



MSMEs should be prepared for next crisis – Climate Change

The COVID pandemic has tested the resilience of micro, small and medium enterprises (MSMEs) by disrupting their supply chain, constraining their cash flows and eroding market demand for their products & services. Even if these firms manage to recover from this disruption, experts warn that the impending risk of climate change will once again test the resilience of these MSMEs. According to Mr. Bill Gates, Co-founder of Microsoft Corporation, the economic impact of climate change may be like a COVID-19-sized pandemic happening every ten years. Adverse climate events such as heatwaves, flooding and hurricane can affect business operations of small and medium enterprises more than large enterprises. According to a survey, business operation of MSMEs can be severely affected by water shortages due to frequent drought. Similarly, flash floods and hurricane can cause disruption to power supply and affect the manufacturing operation of small firms, more than large firms.

Therefore, it is necessary to make MSMEs resilient to these adverse climatic events. MSMEs should also be incentivised to adapt eco-friendly practices for mitigating climate change. Some of these eco-friendly practices are use of recyclable raw materials, environment friendly packaging materials, product quality certification norms and mandatory use of renewable energy in their business operations.

In this context, the SME Competitiveness Outlook 2021 report released by International Trade Centre, Geneva this month proposes several measures to support MSMEs adopt environment sustainability practices to conserve ecology. The report suggests Business support organizations, lead firms in international value chains, governments and international institutions to assist small enterprises in adapting to and mitigating climate change.

The report finds that companies that invested in environment friendly practices have benefitted in terms of increased product quality, access to new markets, increased production, lower input costs and others.

Business support institutions (BSOs) or chambers of commerce can support MSMEs in connecting them with the right network groups for sharing of knowledge and best practices on eco-friendly business processes. BSOs have a major role to play in building the local support ecosystem for MSMEs to adopt eco-friendly practices.

Government, on the other hand, should include environment sustainability in the post-COVID recovery plan for the economy. Government should ensure that the regulatory and product certification systems encourage MSMEs to adopt eco-friendly practices. Government can also play a major role in boosting institutional credit for MSMEs to shift to eco-friendly business practices. Government should also create an ecosystem for providing skills and technologies for environmentally sustainable practices.

Lead firms in the value chain can implement sustainability standards in their sourcing practices so that MSME vendors can be encouraged to adopt eco-friendly practices. Lead firms can also support MSME vendors through supply chain financing, access to skills and technology base.

International organisations such as World Bank, ITC and UNCTAD can include sustainability in their development plan, provide a platform for sharing information and best practices, offer tailored financial solutions for MSMEs to shift to green technologies.

The General Assembly of the United Nations declared June 27 every year as the International MSME Day to create awareness about the contribution of small enterprises to sustainable development and global economy.

Considering the importance of adopting environmentally sustainable business practices, the theme of the current year's International MSME Day has been chosen as "MSME: Key to an Inclusive and Sustainable Recovery." To mark this occasion, United Nation will be hosting a series of events to discuss how MSMEs can be supported to ensure an equitable and sustainable post-COVID-19 recovery. It is the collective responsibility of governments, business support organisations and multilateral institutions to support MSMEs in adopting climate smart business practices.

Notifications

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CBIC

Appointment of Common Adjudicating Authority

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