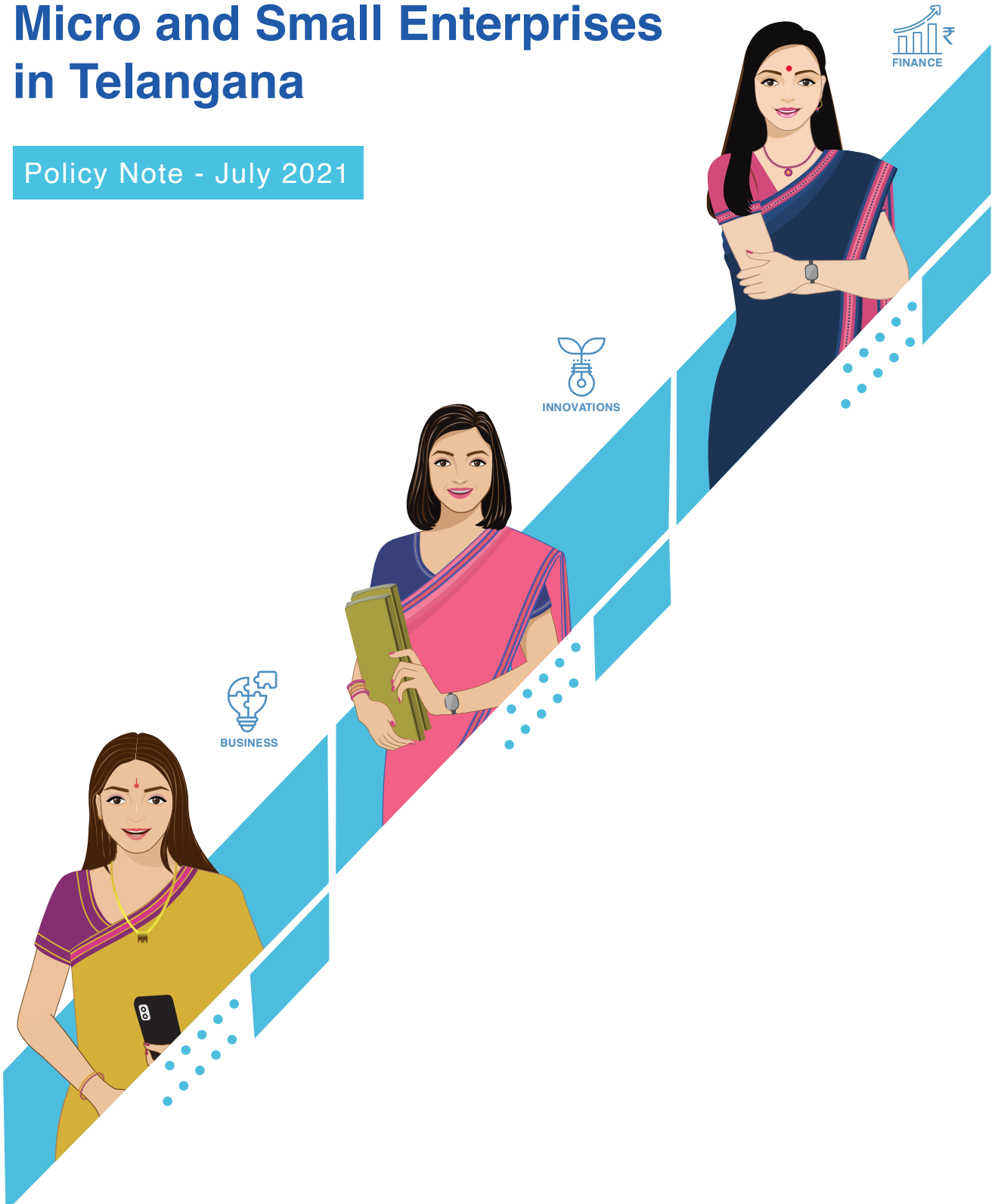


Recovery Roadmap for Micro and Small Enterprises in Telangana

Policy Note - July 2021





Background

In the past year, India has been weathering unprecedented health, social and economic adversities caused by the COVID-19 pandemic. Disrupted supply chains, poor access to finance and markets, and consumers' limited propensity to spend have revealed the fault lines in India's 6.3 million-strong enterprise ecosystem. In the first wave, there was a significant drop in revenue; with the second wave, business owners fear their inability to recover, signalling a bearish market sentiment. A timely and comprehensive policy response is imperative to support Micro, Small and Medium Enterprises (MSMEs) that face the risk of permanent closures, and improve the market sentiment.

