



Roundtable Discussion Report on **Fostering entrepreneurship** as a means to drive economic growth



Context

Entrepreneurship is one of the most effective ways to spur economic growth and create tremendous employment opportunities especially for a country like India which houses a youth population of around 66%. Unemployment will always be a hindrance to the process of economic development considering the constant surge in population. Unemployment rates in the past decade have been close to 8%, rising to 10% during the pandemic. In 2020, 30.7% of youth were not engaged in education, training or employment. This is where entrepreneurship can play a dual role of fuelling economic growth as well as tackling the problem of unemployment.

It is further found that 96.7% of registered SMEs are micro-enterprises of which 60% employ only one worker (Basole & Chandy 2019). These micro enterprises, especially “nano” ones provide inclusive growth, poverty alleviation and employment opportunities.



About the Roundtable

The roundtable was conducted by the Centre for Excellence in Entrepreneurship and Development (CEED) & deAsra Centre for Nano-entrepreneurship at Gokhale Institute of Politics and Economics (GIPE) on 14th August 2023 from 5:00 pm- 7:00 pm. The roundtable was chaired by Dr. Ajit Ranade and Dr. Anand Deshpande. This round table was conducted with the objective of gathering ideas, insights and recommendations on the research & advocacy direction that CEED should take towards increasing awareness about issues of entrepreneurs and envisioning how to build a better ecosystem & policies for driving entrepreneurship. The roundtable also marked the 1 year anniversary since CEED's inception. It discussed identifying pressing problems of micro businesses that CEED should address, proof of concepts that should be conducted, and policy research that should promote their growth.

List of Speakers

Dr. Girish Sohoni (Ex BAIF)

Mr. Rakesh Basant (ex CIIE, IIMA)

Mr. Niranjan Rajadhyaksha (Executive Director, Arthaglobal)

Mr. Shailesh Dixit (Co-founder, Gromor Finance)

Mr. Sunil Srivastava (ex Dy MD, SBI)

Mr. Jayant Kakatkar (ex CEO, Janata Sahakari Bank)

Mr. Prashant Girbane (DG, MCCA)

Dr. Anand Deshpande (Founder & Chairman, Persistent Systems, Founder, deAsra Foundation)

Dr. Ajit Ranade (VC, GIPE)

Ms Pradnya Godbole (Director, CEED-GIPE)

Miss Anushi Tiwary (Research Associate, CEED-GIPE)

Round Table Meeting Details

<u>Time</u>	<u>Session Plan</u>
5:00 - 5:10	Introductions of all speakers and handing over Momentos
5:10 - 5:25	Welcome note by Dr. Ajit Ranade and Dr. Anand Deshpande
5:25 - 5:45	Context setting by Pradnya Godbole and Overview of Research presented by Anushi Tiwary
5:45 - 6:30	<p>Round table discussion with inputs from notable speakers:</p> <ul style="list-style-type: none"> • Dr. Ajit Ranade (GIPE) • Dr. Anand Deshpande (Persistent Systems, deAsra Foundation) • Dr. Girish Sohoni (Ex BAIF) • Mr. Rakesh Basant (ex CIIE, IIMA) • Mr. Niranjana Rajadhyaksha (Executive Director, Arthaglobal) • Mr. Shailesh Dixit (Co-founder, Gromor Finance) • Mr. Sunil Srivastav (ex Dy MD, SBI) • Mr. Jayant Kakatkar (ex CEO, Janata Sahakari Bank) • Mr. Prashant Girbane (DG, MCCA)
6:30 - 7:00	Concluding thoughts by all speakers
7:00 onwards	High - Tea

Work done by CEED so far

Ms. Anushi Tiwary gave a glimpse of the work done in the past year by CEED which includes the first study done by Dr. Lalitagauri Kulkarni in collaboration with Annapoorna Parivar based on the technology acceptance model, and a second study based in Ladakh to understand the challenges and opportunities faced by micro enterprises. Throughout the year, many round tables, consultations and focus group discussions have also been conducted by CEED, one of which was based on the beauty sector. There is also an ongoing study, led by Dr. Lalitagauri Kulkarni in collaboration with the Institute for Financial Management and Research (IFMR) on the formalization of nano enterprises through innovation and digital transformation.

