Bringing MSMEs into Sustainable Global Value Chains

What is the issue?

MSMEs contribute to job creation and sustainable development yet they are the ones that have faced the harshest of environments over the last few years.

What is the significance of MSMEs?

- **Classification**- MSMEs are classified based on the investment in plant & machinery/equipment and annual turnover.
- It includes both manufacturing enterprises and enterprises rendering services.

Classification	Micro	Small	Medium
Investment in plant & machinery/ equipment	Not more than Rs.1 crore	Not more than Rs.10 crore	Not more than Rs.50 crore
Annual turnover	Not more than Rs. 5 crore	Not more than Rs. 50 crore	Not more than Rs. 250 crore

- **Significance of MSMEs**
  - Contributes ~ 30% to India's GDP
  - Employs ~ 11 crore people
  - Constitutes ~ 40% of total exports
  - More than half of them located in rural India
  - Huge potential to boost self-reliance (Atmanirbhar Bharat)

What are the issues in MSMEs in the changing post pandemic?

- **Informal-** There is a greater degree of informality in the sector, with many enterprises unregistered.
- **Global value chains-** Because of the informality, they cannot access formal MSME support and financing nor participate in global value chains.
- **COVID19**- The disruption of the pandemic severely impacted MSMEs, especially those in the services sector.
- **Access to resources**- The small size and lack of access to resources is a major challenge.
- **Global phenomena**- The renewed war, supply shocks and soaring fuel, food and fertilizer prices presented a host of new threats.
- **Digitalisation-** With few exceptions, digitalisation into smart manufacturing operations is still in its infancy.
- **Climate crisis**- The ongoing climate crisis is the greatest disruption multiplier of all.

What efforts were taken to unleash the potential of MSMEs?

- **Manufacturing**- India's ambitious "Make in India" campaign aims to propel the country's manufacturing value chain to position itself as a global manufacturing hub.
- Initiatives such as the production linked incentives (PLI) schemes and the recently launched zero effect zero defect (ZED) certification are helping to promote and boost the sector.
- UNIDO is propelling the notion of **manufacturing excellence** i.e. fostering a culture of continuous improvement and innovation that reduces waste and increases productivity, safety and quality.
- **Supports of agencies-** Agencies such as the United Nations Industrial Development Organization (UNIDO), International Labour Organization (ILO), United Nations Development Programme (UNDP), UN Women, IFAD, etc. are working with MSMEs in the changing post-pandemic economic landscape.
- **Environment**- The Bureau of Energy Efficiency (BEE) and UNIDO provided energy efficiency advisory services to 695 MSMEs in 23 clusters covering brass, ceramic, dairy, foundry and hand tool sectors.
- Under the Partnership for Action on Green Economy, UNIDO and ILO work on inclusive and green transformation strategies for key manufacturing sectors, together with UNDP, UNEP and the United Nations Institute for Training and Applied Research (UNITAR).
- ILO works to formalise municipal solid waste management for clean food, textile and garment value chains in Odisha and Andhra Pradesh.
- **Employment**- ILO, together with FICCI and corporates, is supporting MSMEs in creating and retaining jobs.
- The Start and Improve Your Business programme is helping over a lakh young people across five States launch enterprises.

How can the MSMEs be brought into inclusive and sustainable global value chains?

- **Digitalisation**- There is a need for replicable digital solutions adapted for MSMEs, including digital enhancements for machinery and equipment currently in use.
- Initiatives such as the Digital Saksham and the interlinking of Udyam, e-Shram, National Career Service (NCS), Atmanirbhar Skilled Employee-Employer Mapping (ASEEM) portals show the promise of targeted digitalisation schemes.
- **Environmental impact**- Greening reduces the environmental impact of MSME operations and fosters cleantech innovation to accelerate the transition to a circular, low carbon economy.
- **Supply shocks**- To increase the resilience of supply in response to recent shocks, production locations for global value chains need to be diversified across countries and regions.
- **Formalisation-** To fully unlock the potential of changing global value chain ecosystem, MSME owners need to further commit to formalising their businesses and investing in improved productivity.

References

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