providing buttons, elastic, spinning cones, clothing labels, packaging supplies, as well as undertaking various producer services (Cawthorne 1990). Finally, there are a number of key local institutions and representative trade associations providing sectoral support. Almost all of these knitting, garment making and ancillary firms are, irrespective of their true size, family managed and locally rooted enterprises.

Clearly, cheap, female, labour has been an element in Tiruppur's success. Cheap labour for textiles related activities, however, is easily available elsewhere in India. Cheap labour on its own is an insufficient explanation for the cluster's success. Clustering, the presence of numerous backward linkages, the emergence in recent years of increasingly stronger ties with forward export agents, key local institutions and a production organisation system that has raised flexibility by specialist de-verticalization have also played a part in bringing about the cluster's success and enhancing its international competitiveness.

Within a dynamic context the large firms of today were small units a decade or so ago. Thus there is clearly a growth process at work at the firm level, which may well influence the evolving nature of production organisation within the cluster. Local institutions are important, especially those that provide valuable external market information and that project the work of clusters to distant markets and buyers. These need to be further explored.

Finally, the long periods of manufacturing for domestic production, if they occur within truly competitive environments, can enhance the international competitiveness of local producers by encouraging efficiency and innovative strategies.

CASE STUDY 3: E-COMMERCE AND SMES

Another such case study of success has been the growing economic success and development of SMEs via E-commerce. E-commerce stands for “electronic commerce and refer to trading in goods and services through the electronic medium, i.e. internet or phone. E-commerce has experienced a major rise in all the major developing countries. India is no exceptional to this phenomenon. The rise in the India e-commerce has been stimulated by a number of factors. Such as increase in literacy rate, awareness, increase in the disposable income of the rising middle class, rise in the number of mobile and internet users (3G and 4G) and several other government initiative etc. E-Commerce modes such as Business to Business (B2B) or Business to Commerce (B2C) have shown a huge potential in the Indian market and the Small and Medium Enterprises (SMEs) are eager to adopt the various modes especially (B2B) and increase their foothold in the Indian retail market as well as the international market.

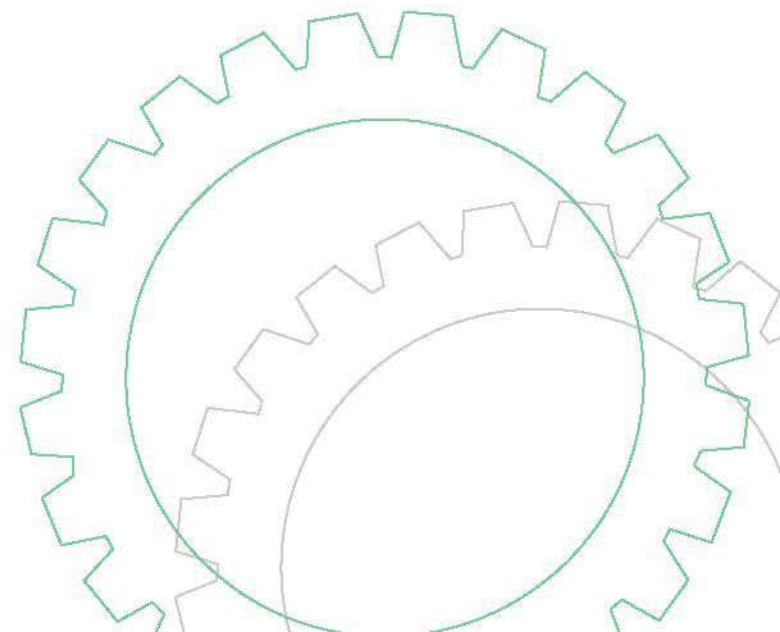
E-commerce is now being readily used for purchase and sale of multiple products and there are multiple players using various portals and websites for this purpose. This e-commerce growth has led to an increase in marketable transactions a multiple times as compared to the pre-commerce period in India. There are three types of E-commerce mode. They are B2B (business to business), B2C (business to consumer), and Consumer to Consumer and Consumer to Business. The Indian Small and Medium Enterprises (SMEs) are readily adopting the B2B type for further expansion in the domestic and international market.

The Indian Small and Medium Enterprises account for nearly 40 percent of the industrial production, 35 percent of the total manufactured exports of the country, 95 percent of all industrial units and about 70 percent of employment (Office of Development Commissioner, Ministry of Micro, Small and Medium Enterprises, Government of India). SMEs contribution of 17 percent to India's GDP is much lower when compared to the corresponding figure in major economies but it is projected to touch 22 percent by 2020.

