

## **Sustainability in MSMEs: Key to an Inclusive and Sustainable Economic Recovery**

Dr. Renuka Sharma  
Assistant Professor  
Faculty of Commerce & Management,  
SGT University, Gurugram

### **Abstract**

Indian MSMEs promoted the UN's (inclusive and sustainable industrial development) philosophy, which was centred on improving manufacturing for the long term. It encourages sustainable development with equal distribution as an engine of economic growth. It also has the fastest rate of industrial growth and export because of its high employment growth rate. Without unemployment growth and environmental concerns, India may not be able to fulfil its sustainable development target. MSMEs are a crucial component of maintaining sustainable development since they increase economic growth, create jobs, combat poverty, and lessen inequality. Sustainable development is possible through inclusive growth that upholds prosperity and human dignity. In this study, an effort has been made to explore how Micro, Small and Medium Enterprises contribute to the achievement of the Sustainable Development Goals. Further it is included some suggested actions that can help Micro, Small and Medium Enterprises become more sustainable, which will ultimately aid in the achievement of the Sustainable Development Goals.

**Keywords:** Micro, Small, Medium Enterprises (MSMEs), Sustainable Development Goals, Sustainability, Sustainable Finance, Economic growth

### **Introduction**

In recent times, the issue of sustainability has become highly significant to world development, and the Indian government has committed to a number of national and worldwide platforms to protect the environment through a number of projects. However one measure is the government's "Make in India" with "Zero Defect & Zero Effect" initiative, which expresses the desire to strike an equilibrium between economic growth, sustainable development, and social inclusion. It also motivates MSMEs to continually improve the quality of their products and processes without harming the environment. To achieve the joint goal of constructing a sustainable nation, all economic sectors- agriculture, manufacturing, and services-must contribute.

Dey, Malesios, Chowdhury & Abdelaziz (2019) stated since MSMEs face a variety of uncertainties regarding demand and supply as well as more intense competition, sustainability in business is one of the most significant subjects in the discussion of MSMEs. Raghuvanshi, &

Agrawal (2020) said if the ability to innovate is related to business sustainability. The capacity for innovation of MSMEs will determine how well they perform in a market that is competitive.

Despite having access to resources and experience, large organisations nevertheless need to pay more attention to the micro, small, and medium-sized enterprises and businesses that collectively account for about half of manufacturing production and a significant portion of employment possibilities. In order to aid such MSMEs in embracing new and green technology, the government has been supporting a number of measures and legislation that can help small businesses adopt and up-scale their operations without affecting the environment. A few of the programmes that the Ministry of MSME and numerous other organisations and trade bodies have been assisting MSMEs to take advantage of include Credit Linked Capital Subsidy for Technology Upgrading (CLCSS), A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE), and Design Clinic for Design Expertise to MSMEs. Two organisations, the Coir Board and the Khadi and Village Industries Commission (KVIC), are in the forefront of eco-friendly MSMEs when it comes to sustainable growth. Making MSMEs ecologically responsible and conscientious helps businesses attract clients as more and more people become aware of the need of conserving the environment.

The MSMEs, sometimes referred to as the engine of the economy, have emerged as a key player in upholding the world's climate commitments. The difficulties and subsequent support required to implement sustainability goals in India are a major source of worry. About 30% of India's GDP is contributed by the MSME sector. Thus, the MSMEs are a crucial component of the sustainable economic development strategy due to the shared goal of nation-building with a sustainability focus. When the MSME section is seen as a vital player, objectives related the utilisation of resources, including fossil fuels, would also be met.

Shen, Yan, & Tzeng (2017) suggested business can turn a profit, it will endure and grow. Micro, Small and Medium enterprises will therefore use the revenue to expand the size of the company and the number of assets it owns. Gross and net profitability are two financial forecasts that are essential to long-term business viability.

### **Importance of Small, Medium Enterprises in Achieving Sustainability-**

Micro, Small and Medium Enterprises are seen as a key pillar in achieving sustainable development goals because to their extensive operational expertise.

