



# Economic Transition towards Sustainable Development

## Stakeholders' Perspective: MSMEs

Date: March 17, 2017

Time: 9AM – 7PM

Venue: The Pride Hotel, Shivaji Nagar, Pune

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# Economic Transitions towards Sustainable Development for India

## Stakeholders' Perspective

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### A study by Development Alternatives as a member of Green Economy Coalition

With a GDP growth rate of 7.6% in 2015-16, India is touted as the world's fastest growing major economy. However, the paradox of India's growth story is that its economic prosperity has come at the cost of rising social inequality and unsustainable consumption of natural resources. India ranks a low 135 amongst 187 countries on the HDI (Human Development Index), with 58% of its population lacking the means to meet essential needs. According to the Global Footprint Network, India's ecological footprint exceeded its bio-capacity by 160% in 2012. Further, India's development faces a very real risk of being severely impacted by climate change.

In order to move towards sustainable development that provides better quality of life for all within the ecological limits of the planet, we believe there is a need to rethink the principles governing our economic systems. With the aim of transitioning to a *new, green, inclusive, fair, and transparent economy*, we envision this innovative economic system to be more *resilient, low-carbon, resource efficient, and socially inclusive*; where public and private investment drive growth in income, create meaningful employment, reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.

The transition to this new economy has the opportunity to be rooted in current knowledge rather than historical assumptions, such as reckless and infinite economic growth, trickle-down economics, or the choice between investing in the environment or 'development'.

### MSMEs: Important Stakeholders in the Transition

An important stakeholder in the transition to a green and inclusive economy is the MSME (Micro, Small, and Medium Enterprises) sector. MSMEs are the backbone of the Indian Economy and contribute immensely to the socio-economic development of the country. They foster innovation, generate employment, and provide resilience to global economic shocks. There are around 46<sup>1</sup> million enterprises in India, 94% of these units are unorganized in nature owing to lack of adequate support. MSMEs are job creators, with only 8%<sup>2</sup> share in total GDP, they contribute to 45% to India's manufacturing output and employ close to 40% of India's workforce. Growing at 11% per annum which is higher than average GDP growth rate, they have potential to increase the share of contribution to 15%<sup>3</sup> by the 2020.

For MSEs to develop a competitive advantage and to operate in rapidly globalizing market, a strong focus on implementing technology is likely to play a crucial role in the growth of the MSE sector.

**Technology** will also play a pivotal role in access to finance in the future. A low technology base results in low productivity, which makes these enterprises uncompetitive and thus undesirable for Financial Institutions. Moving forward lack of technology will have a direct bearing on the **financing opportunities** for MSEs.

<sup>1</sup> MSME Finance in India, IFC Report, 2012

<sup>2</sup> Economic Times, 2013

<sup>3</sup> KPMG, 2015

At the same time a sizeable number of enterprises are set up and managed by first generation entrepreneurs, with limited **training and capacity building**, such enterprises experience significant challenges in resource management, technology adoption and financial planning. Thus technologies and capacity will play an important role in the growth of MSE sector, which is a backbone of any economy - developed or emerging.

***To this end, the stakeholder consultation, initiated by Development Alternatives, aims to map a variety of perspectives on the Green Economy. We propose to bring together key stakeholders: MSME entrepreneurs, financial institutions, regulatory authorities, government officials, ground level practitioners and civil society and corporate representatives that will deliberate on various opportunities and concerns. The purpose of this consultation is to build a shared narrative of the economy that the country collectively inspires for and an economy that takes care of people and the planet.***

The objectives of this consultation are manifold:

#### **Identify the potential of MSMEs in green growth**

Recognise the potential within MSMEs about the adoption of green strategies that could reduce the negative environmental impacts of their operations, while also enhancing their competitiveness and maintaining a large contribution to economic growth.

#### **Business promotion and matchmaking**

A networking platform of MSMEs with green business service providers and learn about products and technologies that can help them implement their measures.

#### **A Green Action Package for Supporting MSMEs**

A policy framework for the mainstreaming of green initiatives in Ministry of Micro, Small, and Medium Enterprises (MoMSME) programmes and projects, and to influence other government agencies to do the same.

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#### **Works Cited**

Confederation of Indian Industry. (2015). Micro, Medium & Small Scale Industry.

Kreft, S., Eckstein, D., Dorsch, L., & Fischer, L. (2015). Global Climate Risk Index 2016. Bonn: Germanwatch e.V.