Despite various government relief efforts to provide collateral free-loans, refinancing packages and working capital support, businesses that operate on low margins continue to suffer due to social distancing restrictions, labour shortages, inadequate demand and rising input costs. In Telangana, which is home to 2.6 million enterprises, of which 0.97 million are women-owned enterprises¹, the economic impact of the pandemic has been equally damaging.

Revised Classification of MSMEs w.e.f. July 1, 2020		
Manufacturing & Enterprises rendering Services	Investment in Plant and Machinery or Equipment	Annual Turnover
Micro	Not more than Rs. 1 crore	Not more than Rs. 5 crore
Small	Not more than Rs. 10 crore	Not more than Rs. 50 crore
Medium	Not more than Rs. 50 crore	Not more than Rs. 250 crore

Source: Ministry of MSME, GoI. URL: <https://msme.gov.in/know-about-msme>

Planning for Recovery

The Government of Telangana (GoTS) has taken multiple initiatives to increase women's workforce participation and

support enterprise development. With a vision to better support women entrepreneurs across sectors and revenue scales, and taking into consideration their socio-economic background, WE Hub, Department of IT E&C, Government of Telangana, organised its first Stakeholder Consultation on March 2, 2021. While many policy recommendations for MSME recovery have been released since the beginning of the pandemic, many such resources do not pinpoint specific stakeholders that can take ownership of actionable inputs. WE Hub has attempted to holistically address this policy challenge by taking into account primary data collected through a survey, extensive review of existing policy notes and recommendations for the recovery of MSMEs by LEAD at Krea University, and by hosting the first Stakeholder Consultation that helped identify gaps in synergising the efforts by multiple departments to promote entrepreneurship among women.

Based on the inputs obtained from the first consultation, and LEAD at Krea University's research and policy analysis, this policy note identifies recommendations that are reflected in most policy notes and other relevant resources reviewed for this purpose. Six broad thematic areas have been identified and grouped as per their short(upto 1 year), medium (1-5 years) and long-term impact (5+ years). These are:



Employment Retention and Enterprise Support Measures



Digital Economies and Market Access



Fiscal and Financial Policy



Retraining and Skill Upgradation



Safe, Accessible Workspaces and Inclusive Measures for Workers



Regulatory Measures



1. Employment Retention and Enterprise Support Measures

MSMEs in India have been adversely affected in the past year. In April 2020, immediately after a lockdown was announced, 55% of the surveyed enterprises were producing no output; smaller firms lost more business than their larger counterparts, and only 45% of workers were retained by MSMEs³. In a survey conducted by WE Hub in Telangana in May 2021, 54.3% of respondents reported that their means of income will become unviable within a month owing to the pandemic; over 26.6% also reported a decrease in sales, with 15% of the sample reporting cancellations of orders as a key barrier to continuing their operations⁴. Further, one in three enterprises surveyed reported a decrease in sales, and 71.8% of enterprises were planning to lay-off their employees in the forthcoming quarter to reduce overheads and sustain their business⁵. On the positive side, 10.6% of the respondents reported procuring machinery and equipment to establish their business⁶.

According to another survey conducted by LEAD at Krea University across India, one in three women-led businesses had to shut down either temporarily or permanently in June-July 2020. Nearly half the surveyed women entrepreneurs reported a loss of risk appetite⁷. By November 2020, a quarter of the surveyed businesses were still not operational, and nearly three-quarters of closed businesses reported not having received any external support for their business from self-help groups (SHGs), non-governmental organisations (NGOs) or government schemes/missions⁸. According to the National Restaurant Association of India (NRAI), an estimated 20 lakh workers employed in the restaurant and eateries sector across India may lose their jobs due to the pandemic⁹. The need of the hour is to ensure that MSMEs are given revamping support (such as working capital/operational expenditure support) to sustain beyond the pandemic and retain their workforce on payroll.

Recommendations:

Short-term

- Relief in the form of reimbursements, rent subsidies^{10,11}, deferring of commercial utility bills¹², and operational expenditure claims for eligible enterprises should be continued via stakeholders such as the Telangana State Industrial Infrastructure Corporation (TSIIC); pre-COVID conditionalities that could hinder recovery should be removed¹³.
- **Key stakeholders should support firms in accessing markets, enabling regulatory compliances, improving product quality, and applying for commercial loans¹⁴.**
- Changes and innovations made by enterprises for workplace adjustments, such as buying new machinery and expansion during the pandemic, can be incentivised¹⁵.
- Efforts can be made by stakeholders in the government to reach women in rural and remote areas with information about COVID-19 support measures¹⁶; handholding support in digital literacy and agro-processing can help boost rural women-led enterprises¹⁷.
- Actively engaging with women (informal workers and entrepreneurs) and including a robust gender and intersectional lens (caste, class, place of residence, industry sector etc.) in all policy and programmatic responses to COVID-19 can ensure that these initiatives are more inclusive and gender-sensitive^{18, 19}.