In addition, the number of new entrants in the SME sector is growing at an average of 23 percent in manufacturing and 31 percent in the services sector. The accomplishments have been made possible, primarily, due to the growing internet penetration in India wherein the SME community have begun exploring its options as online sellers who have access to consumers and shoppers throughout the country.

Increasing number of SMEs is embracing e-commerce using their flexibility and ability to respond new chances and innovations. With e-commerce adoption, many Indian MSMEs are now exploring the option of selling online and thus accessing new customers across the country. The MSMEs that have adapted advanced level of digital engagement have experienced a growth of around 27 percent in its annual revenue than their offline businesses. Reduction in marketing and distribution costs and shorter time to market etc. are attributed to be one of those reasons behind the growth of MSME.

The leading e-commerce companies are also taking some initiatives to tackle some of the challenges such as assisting MSMEs in procurement of loans, training and integration of technology, and also engaging with customers on a real-time basis by providing them with different analytical tools for better preparedness and insights on future trends. E-commerce adoption have aided Indian SMEs in conducting transactions at a global level by offering them platform that can be accessed across geographies thereby increasing the volume of sales handled and the revenue generated.



CASE STUDY 4: CSR PROMOTING SMEs

Existing business support organizations and SME intermediaries need to be encouraged and helped to better integrate CSR into the advice and support that they give to SMEs. Such organizations are key channels of communication with SMEs and are qualified to communicate about CSR in a way that is relevant and understandable to them. The intermediaries should be as wide and as inclusive as possible covering all persons and organizations that work with or for SMEs, such as: chambers of commerce; SME associations and federations; trade and sector associations; trade unions; support and advice centres for SMEs and start-ups; business advisors (public and private); relevant training and education institutions for SMEs; banks, accountants and legal firms.

The fact that SMEs are an extremely diverse group (size, history, sector, ownership, and so on) calls for a range of different approaches and strategies to encourage CSR participation. Adapting the message and the nature of support to different kinds of SMEs will be a key to success. Amongst other things, tailor-made approaches are needed for small and micro-enterprises in comparison to medium-sized enterprises.

CSR is culture specific and therefore varies according to political traditions, nature of social dialogue and the degree to which certain social and environmental issues are regulated by law. Ultimately the practice of CSR has to be adapted to the particular circumstances of different regions. This is an important aspect for a country as large and socio-culturally diverse as India is.

FIVE UNIQUE CASE STUDIES

The Jalandhar based Sports Goods Foundation of India (SGFI) organizes campaigns for the abolition of child labour from sports goods industry and for the promotion of child education. Besides organizing tuition centres for poor children, SGFI also carries out health check-up campaigns in schools.

The Hyderabad based S. Kumar's Agro Business Corporation has set its mission to initiate change through innovative, sustainable, eco-friendly green initiatives.

The company's CSR foundation, GUESS (Green Universe Environmental Services Society) has emerged out of the Company's firm belief and steadfast commitment to promote sustainable livelihoods while protecting the environment in rural and remote areas.

The Ahmedabad based Shashwat Systems has established the Shashwat Foundation. Its CEO personally involves in the promotion of women enterprises throughout Gujarat and serves with missionary zeal as a teacher, guide and mentor to the numerous young and aspiring women entrepreneurs in the state. She undertakes sustained efforts to locate talented young women entrepreneurs, guides them through the journey and mentors them to stay successful.

Malerkotla (Ludhiana, Punjab) based Sohrab Enterprises runs a charitable trust called HARE. Under the trust are: Education (Sohrab Public School), a Primary Health Centre, a Widow Stipend Program and an Orphan Girl Marriage Assistance Unit. The company is dedicated to "Service to mankind, national integrity and communal harmony". The Group's numerous socially responsible initiatives are consciously and purposively designed to serve this motto.

The Ahmedabad based Motif India InfoTech raises funds for social causes through people participation as a part of its CSR. Motif provides the platform for NGOs and mobilizes financial support for them and brings about awareness of those who render socially responsible services the best. Motif organizes every year the Motif Charity Walk, an event that not only mobilizes financial resources for deserving causes but also popularizes such causes among the common man



CONCLUSION

All the case examples presented here bear testimony to the need for the local community's involvement /support, directly or indirectly, to the full/partial success of SMEs. At the end, it is to be concluded that the India's SME sector currently comprises of 1,157 industrial clusters and 6,000 micro-enterprise clusters. It is characterized as highly fragmented and unorganized and is dispersed across vast geographies. SMEs have been established in almost all major sectors such as agriculture, food processing, chemical and pharmaceutical, sports goods, leather and leather goods, plastic products, computer software, and engineering, electronic and electronics, etc. Moreover, the Indian SMEs are expected to add approximately 22 per cent to the country's GDP by 2020.



