Role Of Micro, Small And Medium Enterprises (MSMES) In Achieving Sustainable Development Goals

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Abstract - Micro, Small and medium enterprises (MSMES) plays a catalytic role in the development of any economy. MSMES are considered as nurseries for entrepreneurship and innovation around the globe. India is no exception. MSMES in India are extensively dispersed across the country and produce around more than 6000 diverse range of products and services. There are more than 63 million MSME units operating in different parts of India. These MSME establishments employ around 11 crore people. Given the dynamic and flexible nature of MSMES, they are considered an essential sector in achieving Sustainable Development Goals (SDGs) set by United Nations. MSMES have a huge role to play in achievement of SDGs, especially the goals of Poverty Alleviation (Goal 1), Decent Work and Economic Growth (Goal 8) and Industry Innovation and Infrastructure (Goal 9). MSMES contribution is not restricted to these three goals, they also directly or indirectly help in achieving other goals. In this paper, an attempt has been made to study the role of MSMES in achieving the SDGs. We have categorized the role of MSMES by different activity attributes in the achievement of different goals. We have also outlined some suggestive measure which is helpful in making MSMES more sustainable, which in turn, would help achieve SDGs.

Keywords: MSMES, Sustainable development, Poverty Alleviation, Industry Innovation, Economic Growth

I. INTRODUCTION

Although there are many definitions given by different organizations, commissions and individuals, the most popular definition of sustainable development has been given by WECD (Also known as Brundtland Commission Report, 1987) which defines Sustainable Development as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (International Institute of Sustainable Development (IISD), n.d.) . Sustainable development is a common concern for countries around the globe. But Bringing sustainable development into public policies has always been a difficult task. (Sharma, 2009)

The word ‘Sustainable Development’ was first coined by Barbara Ward in ‘Cocoyoc Declaration’ in 1974 and has been well discussed in various international summits, conferences and reports like IUCN Report (1980,1990) and World Commission on Environment and Development (WECD). The WECD report named ‘Our common future’ became a landmark report and reckoned sustainability as the only way to wipe out the danger on the survival of mankind. The idea was later, well discussed in Earth Summit 1992 and The Norway Round Table in 1995. The Earth Summit, 1992 proposed two major documents concerning sustainable development, namely, Agenda 21 and the Rio Declaration on Environment and Development. Norway Round Table also laid down principles to achieve sustainable development.

Major summits and agreement have raised concerns over Sustainable Development but failed to provide a comprehensive approach at the global level. The member states of united nations had adopted the millennium development goals in 2000 which had a major aim to reduce poverty across the globe. This millennium Development Goals (MDGs) has been now replaced by SDGs. The 2030 Agenda for Sustainable Development Goals contains 17 SDGs and 169 targets to be achieved before 2030. These goals and targets are aimed at bringing peace and prosperity around the globe. All developed and developing nations have to achieve those goals and targets through global partnership. The major focus is to end poverty by 2030, improve health and education, reducing inequalities, and achieving economic growth while tackling the problem of climate change and preserving the oceans and forest. (Division for Sustainable Development Goals (DSDG), n.d.)

The idea of sustainable development covers a range of aspects and includes environmental, economic and social aspects along with taking care into account the ecological aspect. The social aspect includes respect of individuals, outreach programmes, community development, equal opportunities, human rights etc. Whereas economic aspects mainly include consistent and profitable growth, risk management, shareholders return etc. The environmental aspects include permit and license
compliances, bio-diversity management, air pollution, control on water chemical usage and discharges etc. apart from these, there are many eco-economical, socio-economical, socio-environmental issues which form the part of sustainable development. Sustainable development is aimed at creation society where people and nature live in harmony with each other people grow economically but not at the cost of degradation of the environment.