Medium-term

- Effective design and implementation of active labour market policies (ALMPs), including public employment programmes aligned with more comprehensive national employment policies, can enable re-entry of the

working population into the labour market²⁰.

- Providing financial planning and management training helps enterprises, especially women-led enterprises in rural areas²¹, account for monthly savings, investments, and expenditure planning²². A review of existing evidence suggests that financial assistance paired with such training programs has more benefits for the long-term growth of women's businesses than financial assistance alone²³.
- **Rehabilitation support (financial and otherwise) should be extended, especially to businesses that may have closed down, to dissuade loss of risk appetite^{24,25}. For example, evidence suggests that flexible credit repayment requirements can promote women entrepreneurship by encouraging risk-taking behaviour²⁶; access and usage of such credit products can be facilitated and incentivised. The private sector and industry associations can also play an instrumental role in supporting women-led and operated enterprises specifically by offering gender-sensitive products and services and setting targets for procuring from them²⁷.**
- Loans and working capital should be made available to promote agripreneurship in particular; government support is needed for rural and farm-based enterprises to diversify into agri-value chains using cluster approach, one district one product (ODOP) approach, and similar approaches to ensure perennial income from various sources²⁸. Collectives can be effective platforms for enhancing business opportunities, leveraging institutional credit, and collective aggregation in the farm and non-farm sectors²⁹.

Long-term

- Robust minimum-wage floors should be created, and community-based initiatives and public employment programmes can bring vulnerable workers in informal economies into the formal fold³⁰.

- **Interventions being designed for MSMEs should be streamlined and segmented as per requirements of different kinds of enterprises such as firms, own-account enterprises, rural enterprises, agripreneurs etc³¹.**
- Guidelines should be furnished for stakeholders to identify women entrepreneurs for incubation programs and government assistance programs; mechanisms for the large-scale establishment and scaling up of women-led enterprises should also be designed in the long term³².
- A single-window portal is needed to provide one-stop solutions for enabling women entrepreneurs to access various government support mechanisms; the guidelines and modalities for such a portal are to be discussed and agreed upon by all stakeholders³³.

Key Stakeholders

Employment Retention and Enterprise Support

- Commissionerate of Industries (Col), GoTS;
- Labour Department, GoTS;
- Panchayat Raj & Rural Development Department (PR&RD), GoTS;
- Department of Women Development & Child Welfare (WDCW), GoTS;
- Ministry of Micro, Small, and Medium Enterprises-Development Institute (MSME-DI) Hyderabad, GoI;
- Telangana State Mission for Elimination of Poverty in Municipal Areas (TSMEPMA), Department of Municipal Administration & Urban Development (MA&UD), GoTS;
- State Level Bankers' Committee, Telangana (SLBC);
- Civil Supplies Department, GoTS;
- Non-governmental organisations (NGOs) and private sector players



2. Digital Economies and Market Access

Despite the potential advantage of digital economies in the present situation, only 30% of surveyed MSMEs had started a business website or enabled e-commerce functionality as of June 2020, even as e-commerce contributed to an increase of 53% and 65% of the revenue contribution for MSMEs in retail and educational services respectively³⁴. However, over half of the surveyed MSMEs used video conferencing tools and WhatsApp to stay in business during this time³⁵. Moreover, South Asia has also witnessed a 5% increase in the number of registered mobile money accounts (305 million accounts) and an 8% increase in mobile money transactions in 2020 (7.5 billion transactions)³⁶. Thus, there is tremendous scope for leveraging digital platforms, digital payment solutions, and e-commerce platforms to support MSME recovery. Market access and linkages have significantly suffered due to the restrictions on transport and travel during the pandemic. This, in turn, affects supply and demand as well.

