

September 2015

# The Observatory Mirror



ISED SMALL ENTERPRISE OBSERVATORY

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**United We Stand, Divided We Fall**  
**India MSME Report 2015**  
**Rural Service Enterprises in Spotlight**  
**India's Focus on Start-up Businesses**  
**Skills and Entrepreneurship: Cutting the Gordian Knot**  
**Business Finance for Women:**  
**Towards a Convergence Mechanism**



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*The ISED Small Enterprise Observatory (ISED-SEO) came up from its small beginnings in 1997, into a recallable knowledge platform catering to the constituency of micro, small, and medium enterprises (MSMEs) (globally named 'SMEs'), the subject talked of by millions of people around the world today. The 'International Conference on SMEs in the Asia-Pacific', organised by the Institute of Small Enterprises and Development (ISED), in that year, drew up a broad plan of having a very humble reporting system on the SMEs in India.*

*The resolution of the Conference has now matured into an integrated platform. While being proud of the Institute's achievements, I remember with thanks the painstaking effort taken by the ISED team, of muddling with such an idea, and experimenting with it on a day to day basis. I was fortunate to have detailed discussions with the early activists of the European SME Observatory at Zoetermeer, and with friends and colleagues at Amsterdam, Rotterdam, the Hague, Zurich, and Geneva. And, that has helped us immensely to shape a truly India model.*

*It has, indeed, been a painstaking effort that demand meticulous work, engagement of people who really matter, and mobilizing resources of various kinds. I am happy that the Observatory has come of age, and that has happened through an innovative strategy of 'inclusive partnership'. The reputation of the Observatory has been a significant nutrient of the 'India MSME Communication Programme', the much respected SME connect of the country. All these could not have been possible, but for the spirit and enthusiasm of the ISED team, and of our esteemed institutional Partners.*

*At the ISED, we feel that the message of the Observatory need to be mirrored far and wide through this regular hand out. We are also keen that it need to be a reciprocal exercise, among members of the Observatory, and all our Partners and SME enthusiasts for sharing ideas and opportunities.*

A handwritten signature in black ink, appearing to read 'P.M. Mathew', written in a cursive style.

**P.M Mathew**

## **United We Stand, Divided We Fall**

The ISED Small Enterprise Observatory is nearing its eighteen years of existence. In a 'brick and mortar' world of institutions, its mission has been unique. Ranging from the too abstract forms of knowledge such as seminars and discussions to vital data products, the Observatory today services a spectrum of clientele, such as entrepreneurs, financing institutions, promotional agencies, policy makers, researchers, the media etc. It comes out through specific projects and products (Please ask for a copy of the Observatory brochure).

Sociologists often raise the question: why do people cooperate? "United we stand, divided we fall", goes the saying. The success of the Observatory lies in its methodological approach: learning from the field, and paying it back to the society. It is founded on an 'inclusive partnership' mode. The Observatory, from time to time, has sown the seeds, of several of the Institute's other partnership programmes. The world of small enterprises, for many large players, is too small to work on, but the Observatory brings out its latent business case.

## **India MSME Report 2015**

Three years back, one fine day came a quite unexpected call from the Vice-Chairman of the Gujarat Industrial Development Corporation (GIDC), exploring ISED's support for preparing a state-of-the-sector report on MSMEs in Gujarat. The State Government was keen to follow the footsteps of ISED's national project, the 'India MSME Report' series. Thus came the 'Gujarat MSME Report 2013' that was formally launched by Sri. Narendra Modi, the then Chief Minister of the State, and the present Prime Minister of the country. 'India MSME Report', the flag-ship project of the ISED Small Enterprise Observatory, is coming up with its 18th issue. The leads of the Report this year are, Skills, Entrepreneurship, Empowerment and Innovation. The Report, under preparation, will be formally launched at a high-profile meet at Mumbai, in October.

## Rural Service Enterprises in Spotlight

India's experience of services sector growth has been widely debated in academic and policy circles. From the angle of analysis and policy, there is much need for understanding the ground reality. The booming of the so-called 'new economy' is a global reality today. However, as the ILO rightly points out, it is necessary to look at the 'local reality' closely than ever, in order to meet the livelihood and employment aspirations of the people. And that necessitates a true policy focus on 'rural services' on the basis of what is feasible and realistic. The National Bank for Agriculture and Rural Development (NABARD) appreciated the Institute's concern and interest in the subject area, and joined hands in a project looking into the ground level scene of rural services. The findings of the study will come out in late September this year.