Discussions

“CEED envisions to become the go-to place that creates an atmosphere for enterprises to survive, flourish, scale and create jobs. It aims to play an active role in policy actions.”

- Dr. Ajit Ranade

The idea of CEED is to become the go-to place for all things related to entrepreneurship. One of the major problems faced by the economy currently is the involvement of almost 50% of its population either directly or indirectly in agriculture, especially as the sector is continuously shrinking. We need more job creators to address the lack of employment in the country to support the working age youth entering the workforce. These jobs will be created only by enterprises, of which almost 99% are micro enterprises. CEED will focus to inform and influence policy & enablers while deAsra Foundation will continue to focus on identifying the problems and helping nano entrepreneurs succeed.

The main highlights that emerged from the discussion are noted below.

Do Research with Policy Resonance

The main idea is to conduct research in areas that policymakers are already focused on which will lead to better acceptance of suggestions to create effective impact at scale.

Access to Finance

“ There has been a huge data asymmetry due to lack of digital trail and cash-based economy which is changing drastically over time. It is important to pave the way for a good base of information understanding that enables the micro enterprises to trade finance in exchange for data.”

- Mr. Shailesh Dixit

- Most nano entrepreneurs do not have collateral this makes traditional collateral based lending difficult to meet their financial needs.

“In the urban cooperative banking sector, the limit set by RBI is Rs. 5,00,000 i.e. collateral security should be requested only beyond this loan amount and disbursement of funds is mainly done by cooperative banks. The availability of funding from bankers, particularly for retail, is beneficial.”

- Mr. Jayant Kakatkar

- Entrepreneurs continue to struggle for loans due to gaps as observed in the study conducted with 500 enterprises by CEED in the PMC area.
- There has been a lack of awareness of various governments schemes available for entrepreneurs.

“The NBFCs and MFIs have shown exponential growth in recent years. However, banks at times, fail to capture the correct algorithm to provide loans. Co-lending has also not been highly successful because banks often fail to accept the algorithms from NBFCs.”

- Sunil Srivastava

- Apart from the dearth of capital, the problem lies in the absence of an efficient transmission of funds, due to reasons such as the distribution model being effort intensive. This leads to crowding out of small loans and the lack of product innovation.
- Additionally, the loans provided by banks for the businesses do not target towards more substantial reasons like requirement of working capital, scaling etc.
- There is a need for distinction that should be made between unsecured and semi-secured loans.
- A key policy level advocacy is to decentralize local loans by letting branch managers take responsibility with the help of NGOs and institutions like CEED. However, the present set up of banks does not have the authority to amend the definition of unsecured loans and introduce new terminologies like semi-secured loans and the third party guarantee requirement in the cooperative sector.

- Alternate ways of funding for nano enterprises - One of the alternate sources is the possibility of individuals investing in nano enterprises, to create opportunities for everyone instead of just organized sources.
- Banks have been lending actively in the recent years. Loans up to Rs. 10,00,000 are provided with minimum requirements which should be taken advantage of.

“There are different channels of funding, for example , Rang De makes finances available for nano enterprises by linking investors and enterprises. Various such avenues are possible such as social stock exchanges wherein individuals will be able to contribute and make available funds for proposals.”

- Mr. Girish Sohani

Collaboration & Linkages

- There is a need to address various backward and forward linkages through cross-pollination of ideas and collaboration.
- It is important to understand the problems faced by enterprises at each level of the value chain.
- Nano entrepreneurs are hyper local and therefore, a more direct connection with them is required which can be achieved through partnerships with NGOs.
- Clusters of nano enterprises provide them with several advantages, however, most of the cluster studies have been done when technology had not evolved.
- The link of nano and small enterprises with each other and with larger enterprises in a cluster has not been talked about. Policy considerations for the government to strengthen or create clusters should be pondered upon.