WAY FORWARD: KEY RECOMMENDATIONS

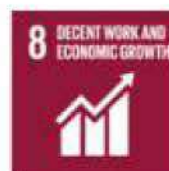
LOCALIZATION OF SDGs VITAL FOR ESTABLISHING COHERENT SMEs SYSTEMS

When we reflect on the diverse aspects of sustainable development discourse, countries and governments across the global have realized that the UN Global Agenda of 2030 has to be implemented in the own national contexts. India too in its cooperate federal structure framework advocates that the implementation of SDGs within the States are extremely crucial and significant.

The “Localization of SDGs” is therefore pertinent especially in the context of strengthening local economy and societies and for the successful implementation the strengthening of robust SMEs systems across the globe needs to be encouraged. The need to strengthen local economy, support indigenous institutions and drive innovative technologies are required in the SMEs. The need to provide diverse kinds of financial support mechanisms to the SME sector is vital as it is one of the largest job providers, it has been estimated that they account to 50% of formal jobs and more than 90% of firms in the emerging economies as they are one of the largest job provides both in formal and informal spheres. The targets within the SDGs 8 and 9 under the ambit of promoting inclusive economic growth while ensuring industry innovation and infrastructure has deeply identified the function of SME's a crucial in developing economies. Specific targets such as 8.3 empathizes and interconnected roadmap, commencing with a sound and robust policy framework that are oriented towards supporting job creation, innovation and even entrepreneurial activities. This is then followed by a call towards formalization of micro-, small- and medium-sized enterprises and thirdly to ensure their growth with an inclusive and accessible financial services. Some of the key indicators by which countries will report on the progress of the above target 8.3 is on the number of youth employed in the formal and informal sector followed by the adherence to the ILO standards to ensure decent work spaces. Moving on to SDG 9.3 the focus is rested on an integrated operations of small scale firms with global value chains by increasing their access to financial services including affordable credit particularly in developing countries. The key element that is being highlighted in our observance of both the Goals are that they bear specific targets that have distinct implications for the SMEs moreover, they also bear some of the universal challenges that are borne by the SMEs across the emerging developed and developing countries Therefore the targets too are prescribed in such a manner that they provide a systemic process on addressing them and also assert essential policy inputs for the government committed to the sustainable development agenda and for fostering the inclusive growth of the SMEs sector within their respective country.

SMEs & SDGs: Significant Priorities

- Financial Accessibility
- Integration of Small scale firms into global value chain
- Development oriented policies for growth and formalisation of SMES



STRENGTHEN SMEs FOR A RESILIENT ECONOMIC AND SOCIAL SYSTEM

Globalization is bringing new opportunities and the SME entrepreneurs have to seize these opportunities. For this, MSME entrepreneurs have to have a relook at their business strategies and innovate. To successfully do so, four major aspects need to be kept in mind. Firstly, SME entrepreneurs have to apply the discipline of innovation to identify and develop new business. Innovation requires us to systematically identify changes that have already occurred in the business – in demographics, in value, in technology – and then look at them as opportunities. Entrepreneurs have also to be prepared to face the fact that new inventions or product / service is not always successful in the market for which they were originally designed, but could be successful in a totally different market. He should be on the lookout for new opportunities for application of the product instead of focusing on the original markets alone. Secondly, business should pay attention to cash flows. Entrepreneurs believe that profit is