## India's Focus on Start-up Businesses

'Business demography' is a key subject of debates in B-schools and policy platforms in many parts of the world today. However, in India, an integrated picture of the demography of businesses is still wanting, unlike our concern for human population dynamics. As India moves on as a caring society for start-up businesses, there is need for looking into the past, present, and future of businesses in an integrated manner. A beginning, of late, has come from the Government of India. Prime Minister Mr. Narendra Modi has come out with a policy announcement, in his Independence Day speech. Capable of kick-starting a start-up movement in the country, the Prime Minister's policy guidelines to the public sector banks and the Ministries, is an initial step in the right direction. There is need for a proper homework on how entrepreneurship can be groomed and nurtured, is the need of the day. Following the debate on start-up initiated by the ISED through its last three issues of the 'India MSME Report', the Institute has initiated a research programme on start-up policy and practice in India.

## **Skills and Entrepreneurship: Cutting the Gordian Knot**

Regarding labour market intervention strategies, there has been a global shift from 'man power planning' to 'stakeholder engagement', The market forces, by themselves, cannot ensure full employment. It needs policy intervention. The Government of India, through its National Skill Development Policy 2009, came out with a strategy geared to enhancing employability through expanded modular skill base, especially of the young population, leading them to employment opportunities. With the change in the Union Government in 2014, the skilling policy underwent a major change. The change was towards an integrated approach involving skills of the hand and the mind. The new policy marks a beginning of putting India on the right track of entrepreneurship development, through policy intervention and involvement. Studies at the ISED have found their way into major policy recommendations. The National Policy on Skills and Entrepreneurship 2015, announced by the Prime Minister on July 9, 2015, was drafted by the Institute.

## **Business Finance for Women: Towards a Convergence Mechanism**

Entrepreneurship and gender are the two pillars of the 'gender in enterprise' debate and agenda. Unless they come together in a synergic manner, the objectives of social policy relating to gender- sensitive development are not likely to be met. While such an integrated approach to development need to be designed and taken forward, two key questions come to the fore: 1) Does women entrepreneurship differ from entrepreneurship in general?; and 2) is the problem of business finance for women essentially gender-specific, or, a more visible reflection of a general problem of deprivation? A realistic answer ,in the Indian context, is still wanted. In its ongoing national research project, the Institute tries to answer these questions, leading to some innovative strategies. The Report of the research will be released in October this year.