In April 2020, about 70% of enterprises surveyed had not received previously contracted raw material, more than 80% firms had unsold product in the inventory, and about 60% reported order cancellations since the lockdown³⁷. 6.4% of surveyed MSMEs highlighted the need for support in restoring logistics channels to resume regular operations³⁸. In the WE Hub survey, respondents cited increasing marketing efforts (37.6%) as their primary strategy to combat the impact of the pandemic, followed by sourcing to new suppliers (23%) and temporarily reducing scale of operations (12.8%)³⁹. Over 54% of the enterprises surveyed are working towards pivoting their business model, with 33.7% reporting plans to make concerted marketing efforts⁴⁰. Thus, market access, back and forward linkages, supply chain management and digital platforms should all be considered by stakeholders working on recovery measures.

Recommendations:

Short-term

- Providing universal, affordable internet access, extending affordable, effective and efficient "digital wallets" and payment options for all, and educating entrepreneurs on using these tools should be facilitated through public-private partnerships⁴¹.
- Digitisation of the business environment can help make business registration, licensing, taxation and reporting faster, more accessible, and transparent⁴².
- **Digital access, digital financial inclusion and digital literacy and training should be facilitated, particularly for women in rural/informal enterprises^{43,44,45,46}. There is evidence that access to information and communication technology (ICT) kiosks led to higher levels of entrepreneurial activity over time in rural areas⁴⁷; several studies also suggest that digital technologies can enable women entrepreneurs to scale up and make their businesses more efficient⁴⁸.**
- There is a need to reform online and mobile payment regulations and strengthen e-commerce platforms, facilitating mobile-based financial transactions. Providing support to improve transportation and delivery networks will also to strengthen access to e-commerce platforms for MSMEs⁴⁹.
- Small retail enterprises (e.g. kirana stores) should be aided in adopting digital tools for bill payments, ledger keeping and inventory management, and partnering with startups, big retailers, and e-commerce firms⁵⁰. ICT-based and cluster-based virtual cooperatives have shown some potential to improve market access for micro-enterprises⁵¹.

- Member engagement, consultation and social dialogue should be facilitated by taking public-private stakeholder engagement online⁵².

Medium-term

- A new quality control task force can be constituted to streamline procurement by the government, and utilise existing Central Processing Centres (CPCs) and Common Facility Centres (CFCs) for warehousing to streamline supply chain management for MSMEs.
- In collaboration with the Agriculture Department, Minimum Support Prices (MSP) can be introduced for processed goods made by SHGs, once a quality control mechanism is in place.
- Encouraging the adoption of digital technologies and e-commerce models can help expand the customer base among all small format retailers and enterprises⁵³.
- **Collaborations between public sector banks and fintech lenders can facilitate faster and safer lending alternatives; quicker assessments of creditworthiness of MSMEs, and reduce turn-around time for processing loan applications and disbursal⁵⁴.**
- A streamlined database of women-led businesses can enable identify women-led SMEs for preferential procurement by various state departments; the selected enterprises can be nurtured as role-model enterprises across the country⁵⁵.

Long-term

- Close the digital divide and invest in digital skills by addressing worker's rights such as the right to disconnect and safety of workers' data to prepare for online economies⁵⁶.
- **Market products by self-help group enterprises on e-commerce platforms⁵⁷.**
- Harness the potential of simple ICT platforms such as WhatsApp to boost

peer-to-peer communication among enterprise owners⁵⁸. Case studies in India show that mobile phones are the most preferred technology component used by women entrepreneurs due to their relative affordability compared to other ICT devices like computers; the latter are considered to be more viable options for financially secure and more educated women⁵⁹.

Key Stakeholders

Digital Economies and Market Access

- Farmer Producers' Organisations (FPOs), National Bank for Agriculture and Rural Development (NABARD), GoI;
- Society for Elimination Rural Poverty (SERP), Panchayat Raj & Rural Development Department (PR&RD), GoTS;
- Telangana State Mission for Elimination of Poverty in Municipal Areas (TSMEPMA), Department of Municipal Administration & Urban Development (MA&UD), GoTS;
- WE Hub Foundation, Information Technology, Electronics & Communications Department (ITE&C), GoTS;
- T-Wallet (ITE&C), GoTS;
- Private sector players (viz. QMart and Meesho);
- Fintech platforms (viz. Dvara);
- Civil Supplies Department, GoTS;
- Agricultural Marketing Department, GoTS.



3. Fiscal and Financial Policy

The lockdown had a significant impact on business cash flows and access to credit. On average, surveyed microenterprises that were operational during the lockdown in June 2020 reported a revenue of only 28% of their regular revenue⁶⁰. 63% of enterprises surveyed in another study in May 2020 did not approach a bank for additional funding in 2020. The informal sources of credit utilised by MSMEs came with a higher 'crisis' interest⁶¹. Small firms supplying mainly to the government did not significantly improve financial security; 53% of their payments were expected to be delayed by at least a quarter⁶¹.

