

ISED identifies issues to address slowdown in economy

OUR BUREAU

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Kochi-based Institute of Small Enterprises and Development (ISED) has identified some specific issues in the medium, small and micro enterprises (MSMEs) in the light of the current slowdown in the economy, demanding a 'tortoise and hare strategy' to address them.

The Ministry of Finance has sought clarifications on the Institute's recommendation of a 20-point action plan for the MSME sector.

In its pre-Budget memorandum on MSMEs submitted to the Union Finance Minister, the SME think-tank identifies the current problems of MSMEs in terms of a unique phenomenon of "Adjustment-Gap in Business Confidence". Point-

ing out that such a phenomenon has not yet been discussed by development theory, the Institute argues for alternative policy corrective measures. "New problems demand an altogether unique set of solutions," says PM Mathew, Director, ISED.

The ISED document makes a comprehensive analysis of how different sizes and categories of businesses behave during a period of slowdown in the economy. While a fall in business confidence is the usual indicator, the degree of such a fall varies for these two segments, according to the movement of the business cycle.

While economic theory considers the movement of confidence crisis as diverging, the present experience of India

shows a behaviour pattern that is converging. Such a unique situation demands long-term structural correction in the industrial sector, rather than focus on short-term measures, as advocated by some scholars.

The ISED's strategic approach involves five key steps, including identification of business confidence as the focal point of budgeting strategy, focus on sub-sectors as the base of confidence-building, and corrective interventions in particular sub-sectors based on their unique characteristics and potential on the confidence front.

As a member of several expert committees of the Government of India, the Institute has, from time to time, contributed to MSME policy exercises at the national level.