**Figure 1: Key Elements of Sustainable Development**

Micro Small and Medium Enterprises (MSMEs) are considered as nurseries for entrepreneurship and innovation. Indian MSMEs are extensively dispersed across the country and produce around more than 6000 diverse range of products and services to meet the needs of the local and global market and thereby integrating into domestic and global value chains. MSMEs are at the core of industrial activity in India. Although there is no universal definition of MSMEs. In India, Micro Small and Medium Enterprises Development (MSMED) Act, 2006 has defined MSMEs on the basis of investment in plant and machinery for manufacturing industries and on the basis of investment in equipment in service industry. The categorization is as follows

<table>
<thead>
<tr>
<th>Class/Category</th>
<th>Manufacturing Industry</th>
<th>Service Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro Enterprises</strong></td>
<td>Investment up to Rs.25 lakh</td>
<td>Investment up to Rs.10 lakh</td>
</tr>
<tr>
<td><strong>Small Enterprises</strong></td>
<td>Investment above Rs.25 lakh and up to Rs.5 crore</td>
<td>Investment above Rs.10 lakh and up to Rs.2 crore</td>
</tr>
<tr>
<td><strong>Medium Enterprises</strong></td>
<td>Investment above Rs.5 crore and up to Rs.10 crore</td>
<td>Investment above Rs.2 crores and up to Rs. 5 crore</td>
</tr>
</tbody>
</table>

Source: (Ministry of MSME, 2017)

MSMEs are the tools which have enabled the success of the policies like Make in India, Startup India-Stand up India etc. The progress of Industrial sector is noticeably affected by the growth and development of MSMEs. There are more than 63 million MSME units operating in different parts of India. MSMEs account for 45% of industrial production and 30.5% of services sector. In Indian context, as per the Directorate General of Commercial Intelligence and Statistics (DGCIS) data, the value of MSME related products is Rs. 147,390.08 million dollars and share of MSME related products in the country exports was 48.56% during 2017-18 (PIB, 2018). These MSME establishments employ around 11 crore people. MSME sector has the potential to improve as a mainstay for this economy and act as an engine for growth provided that they get the required support and facilitation

**II. REVIEW OF LITERATURE**

(Kamal-Chaoui, 2017) asserted that SDGs could only be achieved if the countries build strong SMEs. Discussing the importance of SME in innovation, employment generation, gender equality, inclusive development etc. the researcher emphasized that policies are needed to create a good business environment to make SMEs more productive. He raised concerns over financing and participation of SMEs in global value chains, banking sector reforms and new approaches to financing.
V. ROLE OF MSMEs IN ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

MSMEs, with diverse operational capabilities, is considered an important pillar in achieving sustainable development goals. Given the impact MSMEs create at the global level, the United Nations General Assembly has set aside June 27 as International MSME day. The importance of MSMEs in achieving sustainable development is underscored by its theme ‘MSMEs ‘Small Businesses, Big impact’.

MSMEs involved in specific sectors could help achieve many objectives under different goals. (BlueOrchard, n.d.) We have divided the contributions of MSMEs in the attainment of those goals under four types of activity attributes namely, by providing employment, by operational efficiency, by performing Corporate Social Responsibility (CSR) activities and by ethically and lawfully following laws and bylaws. Each activity helps in the attainment of certain goals. However, a certain kind of activity attribute could help in achievement of more than one goal, but we have applied a simple approach and we have put one goal under only one activity attribute.

By employing people in their establishments MSMEs help directly in achieving of goals like Poverty Alleviation (Goal 1), Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8) and Industry Innovation and Infrastructure (Goal 9) and Reduced Inequalities (Goal 10). MSMEs contribute to the attainment of certain goals by their sector-specific operational efficiency which includes Zero hunger (goal 2), Affordable and Clean Energy (Goal 7), Responsible Consumption and Production (Goal 12) and Partnership for Goals (Goal 17). MSMEs also contribute to SDGs by performing Corporate Social Responsibility (CSR) activities in various forms to the goals of Good health and well-being (Goal 3), Quality Education (Goal 4), clean water and sanitation (Goal 6) and building Sustainable cities and communities (Goal 11).

The MSMEs have crucial roles in attaining the targets of some goals by ethically and lawfully following laws and bylaws, and using the resources of locality in a judicial manner. Under this the major contributions are towards Climate Action (Goal 13), Life Below Water (Goal 14), Life on Land (Goal 15) and Peace Justice and Strong Institutions (Goal 16).

