

# MSME in Green Business: Prospects and Challenges (A Study from Indian Industry Perspective)

Dr. B. Anitha

Professor, Sri Krishnadevaraya Institute of Management, Sri Krishnadevaraya University,  
Anantapur 515003, Andhra Pradesh

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## ABSTRACT

Micro, Small & Medium enterprises are acting as the pillars of economic growth in many developed, and developing countries in the world. MSME are being considered as an engine of growth for India, they play a significant role in the development of the Indian economy through the creation of employment opportunities, scaling manufacturing capabilities, curtailing regional disparities, and thus contributing to the country's GDP. In current business environment these MSMEs contribute not only to the economic growth, but also play a vital role in the sustainable development of India. MSME are responding to the increasing pressures on ecosystem through implementation of resource efficient measures and inclusive business practices. But still these environmental sustainability practices are increasingly evident in big businesses. Small and medium enterprises of India need to cover a long way to reach the environmentally sustainable business destinations. As global business environment demanding large corporations for sustainable business practices that's where SMEs need to respond by giving them a strong supplier base through their green products and services. Ever-strengthening movement on sustainable development, prompting the policy makers to bring out such policies which help MSMEs to emerge with green business ideas and adopt greening practices. Policies like Make in India and Startup India initiated for promoting manufacturing and young entrepreneurship in India provide ample opportunities for MSMEs to explore green business ideas. Despite of all such policies there is a need for bold new approaches to face many challenges that are being faced by MSME in green businesses. This paper examines the role MSME in globalised Indian economy. It aims to explore major prospects for MSME in Green Business. Further it is aims to bring out the challenges being encountered by MSME in such Green Business. Finally an attempt is made to measures adopted to encounter such challenges.

**Keywords:** Green Business, Sustainable Business Practices, Ecosystem, Economic growth, Globalization, Customer satisfaction

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## INTRODUCTION

Micro, Small & Medium enterprises are acting as the pillars of economic growth in many developed, and developing countries in the world. MSME are being considered as an engine of growth for India, they play a significant role in the development of the Indian economy through the creation of employment opportunities, scaling manufacturing capabilities, curtailing regional disparities, and thus contributing to the country's GDP. In current business environment these MSMEs contribute not only to the economic growth, but also play a vital role in the sustainable development of India. MSME are responding to the increasing pressures on ecosystem through implementation of resource efficient measures and inclusive business practices. But still these environmental sustainability practices are increasingly evident in big businesses. Small and medium enterprises of India need to cover a long way to reach the environmentally sustainable business destinations.

As global business environment demanding large corporations for sustainable business practices that's where SMEs need to respond by giving them a strong supplier base through their green products and services. Ever-strengthening movement on sustainable development, prompting the policy makers to bring out such policies which help MSMEs to emerge with green business ideas and adopt greening practices. Policies like Make in India and Startup India initiated for promoting manufacturing and young entrepreneurship in India provide ample opportunities for MSMEs to explore green business ideas. Despite of all such policies there is a need for bold new approaches to face many challenges that are being faced by MSME in green businesses.

**Research Purpose:** This paper examines the role MSME in globalised Indian economy. It aims to explore major prospects for MSME in Green Business. Further it is aims to bring out the challenges being encountered by MSME in such Green Business. Finally an attempt is made to measures adopted to encounter such challenges.

**Research Approach:** The study is non-empirical in approach and relied on secondary data. The views and concepts presented in this paper may further help in conducting an empirical research.

#### **The Role of MSME In Globalised Indian Economy:**

Over the last five years, Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly dynamic sector of the Indian economy. It is observed that next to agriculture MSMEs contribute significantly in the economic and social development of the country through the promotion of entrepreneurship and generation of largest employment opportunities with lower capital cost. These are acting as complementary to large industries as ancillary units. Thus MSME contribute to the inclusive industrial development of the country. These MSMEs are expanding their scope of operations across sectors of the economy, by manufacturing diverse range of products and services and meeting demands of domestic as well as global markets.

Indian services sector contributes a whopping 75% of the global GDP and overall employment. India's GDP composition, according to multiple sources, is as follows: Agriculture: 16%; Industry: 26%; Services: 58%. Thus it is evident that the Services sector contributes more to India's economy than the other two sectors combined. India should concentrate on ways to make help MSMEs, the most powerful driver of its growth survive, succeed and soar because India is emerging as one of the brightest economic spots in the new millennium.

#### **Major Prospects for MSME In Green Business:**

MSMEs have ample opportunities in India. The negative impact of these MSMEs activities paved way for green business. Therefore, the Indian MSMEs need to explore the growth prospects and establish such environmentally viable enterprises. The following are the factors that provide significant opportunities for green business.