In June-July 2020, over 50% of the women-led enterprises surveyed were providing goods on credit, and 80% of surveyed women did not take any business-related loans, with over three-quarters of women entrepreneurs dipping into their personal savings⁶⁴. In the WE Hub survey, among start-ups, 56% cited interest-free or low-interest rate loans as the most effective relief measure for their enterprise.

Moreover, 33.3% of businesses in the ideation or proof-of-concept stage were concerned about exhausting their bootstrapping funds, whereas most businesses (19%) in the go-to-market and acceleration stage were concerned about managing their operating expenses⁶⁵. Thus, sustained fiscal and financial support will prove vital in easing the liquidity crisis and enabling recovery of MSMEs in the short- and medium-term horizon.

Recommendations:

Short-term

- The restructuring measures^{66,67}, introduced by the Reserve Bank of India (RBI) to address limited access to liquidity should be extended and continued; additional financial support should be provided to

affected MSMEs through equity/quasi-equity restart funds⁶⁸ and tax waiver/relief on compliance^{69,70}. Special attention can be given to gender-specific measures like tax exemptions and deferred payments for women entrepreneurs^{71,72}.

- Other measures that can be considered are liquidating outstanding receivables of MSMEs from private sector (non-government/non-PSU) buyers at the earliest to help strengthen the supply chain⁷³; expediting tax refunds such as the GST^{74,75}.
- **Bridge financing in the form of interest-free⁷⁶ or low-interest micro-loans in the short-term can aid vulnerable groups like women entrepreneurs in particular^{77,78}; involving CSR initiatives and other financial investors in this effort can boost the reach and impact⁷⁹. While offering bridge financing such as factoring and bill discounting, it can be beneficial to identify businesses that have long-standing relationships with customers, thereby ensuring low default rates.**
- Identify priority sectors for lending and/or rebates⁸⁰ in consultation with stakeholders and subsequently mandating a portion of CSR funds to be dedicated towards MSME recovery in Telangana.
- Collaborations between entities at state-level (e.g. WE Hub and SLBC) can focus on improving women-led enterprises' access to and eligibility for credit funding in order to help increase their creditworthiness⁸¹.

Medium-term

- Targeted efforts towards improving credit scores of women-led enterprises are needed and efforts must be dedicated to increasing asset ownership, which can be used to furnish collateral for loans⁸², especially since this is a significant hurdle for women entrepreneurs in India⁸³.

Long-term

- Artificial intelligence (AI) and data analytics can be harnessed to help financiers determine optimal ticket sizes and reduce servicing costs of loans for MSMEs⁸⁴.

Key Stakeholders

Fiscal & Financial Policy

- Reserve Bank of India (RBI);
- State Level Bankers' Committee, Telangana (SLBC);
- National Bank for Agriculture and Rural Development (NABARD), GoI;
- Small Industries Development Bank of India (SIDBI);
- Khadi Village Industries Corporation (KVIC), GoI;
- Tribal Cooperative Finance Corporation Ltd. (TRICOR), Tribal Welfare Department (TWD), GoTS;
- SC, ST, and BC Corporations, GoTS;
- Stree Nidhi Bank, Telangana.



4. Retraining and Skill Upgradation

As the economy slowly recovers, it is expected that workers will have to be retrained and upgrade their skills to be reabsorbed in the workforce; this is particularly relevant for bringing those engaged in the informal sector into the formal fold⁸⁵. Only 5% of surveyed firms accessed existing government schemes that provide training in digital marketing and sales for MSMEs, and a mere 4.5% articulated the need for support to address labour or skills shortages to resume normal operations⁸⁶.

For instance, evidence suggests that know-how of the latest technologies among women entrepreneurs tends to impact business operations positively and affects success⁸⁷; government initiatives are observed to be the most important technology innovation influencers for small firms⁸⁸. Thus, policy measures that consistently encourage skill up-gradation and retraining spearheaded by the relevant stakeholders will be essential in the recovery of the MSME sector.