Table 2: Categorisation of different Goals on the basis of the Activity Attribute

<table>
<thead>
<tr>
<th>SN.</th>
<th>Contribution towards Fulfillment of SDGs</th>
<th>Goals in Which MSMEs would have considerable impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>By Providing Employment</td>
<td>Poverty Alleviation (Goal 1), Gender Equality (Goal 5), Decent Work and Economic Growth (Goal 8), Industry</td>
</tr>
</tbody>
</table>
2. By Sector Specific Operational Efficiency

| Innovation and Infrastructure (Goal 9), Reduced Inequalities (Goal 10) |
|-------------------|---------------------|

3. By CSR activities

| Zero hunger (goal 2), Industry Innovation and Infrastructure (Goal 9), Affordable and Clean Energy (Goal 7), Responsible Consumption and Production (Goal 12), Partnership for Goals (Goal 17) |
|-------------------|---------------------|

4. By ethically and lawfully following laws and bylaws

| Good Health and Well-being (Goal 3), Quality Education (Goal 4), Clean Water and Sanitation (Goal 6), Sustainable Cities and Communities (Goal 11) |
|-------------------|---------------------|

| Climate Action (Goal 13), Life Below Water (Goal 14), Life on Land (Goal 15), Peace Justice and Strong Institutions (Goal 16) |
|-------------------|---------------------|

Source: Researchers own classification

**Poverty Alleviation (Goal 1)**

As indicated by the World Bank, in excess of 650 million individuals live in destitution throughout the world, which is 11% of the total population. Over 80% of individuals in South Asia and Sub-Saharan Africa live below the poverty line. This problem of poverty has remained the greatest challenge in the world. Although India is considered one of the fastest growing economy, it accounts for 20.6 per cent of the world’s poor. MSMEs by employing the poor and jobless ensure that they earn money to survive. This helps in assuring their minimum survival needs. MSMEs in India employs over 60 million people in around 11 lakh establishment all over India. With an increased number of sustainable MSMEs, more employment opportunities could be created.

**Goal 2 Zero Hunger**

MSMEs make up the majority of agricultural and food producers and ensure a sustainable food production system. Agro-based MSMEs have a major role in creating and maintaining a sustainable food supply (BlueOrchard Academy, 2017). The government initiatives such as Kisan Sampada Yojana entails in itself great opportunities for food production and processing at low cost by MSMEs.

**Goal 3 Good Health and Well-being**

Health issues like maternity mortality, child mortality, etc. are still not well addressed in rural landscapes. MSMEs as part of their CSR programmes could help organize awareness campaigns, healthcare facilities, arrange ambulance facilities, free medical checkups, etc. in the rural areas. To ensure good health around society, MSMEs have to be careful about the disposal of waste from their establishment. They must ensure that they do not pollute their surrounding localities which ultimately leads to many disease problems in the locality. In 2016 only, household and outdoor air pollution led to some 7 million deaths worldwide (Division for Sustainable Development Goals (DSDG), n.d.).

**Goal 4 Quality Education**

Education is not only about schooling. It about learning new things and acquiring new skills at any age. MSMEs educate rural youths by imparting skills in them. Everyone who is employed in a microenterprise has to learn and acquires new skills for efficient working. Nowadays, employee training programmes under the aegis of skill India is training workers to improve their craft. Also, as a part of their social responsibility obligations, MSMEs are helping to open schools in rural and backward areas.

**Goal 5 Gender Equality**

MSMEs could also assist in promoting gender equality and women’s empowerment by providing entrepreneurship opportunities to women’s (Kamal-Chaoui, 2017). In India, a huge number of microenterprises are led by women. According to MSME Annual report, around 123 lakh proprietary enterprises are owned by female entrepreneurs. Women have become dependent and are successful in their entrepreneurial endeavours. Also, various training programmes have trained them in their skills and have made them at par with men in terms of employability.