# ISED Key Publications Index

Book ID	Title
ISED-173	A Directory of Women's Industrial Enterprises in Kerala
ISED-085	A Situational Analysis of Small Industry Associations in India
ISED-022	Aasoothranathinte Puthiya Maanavum Vyavasaya Valkaranavum (Malayalam)
ISED-049	An Approach Paper on Development of Small Enterprises in Kerala
ISED-128	An Evaluative Study on Women's Organisations in Kerala
ISED-156	Bank Finance for SSIs : The Regional Dimension
ISED-093	Beyond Financial Inclusion: Making Finance Work for the Entrepreneurial Poor
ISED-057	Beyond Old Equations -Small Enterprise Experience and Perspectives in India
ISED-144	Building a Coalition for Enterprise Development
ISED-074	Business Development Services for Small Enterprises A Regional Study
ISED-070	Can Changes in Credit Assessment Help?
ISED-067	Can Flexible Specialisation be the Alternative? An Exploratory Study on Cane and Bamboo Industry
ISED-079	Capital, Caste, Class and Gender : The Political Economy of Women's Organisations in an Indian State(1880-1984)
ISED-066	Change and Choice in Gender Structure :An Inquiry into the Declining Female Labour Participation in Kerala Industry
ISED-168	Coconut Shell Resources of Kerala Utilisation and Technologies
ISED-075	Collective Approach to Poverty Alleviation in India :A National Study
ISED-141	Community Participation in the Development of Primary Education : Recent Experience and Emerging Issues
ISED-108	Continuity and Change: Dynamics of Economic Transition in a Pre-Industrial Society in North-East India
ISED-100	Craft Entrepreneurship Clinic - Iringalakuada
ISED-167	Craft Entrepreneurship Clinic -Kannur
ISED-130	Craft Entrepreneurship Clinic -Neeleswaram, Emakulam Dist
ISED-117	Credit Unions and Small Enterprise Finance
ISED-092	Database of the Kerala Economy
ISED-185	Data-base of the Kerala Economy - 2002 and Beyond: ISED Perspectives
ISED-086	Decentralised Planning for Small Enterprise Development: An Experiment at Kalady, Kerala, South India (Report on Local-level Skill Mapping).
ISED-131	Development of a Sericulture Co-operative Network, Kerala : An Evaluation Report.
ISED-065	Development of Small Enterprise Clusters: An Alternative Approach
ISED-105	Development of Small Enterprises: Challenges and Opportunities
ISED-162	Development Theory, Planning and Informalism
ISED-163	Econometric Evaluation of the SEWA Bank in India
ISED-080	Economic Liberalisation and India's Modern Small-scale Industries
ISED-089	Edu. Entrepreneurship Clinic - Chengannur
ISED-078	Edu. Entrepreneurship Clinic - Pathanamthitta
ISED-176	Edu. Entrepreneurship Clinic - Perumbavoor
ISED-084	Employment Generation in the Agro and Rural Industries Sector in India
ISED-174	Employment in Women-preferred Industries: A Study on Garment Industry in Kerala, India.
ISED-121	Energy and Green Business: The Way Forward for MSMEs
ISED-153	Energy Conservation in Marine Fisheries: A Study on Attitudes and Knowledge.
ISED-164	Enterpreneurship Development in the Renewable Energy Sub-Sector In Asia: Report of an International Workshop

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Book ID	Title
ISED-040	Enterprise Development: Global Issues and Currents in 2014
ISED-008	Entrepreneurship as a Critical Resource
ISED-186	Evaluation Report on Co-operative Rural Development Project
ISED-060	Feasibility Study for a Non-Banking Financial and Investment Company
ISED-045	Finance for Small Enterprises in India,
ISED-104	Financial Sector and SMEs in India: Problems and Prospects
ISED-043	Financing MSMEs: Towards a Business Case
ISED-109	Flexible Specialization for Developing Economies
ISED-182	Gender and Enterprise: Policies and Practice
ISED-178	Globalisation and Local Enterprise Development: The Indian Kaleidoscope of SMEs
ISED-143	Globalisation, Informalisation and Jobless Production Processes in Industries: Findings from Glass Industry, Ferozabad, Uttar Pradesh
ISED-189	Globalisation, Local Economic Development and MSMEs: Evidences from Kerala, India
ISED-113	Grooming Women Entrepreneurship : Beyond the Usual NGO Approach
ISED-021	Gujarat Micro, Small and Medium Enterprises Report 2013
ISED-181	India - MSMEs and the Enterprise Eco-System
ISED-129	India : Directory of Non-Governmental Agencies in Enterprise Development
ISED-134	India : Manufacturing Competitiveness in MSMEs
ISED-073	India : MSME Programmes and the Progress Card
ISED-090	India : The Regional MSME Scene
ISED-012	India Micro Small and Medium Enterprises Report - 2007
ISED-014	India Micro Small and Medium Enterprises Report - 2008
ISED-015	India Micro Small and Medium Enterprises Report - 2010
ISED-018	India Micro Small and Medium Enterprises Report - 2011
ISED-016	India Micro Small and Medium Enterprises Report - 2012
ISED-017	India Micro Small and Medium Enterprises Report - 2014
ISED-059	India- MSMEs and the Economy: The Global Kaleidoscope
ISED-063	India Needs a Small Enterprise Commission
ISED-087	India: Manufacturing Competitiveness and MSMEs
ISED-088	India: MSMEs and the Enterprise Eco-system
ISED-061	India: Next Generation Strategies for MSME Development
ISED-041	India: The Economy, Political Transition and MSMEs
ISED-054	India: The Regional Ecosystem and MSMEs
ISED-023	India: The State of Development of Small and Medium Enterprises -2005
ISED-004	India's MSME Ecosystem: Change and Choice
ISED-083	Indian Panorama of Micro, Small and Medium Enterprises
ISED-071	Indian Small Firms under Globalization: Has Policy Helped?
ISED-038	India's MSME Scene: The 2014 Story and the Way Forward
ISED-154	India's Science and Technology Capability : A SWOT Analysis