MSMEs working in particular sectors could contribute to a variety of aims in many different ways. (BlueOrchard, \sn.d.). MSMEs' contribution in achieving sustainable goals is categorise into four attributes: Employment creation, Operational efficiency, Corporate Social Responsibility (CSR) activities, and upholding the law and bylaws in an ethical and legal manner. Each action aids in the accomplishment of particular objectives. Although some activity attributes may be useful in achieving several goals, we have taken a straightforward approach and only assigned one goal to each activity element.

The contribution of MSME's to maintaining a safe environment for all has been fairly substantial. They are involved in numerous initiatives, all of which have sustainability as their ultimate goal. Due to its excessive use of resources, which results in waste and different forms of pollution, MSME's combined effect can be viewed as dangerous to the environment. (OECD, 2013a). These businesses have been making an effort for a while to adhere to the best practises for a greener environment, but the expense, lack of education, and lack of technological know-how prevent them from making a positive impact. Additionally, lacking the requisite skills and abilities within a SME's staff results in lost revenue and lost business possibilities in the future (Mazur, 2012; EaP Green, 2016). However, MSMEs are in many ways contributing to urbanisation by implementing inclusive policies and undertaking initiatives that place a priority on urban renewal and Small and Medium enterprises development (Kamal, 2017). Stated that MSMEs contribute to the creation of sustainable communities by taking part in waste recycling, solid waste management, etc.

### **Literature Review**

Verma & Nema (2019) elaborated that Small and Medium Enterprises are quite active in digitising their daily operations and other organisational tasks. They are able to do so while also gaining productivity, efficiency, and time savings. Small and Medium Enterprises play a critical role in achieving the Sustainable Development Goals through fostering innovation, advancing gender equality, and hiring the unemployed. Small and Medium Enterprises have worked to solve challenges like poverty, child mortality, etc. as well as promote excellent health and well-being as part of their Corporate Social Responsibility programmes. The Ministry of MSME's employment of policy techniques to encourage industry-related waste management, lean manufacturing, loan support, collaboration, and awareness campaigns for MSMEs entrepreneurs was also suggested by them, along with their substantial subsidiary organisation, the paper emphasises the goals of sustainable development and the capacity of MSMEs to achieve sustainability. The author concentrates on MSMEs that have received appropriate government support and promotion.

Koirala (2018) argued that the ability of MSMEs to promote fair growth and environmental sustainability are not competing objectives. In fact, being green can boost MSME enterprises' performance (via cost savings and increased sales), which can lead to the creation of jobs and financial gain. For MSMEs, being green can, however, also mean costs and inconveniences, which might have the opposite effect.

Chaoui (2017) claimed that the countries could only accomplish the Sustainable Development Goals if they had strong Small and Medium Enterprises. The researcher emphasised the significance of small and medium enterprises in innovation, employment generation, gender equality, inclusive development, etc. while discussing the necessity for policies to establish a positive business climate in order to increase the productivity of small and medium enterprises.

He expressed worry about the funding of Small and Medium Enterprises, their involvement in global value chains, banking sector reforms, and novel financing strategies.

Oncioiu, Raluka, Bilcan, & Petrescu (2017) examined the linkages among innovation, financial success, and economic expansion. They further discovered that innovation, financial success, and economic expansion are all positively correlated. In addition, they noted that to enhance both their economic and environmental performance, Indian Small and Medium Enterprises are putting more emphasis on the environmental aspect of sustainable innovation. They also stated that creativity is the secret to Indian entrepreneurship success.

Hillary (2000, 2004), Behjati (2017) Environmental measures are said to be expensive and challenging for Small and Medium enterprises to adopt. According to estimates, Small and Medium enterprises are responsible for up to 70% of all worldwide pollution. According to reports, industrial Small and Medium enterprises in particular are responsible for 64% of air pollution, however only 0.4% of these Small and Medium enterprises adhere to an environmental management system. Thus, in order to create a brighter future for future generations, Small and Medium enterprises must begin implementing more environmentally friendly practises. However, because to intense rivalry, their business faces difficulties on both the supply and demand sides.

