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# trialogue 2047

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## Local Enterprises & their potential for Greening the Economy



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**Hall 4, Vigyan Bhavan  
Rajpath Road Area, Central Secretariat, New Delhi**

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## Local Enterprises & their potential for Greening the Economy

### Background note

#### Context: Indian Economy and Environmental Sustainability

India has experienced a steady growth in the last few years. The recent government estimates indicate that the real Gross Domestic Product (GDP) grew at a rate of 7.1% in 2016- 17 over 2015- 16. (MOSPI, 2017) Much of this growth is attributed to the progress of industrial sectors, such as manufacturing, construction, transportation, communication, utility services, etc., growing at a steady rate. Although rapid economic growth has brought huge benefits to India, it has had a detrimental effect on the country's environment and social frames, exposing urban centres to serious pollution related concerns and rising inequalities arising due to the jobless scenario. The growing sectors, mainly secondary and tertiary, struggle to provide employment to the relatively larger share of workforce, unlike the agricultural sector. The situation, thus, warrants the need for adopting greener and fairer practices for development.

#### Micro, Small and Medium Enterprises – Role in Greening the Economy

According to FICCI's estimates, within the manufacturing sector, the Micro, Small and Medium Enterprises (MSME) sector accounts for about 45% of the manufacturing output, 95% of the industrial units and 40% of exports. Besides, the sector provides employment to almost 60 million people, mostly in the rural areas of the country, making it the largest source of employment after the agriculture sector. The development of this sector, thus, holds key to inclusive growth, and plays a critical role in India's future. In other words, **greening the MSMEs in manufacturing sector can help India achieve its dual objectives of jobs for the people and environmental sustainability.** Some of the arguments in favour of MSMEs include:

1. Local economic development results in more jobs being created, particularly for the poor. [Dharani Farmers Producer Company](#) and [Sittilingi Organic Farmers Association](#), through local value addition of organic agriculture produce, are able to provide direct income benefits to the small holder farmers and marginalised communities in southern India.
2. Environmentally conscious MSMEs ensure green and inclusive economic development. Rising waste generation is one of the major environmental and social concerns. Some MSMEs have seen this as an economic opportunity. [Daily Dump](#) has innovated a business model for composting of solid waste at the household level; while [Green the Gap](#) is using waste to make marketable products.
3. MSMEs bring diversity of business and risks, and thus strengthen resilience of the economy. Traditional crafts have largely been marginalised by mass-produced machine-made consumer goods which tend to be cheaper due to the economies of scale associated with mechanisation. In such a time, entrepreneurial initiatives like [Dastkar](#), [Saathi Samaj Sevi Sanstha](#), [Mithan Handicraft Development Private Limited](#) are playing a critical role in sustaining the sector and the livelihood of people, mostly the poor and marginalised.

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## MSMEs at Crossroads of Environment and Development: Critical Levers for Integration

The Indian economy is seen as a bright spot in the global landscape. It is one of the fastest growing emerging market economies in the world. India has set for itself a target of expanding the manufacturing and industrial sector, to reach new and higher growth rates. India is expected to realise the target of 25% share of manufacturing in GDP, at best by 2025. (Data Quest, 2015) The manufacturing sector is also a highly resource intensive sector, and can be polluting. Environmental sustainability and resource efficiency are, therefore, critical elements that need to be explored.

***Sustainability is not an obvious choice for the decision makers to achieve the goal.***

Production system			Consumption system	
Manufacturers/ Entrepreneurs	Input/Material Suppliers	Government	Producers & sellers (Businesses)	Consumers/ People
Resource efficiency and waste management are seen as additional costs with no additional incentives, which manufacturers try to eliminate.	The progress of material suppliers is tracked only in terms of their business, without any accountability to the environmental degradation at the source of natural resource.	The Government is focusing on economic growth, with primary emphasis on increasing GDP. Growth is inherently dependent on higher consumption and increased resource use.	Increasing the profit share is the primary purpose of producers and sellers. Rising production and market based economy lead to high resource consumption use.	People are poorly informed or/and unaware of the resource footprint of their lifestyle, and the impact it has on global and national sustainability.
<b>Dumping of waste in water bodies</b> and open dumping sites.	Unregulated <b>sand-mining</b> causing erosion of the river bank and damage to the biodiversity.	India – aims for sustained <b>GDP</b> of 9-10%.	<b>Uber and Ola</b> services have created new markets – new consumption.	Expenditures have risen most sharply for <b>transport and communication</b> , food, personal care.

### Key Questions for Deliberation at *dialogue2047*

As India treads into the new global development paradigm, *dialogue2047*, recognising the opportunity, aims to deliberate on — the transformation needed for our nation to build a sustainable future for all; ensuring an economy that builds resilience in natural resources and green livelihoods. Our focus will be to highlight and discuss:

- What kind of transitions do we need from the current development paradigm? What is the role of MSMEs in this transition?
- What are the structural changes required to move towards greening the economy?
- How do we move beyond the current indicators of economic progress, and focus on well-being – of people and the planet? How will this benefit the MSME ecosystem?

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