Book ID	Title
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ISED-184	Informal Sector in India : Critical Perspectives
ISED-135	Initiatives for Women Empowerment in Kerala: A Study on BSS
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ISED-101	Institutional Intervention and Informalism : A Study on the Kerala Experience.
ISED-150	International Conference on Local Economic Development and SMEs: A Report
ISED-187	International Conference on Small Enterprise Development : The International Experience and Asia-Pacific Imperatives
ISED-098	International Cooperation for Small Enterprise Development
ISED-097	International Trade, ASEAN, and MSMEs
ISED-020	Keralathinte Cherukidavyasayavikasanam: Oru Sameepanarekha(Malayalam)
ISED-051	Learning from Recession, Saving an Economy : Towards an MSME Agenda (Report of the National Policy Conference)
ISED-119	Liberalisation From Below : Towards an Alternative Agenda
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ISED-033	MSMEs in 2014: The Subsectors in Spotlight
ISED-122	MSMEs in India : From Enterprise to Entrepreneurship
ISED-034	MSMEs in India: Focal Themes of 2014
ISED-039	MSMEs in India: Recent Evidences on Structure and Transition
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Book ID	Title
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ISED-076	On the Virtues of Being Small! Recommendations on Small Enterprise Development
ISED-102	Parentage and Entrepreneurial Performance : A Study on Small-scale Industries
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ISED-151	PPI, Routine Immunization and Maternal Care in Kerala
ISED-025	Privatisation in South Asia: Some Issues
ISED-152	Profiles of Successful Women Entrepreneurs.
ISED-160	Project Report on Special Employment Programme in Alleppey District, Kerala.
ISED-114	Project Report on Special Employment Programme in Ramanathapuram District, Tamil Nadu.
ISED-027	Public Policy on Small Industry in the Post-WTO Era: International Experience and Lessons for India
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ISED-026	Recession - An Agenda for Micro, Small and Medium Enterprises
ISED-031	Renewable Energy: Business Opportunities and Entrepreneurship
ISED-111	Report of the Working Group on Modern Small and Medium Industries
ISED-035	Reporting on Micro, Small and Medium Enterprises: An Introduction
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ISED-005	Rural Economic Transition: Non farm and Micro Enterprises
ISED-077	Rural Entrepreneurship Clinic - Cherai, Kerala
ISED-115	Rural Entrepreneurship Clinic - Kalady, Kerala
ISED-177	Rural Entrepreneurship Clinic - Kattanam, Kerala
ISED-116	Rural Entrepreneurship Clinic - Perumbavoor, Kerala
ISED-069	Rural Industrialisation : The Science and Technology Gaps
ISED-161	Rural Industrialisation and Public Policy : Some Crucial Issues
ISED-140	Small and Medium Enterprises and Livelihoods: Towards an Agenda for the Eleventh Five-Year Plan
ISED-029	Small and Medium Enterprises in Local Economic Development: Cochin Declaration.
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ISED-188	Small Business Associations: International Experience and Lessons
ISED-112	Small Enterprise and Livelihoods: A Peep into the Eleventh Five Year Plan
ISED-175	Small Enterprise Associations and Business Development Services in India
ISED-058	Small Enterprise Development The Experience of the South and the North
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ISED-159	Small Industry Associations in Andhra Pradesh: Agents of Progress or Retardation?
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Book ID	Title
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ISED-068	The Hidden Dimensions of Entrepreneurial Performance : A Study on Parentage
ISED-149	The Industrial Informal Sector in a Developing Economy: An Inter-regional Study
ISED-165	The Informal Sector : A Re-appraisal
ISED-082	The Malappuram Demographic Miracle
ISED-036	The MSME Start-up Scene in India
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ISED-028	The State of Small Enterprise Development in India -1997
ISED-103	Towards a Policy Framework for Women's Industrial Enterprises in Kerala
ISED-024	Towards a Vibrant Small Enterprise Economy in India
ISED-056	Towards Strategic Competitiveness and MSMEs
ISED-171	Trade and Technological Co-operation in the SAARC Region
ISED-148	Twelfth Five Year Plan (2012-2017) Draft Report of Sub Group on Programme for Special Areas and Groups under MSME Growth
ISED-127	Understanding Informalism: An Inquiry into Some Aspects of Industrial Development in Kerala
ISED-126	Understanding the Bamboo Economy: Production-to-Consumption System Model
ISED-120	'Urban Informal Sector' : How It Should be Understood?
ISED-139	Urban Micro Enterprise Development Programmes in India: Some Preliminary Observations
ISED-172	Urban Planning and the Informal Sector
ISED-099	Women and Industrial Development : Some Issues in Regional Planning
ISED-081	Women and the so-called Informal Sector
ISED-072	Women Enterprises: Cluster Approaches for Marketing and Outsourcing
ISED-110	Women's Industrial Employment in India
ISED-006	Yes, the Small is Beautiful