- **Organic Agriculture Business:** Organic agriculture markets are being considered as the best green business gateway. There are several prospective organic agriculture business ideas to consider. Organic product farming is one such green business which is nothing but farming but without the usage of chemical pesticides and fertilizers.
- **Green Retailing:** As global retail giants are slowly transforming into Greentailing it is important to think about sustainability and enforcing green strategies by MSMEs too. Retailers can influence customer's consumption patterns by offering the right choice of green products and also put pressure on the suppliers for adopting green practices.
- **Dealing with E-Waste businesses:** Another serious problem being faced by India is dealing with electronic wastes like mobile devices, old computers, out-of-date televisions and fax machines. Hence entrepreneurs may also start considering this new green business idea.
- **Organic food processing:** This can become the most profitable Green business idea in India. The entrepreneurs may acquire vegetables, groceries and other ingredients cultivated organically and process them without using preservatives. Because these days processed foods are gaining importance as working women ratio and nuclear families are rising constantly.
- **Eco Tourism:** Ecotourism is emerging as significant entrepreneurial opportunities for MSME. Optimal use of environmental resources should play a key role in green tourism. Hence MSME should take measures which conserve natural heritage of the country and biodiversity.
- **Green Transportation:** MSME may contribute to establish green transportation system in the country. Greening of the transportation system helps in reducing the carbon footprint which is the main cause of climate change or global warming. Hence MSME should start manufacturing the spare parts of vehicles which are environmental friendly.

#### **Challenges Before MSME In Green Business:**

Green business today is the booming subject. The large business organisations are adopting measures to enter and succeed in green businesses. Developing economies like India would benefit from adopting a greener approach. Because developing economies tend to be more vulnerable to environmental changes and also be more reliant on natural resources for their economic progress. But getting into Green businesses is not that easy for MSME as that of large businesses. They may face more challenges in pursuing green growth compared to larger firms despite being more flexible in adapting to market changes. These MSMEs face more challenges in pursuing green growth compared to larger firms despite being more flexible in adapting to market changes. The following are the major challenges being faced by MSMEs in Green Business.

- **Lack of awareness towards Green Initiatives:** Effects of business activities of MSMEs on the environment is not understood by them. Most of them lack awareness towards ecology, environmental impacts of their activities and the growing need for green skills.

- **Access to information and technology:** It is observed that SMEs lack knowledge on clean alternatives and technical information towards green operations. Thus they are unable to redirect their focus towards more systematic and integrated environmental methods and management practices.
- **Regulatory requirements:** Regulatory requirements are often found strict and rigid. Resource and information restraint prevents MSME to understand and adapt to a fast paced regulatory environment. These small firms also face difficulties in being part of global value chains because tighter green regulations and higher quality standards will result in high costs.
- **Require qualified personnel:** Green initiatives require additional knowledge and skills. These are found insufficient among the personnel of MSME. They lack proper understanding towards new green skills. This ultimately needs huge investment in their training. Most of MSME has the tendency to rely on methods like on-the-job training or learning-by-doing which are insufficient to deal with substantial shifts in skills, leading to a lack of qualified personnel.
- **Financial Constraints:** Already the MSME pose greater financial challenges. They will face severe financial problems when there is a drop in the demand for goods and services, and the tightening of credit terms in the post-crisis period, SMEs incur higher risk premiums when borrowing to invest in innovative technology due to uncertainty, making it difficult for them to invest in green growth.
- **Marketing Barriers:** There huge barriers to international markets since business environment is rapidly changing. Businesses are operating in a highly complex and competitive environments. This hinders the growth of MSME. From this it's quite evident that MSMEs may further face severe competition for market their green products or services in global green goods and services market. MSMEs also face limited access to public procurement which is important for expanding green markets.

**Measures Adopted To Encourage MSMEs To Start Green Business:** Green business is gaining momentum in various entrepreneurship developmental programs conducted by Indian government. The following are measures adopted by Indian government to encourage MSME start green business.

- Identify additional information and support mechanisms that can be targeted toward MSMEs to encourage their involvement in sustainable businesses.
- Green India focuses on the development and promotion of renewable energy innovations and technologies in India. Special allocations have been made in 2015 budget to launch 'Faster Adoption of Manufacturing of Electric Vehicles' (FAME), a new scheme to promote e cars and vehicles.
- Ministry of tourism is announcing special awards like 'Best Eco friendly Hotel', 'Best Responsible Tourism Project', 'Best Eco friendly Practices by Tour Operators' in the National Tourism Awards every year to various segments of travel, tourism & hospitality sector.
- The M-SIPS scheme provides capital subsidy of 20% in SEZ and 25% subsidy in non-SEZ for business units engaged in manufacturing renewable energy, non-renewable energy, technology, green technology.
- NewGen IEDC provides a limited one-time, non-recurring financial assistance to entrepreneurs up to 25 Lakhs in the fields of non-renewable energy, renewable energy, green technology etc.
- MSMEs are often challenged by the lack of expertise in the energy efficiency domain. Skilling MSME workforce needs to be taken up on priority to enable these enterprises work towards improved energy efficiency levels.

## CONCLUSION

MSMEs have significant growth prospects in Green business. Policy interventions for supporting green MSMEs, especially in India needs to be enhanced further to overcome significant barriers like knowledge-sharing, creating environmental awareness, providing financial support, supporting skill development, improving access to global and local markets and implementing green taxation. Thus MSMEs in India has been increasing at a rapid pace which should be channeled towards addressing sustainable business operations.

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