**Goal 6 Clean Water and Sanitation**

The goal is to make sure the availability of water, sustainable management of water and sanitation for all. MSMEs Working in the locality could help to a great extent in dealing with the water and sanitation related activities. They could provide water to the locals from their plant as they usually have a rich source of water for their operations. MSMEs Could help improve water quality by reducing contamination, wiping out dumping activities and limiting the release of dangerous residue materials. Also, they could support and strengthen the participation of local communities in improving water efficiency, water management and sanitation management in the locality. On the same lines, as a part of their CSR obligations, they could help conserve and restore water by making ponds and dams.

**Goal 7 Affordable and clean energy**

MSMEs with their innovative methods have been able to lower the cost of operations and have contributed to energy efficiency. The government is promoting MSMEs in the area of affordable energy. MSME ministry has issued guidelines and inviting projects on setting up of production units based on LED-based lighting systems, automatic voltage stabilizers, electric solar cooler, electric transmission line hardware, distribution transformers, solar panels etc. Thousands of MSMEs are getting certification from the ministry and are working in the field of producing energy efficient products. This will ultimately help the portion of renewable energy in the total energy mix. India’s
Unnat Jyoti by Affordable LED for All (UJALA) is a great example of providing affordable energy. In such an initiative, MSMEs are playing an important role.

**Goal 8 Decent Work and Economic Growth**

The target is to provide full and productive employment to all. Although the number of unemployed people has reduced significantly over the years, people in many developing countries like India are still unemployed in large number. The role of the MSME sector in employment generation in India is indisputable. The sector is the second largest employment provider after agriculture. It employs over 110 million people in nearly 60 million establishments (Ministry of MSME, 2018), thereby providing employment and decent work opportunities to a large number of people. The sector helps in increasing labour productivity and decreasing the unemployment rate. This, in turn, helps reduce the quantum of migration of rural poor. The sector has been able to generate and provide employment to a large population in the period of global recession and economic slowdown (Development Alternatives, 2018). It is estimated that India will need 15 million new jobs per year for the next 15 years. (Bhattacharya & Bijapurkar, 2017) (Development Alternatives, 2018). This much amount of job creation is unimaginable without the contribution of MSMEs.

**Goal 9 Industry, Innovation and Infrastructure**

The aim is to Build a strong infrastructure, encourage inclusive and sustainable industrialization and nurture innovation. MSMEs have a big part in industrialization progress of India and have helped in raising the industries share in employment, export and Gross Domestic Product (GDP). The rise in the number of manufacturing units is showing good signs for the economy in the current scenario. Due to lack of resources, MSME entrepreneurs continue to find new ways of doing complicated things in simple ways, which ultimately leads to low-cost innovations. This is why MSMEs are considered as innovation hubs. As economist William Baumol has asserted that new and small firms have been the major source of disruptive innovation in last decade's because new and small firms work outside prevailing paradigms and without strong links to current products and technologies(Chaoui, 2017). The MSME entrepreneurs are helpful in making good infrastructures in the area where they exist. As a part of social responsibility, they are also engaged in making schools, roads, hospitals etc.

**Goal 10 Reduce inequality**

MSMEs have been contributing to reducing income inequalities within and among countries. By providing employment to local folks, these MSMEs increases their income level, improve their standard of living and make them self-dependent. MSMEs also have a major share in export and manufacturing output of the country. The MSMEs accounts for 45 per cent of the total export from the country and 40 per cent of the total manufacturing output in the country, thereby, helping the country to grow at a brisk pace and improving the Financial Soundness Indicator (FSI) of the nation while competing with most of the developing and developed countries. MSMEs have not only contributed to increase the earnings of workers and entrepreneurs but also to the nation at large.

**Goal 11 Sustainable Cities and Communities**

The goal is to make the human habitat safe, resilient and sustainable. Most of the MSMEs operate near the residential establishments in cities as well as villages. They affect human lives around them in one way or the other. When industries are set up in the far reach areas, they themselves ensure a well-developed infrastructure. So, they build roads, ensures water availability and take electricity to far reach areas with them. As a result, those areas get a good transportation infrastructure, water supply and electricity supply. While promoting industrialization, they are also helping in urbanization. MSMEs can help cities become more inclusive through projects like urban regeneration project that lay emphasis on SME development (Kamal-Chaouii, 2017). MSMEs with their diverse range of operations are helping in making sustainable cities and communities in different ways. MSMEs engaged in waste recycling and solid waste management are some good examples in this regard.