Recommendations:

Short-term

- MSME efforts can be redirected towards government procurement of masks, soaps and other COVID-19 related essentials in rural areas where they are in short supply^{89,90,91}; ensuring a streamlined, efficient, and transparent approach in selection, product standardisation, quality control, timely payments, and transparent procedures in all stages of the procurement process.
- Evidence suggests that providing business training and mentoring can help women entrepreneurs achieve better financial, managerial, and attitudinal outcomes⁹²; thus, women-

led enterprises can be assisted through basic business training in areas like basic accounting and bookkeeping skills, and management techniques. There is also some evidence to suggest that peer involvement in business training helps increase its subsequent uptake, as well as that of business loans, and further increases business activity among women entrepreneurs⁹³.

- **Making training content accessible through mobile-based rules of thumb has also been linked with improved business practices and better business outcomes⁹⁴.**
- Entrepreneurship Development Programs (EDP) can be held free of cost for women-led businesses at different stages and scales of enterprise to develop business acumen and managerial skills⁹⁵.

Medium-term

- It is essential to re-train/upgrade existing skills of entrepreneurs, and build digital skills and capabilities for workers, especially women, to enable them to transition into new sectors, due to anticipated changes within the labour market^{96,97,98}.
- Investments are needed in entrepreneur-specific training, technical skills upgradation, training for diversification, business acumen training and job placement programs for women to access jobs in industries responsive to COVID-19 (e.g., health care product manufacturing, information/communications technology)⁹⁹. Further, as evidence suggests, training has a larger impact on female entrepreneurship when it is combined with ancillary support such as access to finance, technical assistance, or mentorship¹⁰⁰.

Long-term

- Consistent efforts will be needed towards building human capital in the long run - by investing in informal workers' capacities through technical and business skills training, finance and enterprise support to help bring them into the formal fold¹⁰¹ and adapt to structural shifts such as increasing automation, digitisation, and green growth.

Key Stakeholders

Retraining & Skill Upgradation

- Commissionerate of Industries (Col), GoTS
- Ministry of Micro, Small, and Medium Enterprises-Development Institute (MSME-DI) Hyderabad, GoI;
- Labour Department, GoTS;
- WE Hub Foundation, Information Technology, Electronics & Communications Department (ITE&C), GoTS;
- Society for Elimination Rural Poverty (SERP), Panchayat Raj & Rural Development Department (PR&RD), GoTS;
- Telangana State Mission for Elimination of Poverty in Municipal Areas (TSMEPMA), Department of Municipal Administration & Urban Development (MA&UD), GoTS;
- Tribal Cooperative Finance Corporation Ltd. (TRICOR), Tribal Welfare Department (TWD), GoTS;
- Central Institute of Petrochemicals Engineering & Technology: Centre for Skilling and Technical Support (CIPET:CSTS), GoI;
- Indian Institute of Packaging (IIP), GoI;
- Entrepreneurship Development Institutes (EDIs) in Telangana,
- District Rural Development Agency (DRDAs) in Telangana;
- Telangana Academy for Skill and Knowledge (TASK), Information Technology, Electronics & Communications Department (ITE&C), GoTS;
- T-SAT Network, Information Technology, Electronics & Communications Department (ITE&C), GoTS,
- CSR initiatives.



5. Safe, Accessible Workplaces and Inclusive Measures for Workers

As the pandemic and the response to it continue to evolve with new variants and spikes in the number of cases across the country, workers' well-being has become an important factor for small firms. Surveyed employers reported concerns regarding safe passage for their outstation workers, infection and transmission among employees in the workplace, and a gap in institutional support during the crucial initial weeks of the lockdown¹⁰². Further, while 59% of surveyed firms did not employ any women before the pandemic, by October 2020, this number had further increased to 65%¹⁰³. Around 67% of surveyed MSMEs were not required to make an ESIC contribution for their workers¹⁰⁴. For a robust, long-term recovery of the MSME sector, efforts must be made to make workplaces safe, accessible and inclusive for workers from diverse segments.

Recommendations:

Short-term

- Workplaces must be made safe and accessible by putting in place occupational safety and health (OSH) measures, and provide social protection coverage, anti-discrimination as well as special measures for persons with disabilities (PWD)¹⁰⁵.

Medium-term

- Including the families of women entrepreneurs in incubation programs during the induction or specific relevant modules can help them understand the long-term financial and societal benefits of entrepreneurship¹⁰⁶.

Long-term

- **Time poverty and the double burden of care work is a well-documented barrier faced by women entrepreneurs¹⁰⁷. Providing access to creche amenities, better community infrastructure, and strengthening community networks can help reduce the burden of unpaid care work, especially in times of distress¹⁰⁸.**
- Gender experts must be included in the design and implementation of economic recovery programmes to ensure that gender-specific considerations and needs are adequately represented¹⁰⁹.