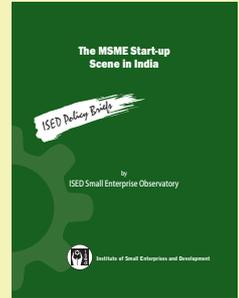
## Data Products

The Data Products at the ISED Small Enterprise Observatory satisfy the needs, and answers question raised by a wide spectrum of clientele: entrepreneurs, financial institutions , promotional agencies, researchers, policy makers , educational institutions ,academia-----

- Sub sectoral Profiles
- Regional Profiles
- Project Profiles
- MSME Connect
- Data Sets (Generic Set, Sub sectoral Set, Geographical Set)

## The MSME Start-up Scene in India, 2014

Over the past few years, there has been an active discussion regarding the role of entrepreneurship and innovation in economic development across the world. Governments are paying increasing attention on this issue, and development economists are becoming increasingly active in exploring the role of entrepreneurship in economic development. The double focus on SMEs and entrepreneurship in new ventures is an important development. More recently, in India, the Union Budget 2014 has given indications of a renewed focus on start-up promotion by the Government of India. The Prime Minister have announced a National Start-up Promotion Programme on August 15, 2015.



ISBN 978-93-80830-39-1  
Price INR 220.00; USD 14.00

What are the implications of this policy thrust, given the state of the start-up scene in India today? A discussion on this is likely to be useful from the angle of shaping start-up strategies in the coming years. The policy perspective of the Government of India today is significantly focused on labour-intensive manufacture. However, in the current circumstances, it is necessary to understand the aspirations of labour and to strike a balance with the needs of growth. The macro fundamentals of the country demand a speedy growth of investments. Harnessing the strength of these creative minds, having new ideas and opportunities, is the policy challenge. The role of public policy should be to help these creative minds channelize their ideas into business opportunities and projects. The new policy approach, as outlined by the Union Budget 2014, seeks to grapple with the details of private investment in India, to initiate measures for identifying these new ideas, and to put in place strategies with a lead role of the Government to harness potential investments by private investors.

Among other countries of the world, India, as in 2014, has some unique advantages. Besides being an emerging economy, the country is uniquely placed in relation to its demographic dividend. While this advantage is likely to remain only for a couple of years, there is an obvious need to have a meticulous effort to tap it through carefully designed development policies and strategies. Herein lies the relevance of an MSME start-up focus, depending essentially on the morale and dynamism of the Country's youth.

# MSMEs in 2014: The Subsectors in Spotlight



ISBN 978-93-80830-41-4  
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Discussions on micro, small and medium enterprises (MSMEs) are often based on a highly aggregated approach on the structure of the economy, wherein enterprises are distinguished in terms of discrete size-categories. Hence, the probability of an enterprise falling into a particular size-category is based on some arbitrary definition of size. While, from the point of view of programme implementation, this offers some convenience, for analytical purposes, the results often get blurred, or become mechanical. Therefore, 'subsector' as an alternative analytical approach for

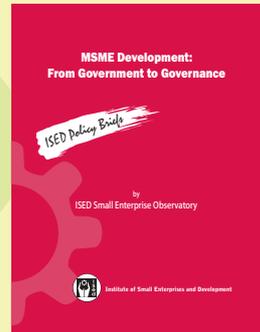
understanding and analysing the MSME space in the Indian context, is likely to be more useful. This approach is also relevant in the context of the emerging paradigm of globalisation, where MSMEs are not at all stand-alone, but have to be part of the global value chains. The term 'subsector' can be approached as: 1) a set of activities; 2) a related set of rules governing those activities; 3) a conceptual way of viewing problems of economic organisation; and 4) a way of organising research.