**Goal 12 Responsible Consumption and Production**

Resources are scarce but human wants are unlimited. The pace of growth in human population calls for careful use of available resources. Sustainable consumption and production are all about the use of resources for the satisfaction of human needs with minimum wastage. It implies the development of efficient technologies, increased use of renewable resources, lessening of toxic residue outflow etc. MSMEs are more flexible than large enterprises and could adopt sustainable consumption processes and production patterns. The various processes used in production must be made efficient to reduce wastages. MSMEs could implement Lean manufacturing systems while following various pollution control standards

**Goal 13 Climate Action**

Issues like global warming and ozone layer depletion have put a major threat to the lives of humans on the planet. India has to contribute to minimizing the air pollution, global warming and ozone layer depletion through Intentionally Nationally Determined Contributions (INDC). If India has to fulfil its INDC commitments then it is important to control environmental degradation and ecological imbalances in the country, which is mostly a result of industrial activities. MSMEs have to adopt Green Manufacturing initiatives and have to be environmentally conscious in using resources. Some MSMEs are using solid
waste management as business opportunities and using them as marketable opportunities.

**Goal 14 Life Below Water**

It is related to Conservation and sustainable use the oceans, seas and marine resources. Use of water resources and their disposal is a matter of concern for not only large but Micro, Small and Medium Enterprises. Units established near the coastal areas and river banks must adhere to the Air quality law, Water quality law, Waste management law, Environmental cleanup law etc. they must not indulge in the practice of dumping of wastes in water bodies.

**Goal 15 Life on Land**

It is associated with Protection, restoration and promotion of sustainable use of terrestrial ecosystems, sustainable management of forests, combating desertification, and halting and reversing land degradation and biodiversity loss. The MSMEs located in rural areas near forests are exploiting most of the forest resources. It becomes their responsibility to protect the wildlife in them. It is their duty not to disturb the forest ecosystem. Tree plantation activities must be promoted by them in return for the resource they use. They must also ensure that their operation does not harm the vegetation and do not result in land degradation. If the MSMEs operate in agro-business, then they must promote sustainable agricultural business practices.

**Goal 16 Peace, Justice and Strong Institutions**

It involves building accountable institutions at every level. MSMEs do employ a large share of human capital. They must follow the labour laws of the country and comply with their norms. MSMEs should not indulge in child labour employment. Also, the treatment of female employees must be fair and their exploitation must be stopped. The laws administering the workers must be adhered to and labour must not be disassociated with their rights.

**Goal 17 Partnership for the Goals**

To implement all the policies leading towards sustainable development, institutions within the country must partner with each other. Partnership in the private and public sector must be to achieve self-sufficiency. Also, many of the informal enterprises’ partners with formal enterprises to create value. This partnership is essential given the fact that they together create a better value chain. It could be possible that governments could provide better exposure to the MSMEs of our country to the MSMEs of another country so that they could learn innovative methods of operations from one another.

**VI. MAKING MSMES MORE SUSTAINABLE**

MSMEs, especially in a developing country like India, faces a number of challenges which limit their operational efficiency. If MSMEs themselves are not able to manage their own operations, we cannot expect them to contribute in terms of sustainable development. To take maximum out of MSMEs towards sustainable development, it is essential to address their problems and promote them to improve their sustainability.

**Major problems that MSMEs face and how we could address them to ensure their sustainability**

1. **Access to finance**: lack of credit facilities at different stages inhibits the growth of MSMEs. The government should ensure the availability of finance through various schemes and policy interventions.

2. **Lack of supportive government policies**: Lack of supportive government policies and regulatory frameworks also hampers the entrepreneurial spirit of talented young entrepreneurs. The government must formulate a coherent and supportive environment for a startup ecosystem and new business ideas.