Key Stakeholders

Safe, Accessible Workplaces

- Employers;
- Ministry of Ministry of Micro, Small, and Medium Enterprises (MSME), GoI;
- Labour Department, GoTS;
- Health Department, GoTS and private hospitals,
- CSR initiatives;
- Department of Women Development & Child Welfare (WDCW), GoTS;
- Social Welfare Department, GoTS;
- State Commissioner for Persons with Disabilities (SCPD), GoTS.



6. Regulatory Measures

While the new classification of MSMEs, notified in June 2020, is expected to improve the ease of doing business for small firms¹¹⁰, a significant portion of the country's small businesses are outside the purview of the formal sector. In Telangana alone, there are an estimated 11.43 lakh unincorporated non-agricultural enterprises¹¹¹.

In June-July 2020, unregistered women-led enterprises reported 1.4 times more permanent closures than their registered counterparts¹¹², highlighting the skewed impact of the pandemic on informal enterprises. While the most urgent needs reported by surveyed MSMEs were financial in nature, such as interest-free/low-interest loans, tax waivers, credit guarantees etc., 17.5% of enterprises also reported the need for support for own-account activity¹¹³.

Nearly 61% of these surveyed MSMEs either did not apply for government assistance or had not received the benefits they had claimed under various schemes; a further 7.4% reported having applied but not receiving any response¹¹⁴. Concerted efforts to improve outreach and awareness, simplification of processes, and incentivising compliance are vital to ensure a sustainable recovery.

Recommendations:

Short-term

- Remote working opportunities should be enhanced through policy considerations such as organisation and representation of own-account and MSME workers¹¹⁵.
- Policy and regulatory frameworks can be streamlined to ensure that digitisation occurs rapidly and private sector initiatives that help small retailers are facilitated¹¹⁶.

• **Voluntary registration policies can result in significant gains in sales and value addition for micro-enterprises¹¹⁷, and assistance with business and tax registration and information dissemination regarding formalisation is linked to improved odds of registration for micro-enterprises¹¹⁸. Thus, conducting business registration drives for informal businesses with on-site kiosks for PAN and/or UIDAI can help increase the formalisation of businesses in the short term.**

- At present, different ministries often have different approaches and databases for the implementation of schemes. To aid in convergence and ease of access, a certification mechanism for women entrepreneurs across businesses at all stages can be introduced by WE Hub. This can include introducing guidelines to define and identify women-owned enterprises; developing a framework for accelerating due diligence of applications by women-led businesses within a defined timeframe, and constituting a physical verification process of the enterprise and an interview with the women entrepreneur before certification¹¹⁹.
- Women-led businesses across the state can be aided in the formalisation process through a streamlined, integrated database that can be utilised for operationalising various schemes and submitting data to DPIIT and MSME. This effort will also help create a geographical map of women-led businesses across sectors, stages of business and their employment generation potential¹²⁰.

Medium-term

- To bring informal enterprises into the formal fold, the process of acquiring Business Aadhaar/Udyam numbers/

Company Incorporation Documents should be simplified and made more affordable for informal sector enterprises and women entrepreneurs¹²¹; pairing this effort with incentives such as hassle-free business license requirements, waivers on utilities, training on business planning¹²² will also help in formalisation of informal sector enterprises.

- Collaboration with entities such as CIPET, NIN, IIP, CITD can help provide consultant-based services for women entrepreneurs, including support for packaging, certification, quality verification, IP and licensing, and access to land banks¹²³.
- **Collecting gender-disaggregated data to inform policies and programs¹²⁴ and involving women at the micro, meso and macro levels of decision making should be a core focus of institutional initiatives¹²⁵. Similarly, a review of existing policies must be undertaken to ensure that they are gender-intentional in their approach.**
- Private-sector partnerships with the National Rural Livelihoods Mission and SERP can be encouraged to optimise business processes through technology, high-quality business advisory services, access to markets and innovative financial products¹²⁶. Integrating Self-Help Groups (SHGs) engaged in handicrafts and handlooms with end-to-end value chains, through public-private partnerships¹²⁷, has demonstrated positive results in other regions; similar models can be tested and established in Telangana.
- A system can be created for the training and accreditation of service providers in the entrepreneurial ecosystem¹²⁸.
- Inter- and intra- ministerial convergence should be explored in order to create new opportunities and avenues for collaboration between Ministry of Rural Development (NREGA, NRLM), Ministry of New & Renewable Energy, Ministry of Textiles, among others¹²⁹.