The very purpose of the 'subsector approach' to analysis and policy is to understand categories of enterprises in terms of their vertical and horizontal linkages. While 'subsector' is a useful approach, as mentioned above, there are serious critical data gaps. However, the three-fold classification, viz, 'legacy sub-sectors', 'enclave sub-sectors', and 'new economy' sub-sectors, is a useful starting point. This research, among others, spotlights on three specific subsectors, viz., food processing, electronics manufacturing and textiles. The discussion on the three sub sectors, as above, lead us to the significant latent potential of India relating to enterprise development, and opportunities of harnessing the value chains. Sectors like Textile and Electronics and Food Processing need special attention today. The industry wise development approach of the past has much less relevance today. Understanding this new relevance and shaping strategies need to happen on a partnership mode, with the involvement of various relevant stakeholders.

*Book Review*

## MSME Development: From Government to Governance

While 'development' is a rather abstract concept, it gets translated into practice through 'institutions'. Institutions are the visible instruments that translate the action of the government into 'governance'. Therefore, an understanding of the state of institutions is important from the point of view of translation of public policy into strategies. In such a translation, various factors play their role, directly or indirectly. The manner and the degree of such contribution, in turn, influence the performance of development institutions. Therefore, an understanding of these mutual relationships is crucial for explaining why and how the micro, small and medium enterprises (MSMEs) perform the manner in which they are today.

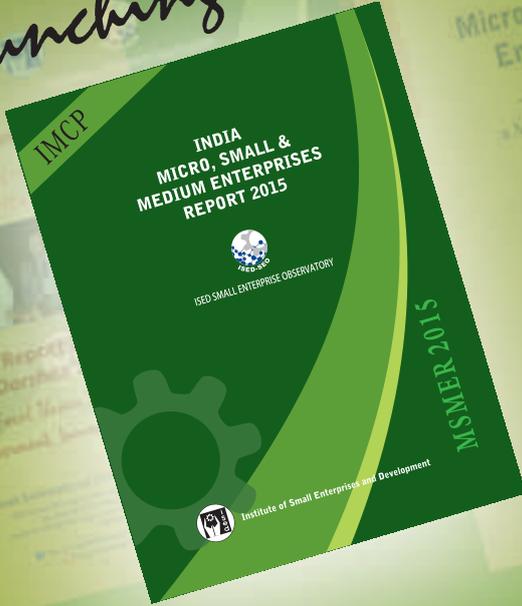


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The term 'governance' refers to processes and decisions that seek to define action, grant power, and verify performance. How does the aspirations of the people, especially the young people, get translated into programmes? This is a trial and error process in a democracy, which need to be analysed in terms of the policy process, and more specifically in terms of particular programmes. Given the state of official priority in India today, it would be useful to focus our discussion on India's following three priority areas: 1) skill development; 2) innovation; and 3) financial inclusion.

The agenda of private sector development, in the new millennium, has at its centrestage, the concept of public-private partnership. It also presupposes the presence of mechanisms that ensure efficient delivery of services to the MSMEs. Governance issues have become all the more important where, time is a critical factor in MSME development initiatives. What is needed is not minimizing the role of the government as a facilitator, but to ensure that the performance of the government truly reflects the aspirations and interests of the MSME constituency.

Launching soon.....



Thus they Speak.....



“The work of specialist institutions like ISED is of great relevance to entrepreneurs and policy makers alike.....”

**Shri. Narendra Modi**, Prime Minister of India

“ But even in this era of globalization, we live in neighbourhoods and communities. The 'Small Enterprise Observatory' at the ISED and the 'India MSME Report' Series reminds us of that.....”

**Padmabhushan Mark Tully**, veteran Journalist and author.



Institute of Small Enterprises and Development (ISED) is an interdisciplinary Centre with small enterprises as its key constituency. Along with research, advisory services, advocacy, networking, and training, the Institute is an active participant to policy dialogue on small enterprises. The Institute is affiliated to the Indian Association of Social Science Institutions(IASSI), as its Permanent Member.