what matters most in a new enterprise. But profit is secondary. It is the cash flow that matters. A business that grows fast devours cash. Constant investments have to be made to just keep even. Thirdly, when a business grows, it is necessary to create a management team. Young entrepreneurs cannot pay to bring in a management team. It is, therefore, necessary to identify the core competencies of the people working with you so that your business is geared to seize the opportunities opening up. This planning should take place well in advance. Lastly, when the business is a success, the entrepreneur needs to ask what the business needs at this stage and whether he is concentrating on the right things. As successful entrepreneurs, they have gained experience and wisdom from their mistakes and going forward, it is necessary to ensure that the same mistakes are not repeated. With the increasing competition, globalization and the uncertainty due to the global downturn, it is essential for SMEs to be technology literate. SMEs will have to continuously incorporate the latest technology into their production processes as well as in their marketing and management functions, to cut costs, gain efficiency and consistency. What SMEs need today is knowledge and access to new technology. In fact, innovation and technology are the two tools SMEs have with them that need to be capitalized fully to compete with firms much larger in size. SMEs will have to continuously strive to incorporate the latest technology into their production processes as well as in their marketing and management functions, to cut costs, gain efficiency and consistency. The MSME sector is vital for the nation's economic progress and hence, needs to be carefully nurtured and supported. SMEs are the best vehicle for inclusive growth in the country, to create local demand and consumption. Besides supporting employment generation activities, they also act as feeder lines for the MNCs and large corporates of tomorrow. As an initiative, it should be required from all banks and financial institutions to implement necessary guidelines in both letter and spirit to increase the credit flow to this vital sector. SMEs, on their part, need to be transparent, particularly when in distress, so as to gain the trust and confidence of lenders. Besides, SMEs need to constantly innovate, both in terms of products and processes and have a wide vision, so that they are able to spot new opportunities for their products/ services. MSME Associations and Chambers of Commerce also have an important role to play in this formidable task of building a robust MSME sector by generating awareness about good practices. With the concerted efforts of all the stakeholders, it is certain that the MSME sector would become globally competitive and offer significant contribution to India's economic development and global progress.



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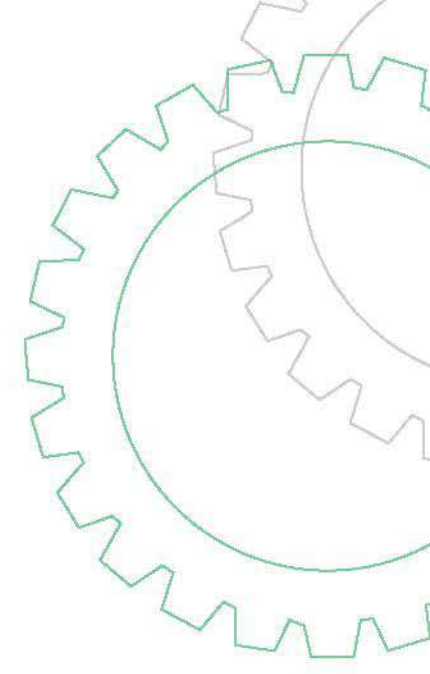
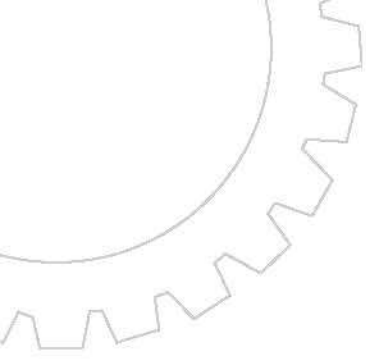
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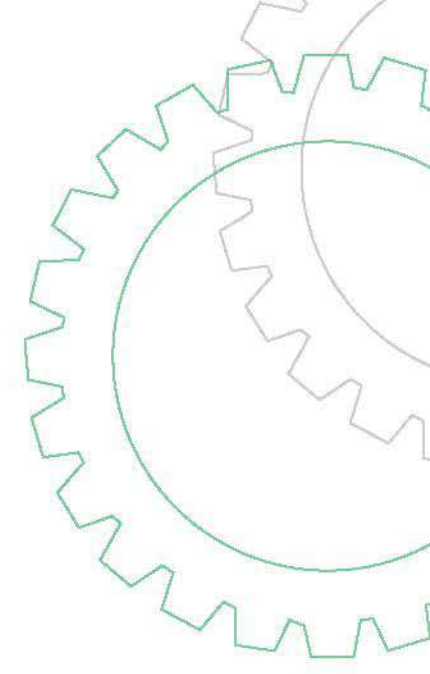
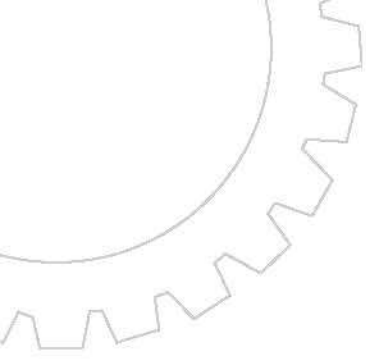
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