Gorzeń-Mitka (2013) aimed to identify risk identification tools in Polish MSMEs. The study demonstrated that past experience, documentation analysis, and brainstorming are effective risk detection approaches. According to the researcher, MSMEs are having trouble with this challenge. It can be the result of inadequate understanding of its value or potential for usage. Sustainability was emphasised as a crucial factor for small enterprises. According to the report, it gives private organisations a real competitive edge and gives others green credentials. There have been discussions on the effects of Small and Medium enterprises strategy and operations not taking sustainability into account. It also lists different advantages of Small and Medium enterprises adopting sustainability practises.

Freimann, Ham, & Mijoc (2014) stated that in order to gauge sustainable development, objective well-being must be tracked and quantified. Concerns about standardised monitoring and measurement were brought up as they discussed potential metrics for gauging sustainable growth. They came to the conclusion that benchmarks and indicators do, to some extent, measure the efforts and outcomes connected to sustainable development.

## **Methodology**

The research is descriptive and based on secondary data. The information was collected from published secondary sources, journals, magazines, reports, websites, and other sources are among them.

**Objectives of the Study:**

1. To learn about the sustainable development concept.
2. To research the role that small, medium, and large businesses play in fulfilling the UN's Sustainable Development Goals.

**Drawbacks faced by Micro, Small and Medium Enterprises towards Sustainability**

MSMEs in India have already experienced a number of difficulties, which the unprecedented pandemic has made worse. Such stakeholders put little effort into adhering to climate agreements or switching to a low-carbon economy that ensures sustainable development while they are fighting for their lives. Additionally, the absence of a comprehensive roadmap to direct the shift to a low-carbon economy leaves the industry highly susceptible.

Due to unfavourable economies of scale, one significant challenge MSMEs confront is the implementation of energy efficiency standards. They also need to deal with outdated technology, skill gaps, funding gaps for businesses, a heavy regulatory burden, and a lack of low-cost funding.

Additionally, the MSMEs have been negatively hit by the Covid-19 epidemic, and given their limited resources, such interruptions are likely to extend longer than anticipated. As a result, in order to reach the net-zero target and Sustainable Development Goals India, which has over 63 million MSMEs and employs around 60 million people, needs substantial support. The Union Budget, particularly the Government's tax reduction and credit support programmes, represented a significant step toward developing an enabling ecosystem for MSMEs in India.

Lack of readily available, sufficient, and inexpensive finance is one of the main obstacles facing MSMEs, preventing them from expanding, boosting productivity and competitiveness, and investing in innovation, including their ability to adopt digital solutions.

Another difficulty is to Small and Medium enterprises capacity to implement sustainable practises since major companies demand more accountability and transparency in their own sustainability initiatives. Small and Medium enterprises competitiveness and integration into larger regional or global value chains are at danger because they frequently lack the necessary expertise, human resources, or financial resources to invest in these problems.

**Conclusion**

One of the sectors with a significant potential to influence how most of the sustainable goals are progressing is the MSME sector. If MSMEs prosper in the coming years, it will undoubtedly contribute significantly to attaining the Sustainable Development Goals by increasing employment, decreasing poverty, resolving regional imbalance, promoting equality, etc. In this fiercely competitive climate, it is crucial that government initiatives are designed appropriately

to solve MSME concerns and that entrepreneurial skills are effectively developed. The government's goal to boost MSMEs in the classroom and encourage them to utilise digital technology is consistent with this. In this situation, the future difficulty of this research gets more imperative to complete as the process of mapping the components above grows more thorough and quantitative.

The importance of sustainability in business cannot be overstated, especially for MSMEs. Moreover, the Corona Virus (Covid-19) epidemic has had a significant impact on MSMEs as a commercial sector. In light of this, research into company sustainability in the new average age is particularly interesting for MSMEs, which are widely viewed as one of the pillars of the populist economy.