3. **Insufficient skill manpower**: Majority of the micro and small units do not have skilled manpower, which negatively affects their performance. The government, through vocational training programmes, should try to offer skill development and capacity building programmes to small entrepreneurs and workers employed in their establishments.

4. **Basic infrastructure**: Most of the MSMEs in India lack basic infrastructure in the form of machinery, building, technological support etc. to effectively run their operations. This infrastructural problem must be addressed properly.

5. **Encouraging entrepreneurship**: To combat poverty, gender inequality and income inequality around the globe, rural youths and women entrepreneurs could be used as a strong weapon. Unfortunately, rural youths are and women are discouraged by their communities and are not allowed to take entrepreneurial endeavours. This mindset has to be changed. Encouraging entrepreneurship in this small segment of the economy could really bring fruitful results.

6. **Bringing informal units into the formal sector**: Efforts must be made to bring informal MSMEs to the formal ecosystem, that would help to keep track of their progress, performances, contributions and needs. MUDRA Bank and Priority Sector Lending (PSL) norms are important policy initiatives in this regard.

**VII. FINDINGS**

In this research paper, we found that MSMEs possess immense potential in the achievement of all sustainable development. Directly or indirectly, MSMEs have a huge
impact on the progress of sustainable development goals. We also found that micro enterprises themselves suffer to operate to their fullest abilities due to many problems. To ensure maximum participation and contribution from MSMEs in the achievement of sustainable development goals, it is necessary that this sector is promoted and supported well.

VIII. SUGGESTIONS

Based on the research paper, we have some suggestions which would help in making MSMEs more sustainable, which, in turn, would help in the achievement of the SDGs

1. A policy approach could be designed by the Ministry of MSMEs for at least small and medium enterprises to act towards sustainable development goals. On field support and visits by officials would also be helpful in this regard.

2. The government must direct MSMEs for organizing awareness campaigns about various issues like entrepreneurship development, women empowerment, financial literacies etc. and should provide incentives to them. Awareness programmes should also be organized for MSME entrepreneurs regarding pollution control techniques, pollution emission norms, safety norms etc.

3. MSMEs entrepreneurs must be encouraged to come up with innovative ideas in certain industries like solid waste management, recycling, lean manufacturing etc. where there is huge potential for MSMEs. Importance should be given on greening the MSMEs. Green MSMEs helps in controlling pollution emissions and make the environment clean.

4. The institutional credit support system should be strengthened. Along with credit facilities, support system must be created for MSMEs to discuss their problems and take pieces of advice from experts and authorities. Credit plus approach of Mudra bank is one such support system. This will help in smooth operations of MSMEs and would help in keeping people employed throughout the year.

5. It is essential that MSMEs get proper advisory services. Without proper advisory and guidance, many new entrepreneurs stuck and fail. The focus must be given on technological advancements in the operational processes and marketing of products. Also, advisory services must be provided for effective use and minimum wastage of resources, technical suggestions etc.

6. Ministry should provide incentives and benefits to MSMEs for the achievement of sustainable development. The coordination of institutions in the ministries organizational structure would be helpful in this regard. Support of the institution at the national, state and district level should be taken from subsidiary organizations like District Industrial Centers, training centres etc.

IX. CONCLUSION

SDGs are ambitious goals directed towards a better future for planet and people. However, achieving them within a span of fifteen years is not an easy task. Various nations including India through various commitments are working towards these goals. There are many dimensions to sustainable development which could be achieved through contributions of organisations and individuals in different forms. MSME sector is one of the sectors which carry a huge potential to affect the progress of most of these goals. The diversity and flexibility in operational capabilities of MSMEs make them an important player in this endeavour.

If MSMEs thrive in the upcoming years, it will certainly help in generating more employment, reducing poverty, reducing regional imbalance, promoting equality etc. and thereby making a substantial contribution in achieving the SDGs. It is needed that problems of MSME are addressed diligently through appropriate government interventions and entrepreneurial abilities are nourished well in this competitive era.

REFERENCES