Long-term

- A smooth, sustained transition is needed from immediate short-term measures

to medium and long-term reforms and policies necessary to support enterprise recovery¹³⁰, including improving the overall business environment around infrastructure, power, regulatory services, and labour laws¹³¹.

- Remote working avenues can be enhanced through policies such as home-business licensing¹³².
- Public expenditure efficiency should be improved through good governance to prioritise the goals under the MSME sector, identify indicators, assess the gaps and the financial needs, and integrate the findings with the overall macroeconomic framework¹³³.
- **Formalisation of informal enterprises/ economy should be prioritised in national policies¹³⁴ by expanding the social security net to workers in informal enterprises¹³⁵. The formalisation of MSMEs can also be aided by giving special consideration to enterprise size in tax administration while avoiding the creation of enterprise growth traps¹³⁶.**
- Targeted support is needed for sector-specific strategies along with sustainable industrial policies to aid in recovery and long-term growth¹³⁷.
- More sustained public-private partnerships¹³⁸ can bring in innovative solutions and financial resources to the recovery process in the long-term¹³⁹.
- Investment should be made in diverse forms of environmentally sustainable, low-emission infrastructure to support employment creation and income generation¹⁴⁰, to ultimately build a more inclusive and sustainable MSME sector¹⁴¹.
- The use of point-of-sale (POS) devices, digital payments, and debit and credit payments, and alternative credit scoring mechanisms can be encouraged to evaluate creditworthiness, and reduce the cost of servicing businesses that lack collateral¹⁴².
- Efforts should be made to strengthen supply chain management practices (e.g., less just-in-time stock control and more stockpiling) and promote industrial

restructuring and an ecosystem that integrates competitive and productive MSMEs¹⁴³.

- A more resilient economy and environment for MSMEs can be envisaged using the Eco-centric Business Continuity Planning (BCP) approach consisting of components such as reskilling, digital literacy, cluster formation, process mapping, incentives and additional loans, effluent and emission treatment, third-party checking and certification, circular economy, austerity measures and environmental pricing of produce¹⁴⁴.

Key Stakeholders

Regulatory Measures

- Commissionerate of Industries, (Col), GoTS;
- Telangana State Industrial Infrastructure Corporation Ltd. (TSIIC), GoTS;
- Technology, Electronics & Communications Department (ITE&C), GoTS;
- Private players and e-commerce platforms.



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¹ MSME Annual Report 2019-20. Available at: https://msme.gov.in/sites/default/files/FINAL_MSME_ENGLISH_AR_2019-20.pdf. MSME Annual Report 2019-20

² Rathore, Udayan and Khanna, Shantanu, From Slowdown to Lockdown: Effects of the COVID-19 Crisis on Small Firms in India (May 31, 2020). Available at SSRN: <https://ssrn.com/abstract=3615339> or <http://dx.doi.org/10.2139/ssrn.3615339>

³ A survey was conducted by WE Hub in May 2021 to understand the impact of the pandemic on MSMEs and startups. The sample included 273 enterprises and startups.

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About us



Ideate. Implement. Inspire

Women Entrepreneurs Hub (WE Hub) was announced in 2018 by the Government of Telangana, with the vision to create a best practice model in Incubation dedicated to Women Entrepreneurs in India.

WE Hub promotes and fosters women entrepreneurship by way of Incubation, Access to government and by building a collaborative ecosystem. WE Hub provides access to technical, financial, government and policy support required to start-up, scale up and accelerate with global market access, to all women entrepreneurs in the country. The overall mandate and goal of WE Hub is to eliminate financial, societal and support barriers for women and help them succeed in their enterprises.

The approach at WE Hub lies in unlocking the potential of women entrepreneurship in India to include a level playing field for the high-impact, employment-creating entrepreneurs through Acceleration programs, Enable the willing, middle—the ambitious solopreneurs and small business owners—to scale and become high-impact entrepreneurs through Incubation programs; Expand the funnel to get more women to start enterprises and build, strengthen and scale productive enterprises through Pre-incubation programs.

www.wehub.telangana.gov.in



LEAD (formerly IFMR LEAD), an action-oriented research centre of IFMR Society, leverages the power of research, innovation and co-creation to solve complex and pressing challenges in development. LEAD has strategic oversight and brand support from Krea University (sponsored by IFMR Society) to enable synergies between academia and the research centre. Since 2005, the centre has been at the forefront of development research and programming in India, and has managed a portfolio of over 265 projects in collaboration with over 300 academics, governments, NGOs and private sector organisations from across the globe.

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