Dey, Malesios, Chowdhury, Abdelaziz (2019) said that Input-Process-Output is, in essence, the connection between business processes. If this has anything to do with sustainability, it will show how input be produced? How will it be made? Input (whom are the goods/services produced for?) and output Business Sustainability 1.0 (Refined Shareholder Value Management) was developed by MSMEs, followed by Business Sustainability 2.0 (Managing for the Triple Bottom Line) and Business Sustainability 3.0. (True Sustainability) Business sustainability 1.0 refers to an organization's ability to seize opportunities and manage risks brought on by changes in the economy, environment, and society. True sustainability is another name for Business Sustainability 3.0 (Real Sustainability). A deeper meaning underlies true corporate sustainability.

## References

1. Behjati, B.S. (2017). Critical Remarks about Environmentalism Implication by Iranian SMEs. *European Journal of Sustainable Development*, 6(3), 209-219.
2. BlueOrchard Academy. (2017, 11 08). SMEs and SDGs: Supporting small and medium enterprises to achieve the sustainable development goals – Insights from a BlueOrchard Survey. [www.blueorchard.com](http://www.blueorchard.com). Retrieved from <http://www.blueorchard.com>:
3. Chaoui, L.K.(2017).Unlocking the potential of SMEs for the SDGs. Retrieved from OECD development matters: <https://oecd-developmentmatters.org/2017/04/03/unlocking-the-potentialof-smes-for-the-sdgs/#fn2>
4. Dey, P. K., Malesios, C., De, D., Chowdhury, S., & Abdelaziz, F. B. (2019). Could lean practices and process innovation enhance the supply chain sustainability of small and medium-sized enterprises? *Business Strategy and the Environment*, 28(4),582–598.
5. EaP GREEN. (2016).Environmental Policy Toolkit for Greening SMEs in the EU Eastern Partnership countries. OECD report as part of the EU-funded EaP GREEN project, <http://www.oecd.org/env/outreach/Greening-SMEs-policy-toolkit-eng.pdf> .

6. Freimann, A., Ham, M., & Mijoc, J. (2014). Measuring Objective Well-Being and Sustainable Development. *Journal of Knowledge Management, Economics and Information Technology*, 4(2).
7. Hillary R. (2004). Environmental management systems and the smaller enterprise. *Journal of Cleaner Production*, 12(6), 561–569.
8. Hillary, R. (2000). *Small and Medium-sized Enterprises and the Environment: Business Imperatives* (Sheffield: Greenleaf Pub.).
9. Iwona (2013). Risk Identification Tools – Polish MSMES Companies Practices problems of Management in the 21<sup>st</sup> century, 7, 6-11
10. Koirala.S. (2018). SMEs: Key Drivers of Green and Inclusive Growth, Inclusive solutions for the green transition, OECD Paris.
11. OECD (2013a), Green entrepreneurship, eco-innovation and SMEs, OECD Working Party on
12. Oncioiu, I., Raluka, F., Bilcan, & Petrescu, A. G. (2017). The Potential Role of Innovative Indian SMEs in Sustainable Growth. *Euro Economica*, 36(01). Retrieved from <http://journals.univdanubius.ro/index.php/euroeconomica/article/view/4177/4040>
13. Raghuvanshi, J., & Agrawal, R. (2020). Revitalization of Indian SMEs for sustainable development through innovation. *Business Strategy & Development*, 3(4), 461-473.
14. Shen, K. Y., Yan, M. R., & Tzeng, G. H. (2017). Exploring R&D influences on financial performance for business sustainability considering dual Profitability objectives. *Sustainability*, 9(11), 1964
15. SMEs and Entrepreneurship.” Centre For Entrepreneurship, SMEs And Local Development.
16. SMEs and Entrepreneurship”. Available at Mazur, E. (2012), "Green Transformation of Small Businesses: Achieving and Going Beyond Environmental Requirements", OECD Environment Working Papers, No. 47, OECD Publishing, Paris.
17. Verma, T. L., & Nema, D. K. (2019). Role of micro, small and medium enterprises (MSMEs) in achieving sustainable development goals. *International Journal for Research in Engineering Application* 4(1), 575-582.