Data, Definition & Models

- There is a need for distinction between nano, micro, small and medium enterprises.
- Further, need to study the larger typology of enterprises and defining a roadmap beyond the study. It was recommended that CEED should have the typology of enterprises refined in the study and focus on a few from each typology on emerging enterprises.
- The policies for MSMEs cater to a smaller chunk of enterprises, which is less as compared to the investment made for the same. At the same time, the ability to do universal scale intervention is a challenge that can be addressed through recommendations based on surveys.
- It is crucial to give guidance during the first stage when the entrepreneur has an idea and needs funding without a detailed KYC.
- Often a nano entrepreneur is clueless about their needs and follow a model without careful consideration.
- Most successful models have been implemented by self- help groups and Joint Liability groups.

Leverage work done by others

- The key challenges faced by enterprises are credit, scheme awareness, technology accessibility, skills and exports. There are many organizations like industry chambers that have done research in these areas.

“The FISME report highlights the problems faced under exports & e-commerce by enterprises. Two major challenges have been identified i.e. the reverse logistics cost is a lot more for micro entrepreneurs and therefore discourages them from exporting. Moreover if something is damaged in transit, the disposal cost might be a lot in that particular country”

- Mr. Prashant Girbane

- CEED should decide on a few areas for a given time period and identify the hypotheses already studied for MSMEs and recognize if the hypotheses is true in the case of “nano” enterprises by doing a survey followed by a policy review.
- Since agriculture and allied activities come under priority sector funding, allied activities should be redefined by adding some pressing issues faced by farmers and further identifying these areas.

Research ideas and recommendations

CEED should focus on a direction to enable nano enterprises to be organized and connected to the larger ecosystem and reflect upon a few aspects in particular as recommended below.

Access to Finance

- The Emergency Credit Line Guarantee Scheme (ECLGS) had one major drawback that it was only available to those who had already taken credit. Thus one of the intervention areas for recommendation is to come up with a solution that gives credit guarantee to new to credit enterprises.
- To interact with the applicants and borrowers of NBFCs to get a sense of their accessibility to credit.
- The idea of promoting incubation centers to work in areas such as finance, marketing, etc at every level in every industry, particularly for nano enterprises.

Data, Definition & Models

“CEED should lead an annual report on nano enterprises, with the help of networks and funding institutes to think beyond the existing micro studies. A frequency panel analysis should be conducted as it will help in understanding nano enterprises better through data insights”.

- Niranjan Rajadhyaksha

- Conduct a longitudinal survey of 1000 nano entrepreneurs to track what is happening in a span of five years

Collaboration & Linkages

- Need to identify success stories and do in depth case studies on successful business models. Also a possibility to link Yashaswi Udyojak, deAsra's magazine which focuses on success stories of entrepreneurs and collecting anecdotal information from story point of view following up with research questions.
- To look at particular value chains and identify various scope for nano enterprises within them. A few value chains can be selected to study and promote nano enterprises.
- Cluster based studies to figure out the introduction of technology in creating linkages in the cluster across different enterprises which will have policy relevance.
- Choose a topic which will be more relevant in the future and pursue ideas which are forward looking and focus on creating a long-term impact.
- The focus should not be on creating businesses, rather on helping people to get to a point where others will follow them.

Leverage work done by others

- CEED should utilize deAsra's unique dataset and should further think about how well has the data been leveraged and further identify the gaps and constraints if there are any.
- In addition to the partnerships CEED already has, partnerships with industries will prove beneficial since they would provide hypotheses which have already been built and CEED can add value by extending that.
- CEED should build linkages with those who are working for enabling MSMEs and think about how these can be leveraged to have a greater impact.
- There is an organic link CEED has with the Gokhale Institute of Politics and Economics faculty which can provide them an opportunity for a new area of research contribution.