

TOPIC: Entrepreneurial Solutions for the Challenges of Climate Change

HOST: SEED – Promoting Entrepreneurship for Sustainable Development

DATE & TIME: Wednesday, 29th January at 11:30 – 13:00

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CONCEPT NOTE

India, for the first time, ranks among the top 10 in 2019 [Climate Change Performance Index \(CCPI\)](#) presented at the COP25 climate summit in December 2019 at Madrid, Spain. The current levels of per capita emissions and energy use in India, ranked 9th in the "high category", are still comparatively low and, along with ambitious 2030 targets, result in high ratings for the green house gas (GHG) emissions and energy use categories.

However, despite an overall high rating, India still need to address current high-priority environmental issues like; air pollution, poor management of waste, growing water scarcity, falling groundwater levels, water pollution, preservation and quality of forests, biodiversity loss, and land/soil degradation. Alongside environmental issues, India also face major social problems like poverty, population, illiteracy, inequality, gender gap and unemployment.

SEED believes in the understanding that the nurturing of climate-smart and socially inclusive enterprises (eco-inclusive enterprises) is pivotal to overcoming the prevalent environmental and social challenges in emerging economies and to create a world of flourishing communities where entrepreneurship drives sustainable development.

Addressing the most pressing sustainability challenges of today requires leadership, shifting mind-sets and lifestyles, coordinated approaches to climate action and social inequality, and innovative business solutions. It requires to look beyond conventional sustainable development actors and to embrace businesses as key actors with a huge potential to contribute to the transition to a green and inclusive economy by developing innovative solutions at a local level. Eco-inclusive enterprises address the needs of their communities through green technologies and climate-smart business models while integrating marginalised communities along their value chain as suppliers, employees and customers.

India is likely to become the world's second-largest economy by 2030, next only to China and overtaking the US, according to Standard Chartered's long-term forecast released in Jan 2019. Indian Government aimed to become a \$5 trillion economy by 2025. Against this background, the development of the MSME sector is becoming essential, since MSMEs are considered to be the backbone of the Indian economy. According to TERI (2019) they provide for around 90% of employment across the country, warding off economic shocks and adversities. There exists an evident interest by the government to support entrepreneurs and founders and the wider ecosystem of MSMEs across the country. On a national level, the Ministry of Micro, Small and Medium Enterprises already implements a variety of schemes to foster entrepreneurship and job creation through MSME. However, despite their pivotal role for economic growth and sustainable development in India, small eco-inclusive enterprises face some severe challenges in the Indian market.

The most crucial barrier are the difficulties for eco-inclusive small enterprises to obtain adequate timely credit from commercial financial institutions. This is mainly due to a lack of credit history leading to very high collaterals demanded by banks and other financial institutions, making it unaffordable for MSMEs to obtain such typical finance, such as classical loans. Only around 5% of MSMEs have access to credits from the formal banking sector. Others often rely on funds from friends or relatives, expensive private financiers with high interest rates or their own savings and private assets. Consequently, they are unable to make big investments such as purchasing modern machinery and equipment to scale up their business. From the financial institutions' perspective, this mismatch is aggravated by a lacking credit history of MSMEs. This increases uncertainty about enterprises' credibility for financial institutions

and causes a lack of tailored financial products to cater the specific needs and payback capabilities of early-stage enterprises. Another factor is the absence of comprehensive impact monitoring schemes to evaluate their economic performance as well as their ecological and social benefits. While a lot of grant programmes by national and international donors only serve enterprises at a very early stage in order to jumpstart operations, many impact funds focus on enterprises at a much later stage. This creates the infamous “missing middle” gap, leaving out start-up enterprises with a valid business concept and a strong need for growth financing to establish their business in the market and deliver a proof of concept of their value proposition. How this prevailing mismatch will be picked up on by policy makers, financial institutions and business development service providers will have a significant impact on whether eco-inclusive MSMEs can scale up effectively and quickly enough to address the pressing economic, ecological and social issues that India is facing at the moment.

Another challenge is that the number of platforms that would allow the sector to interconnect, create synergies and become more efficient is insufficient, especially in Tier 2 and Tier 3 cities and in more secluded rural areas. Due to the innovative nature of their products and services, eco-inclusive enterprises are often isolated in a very specific market niche and find it hard to unfold synergies across sub sectors with regard to business development, ecosystem transformation and consistently signalling the demand for tailored financial products.

Apart from these core issues, other challenges include difficulties, insufficient infrastructure, business know-how in early entrepreneurs, a lack of adequately educated manpower for manufacturing processes, managerial tasks and entrepreneurial initiative. These problems have shown to be even more pressing in Tier-2 & Tier-3 cities of the country. The Indian government has recently made moves to address this imbalance and catalyse investment into Tier 2 and 3 city enterprises as drivers of social and environmental change. With secondary cities experiencing high growth levels, start-ups are flourishing, providing localised solutions that can be scaled to other contexts. Government programmes such as the Atal Incubation Mission (AIM), which has made it possible to establish incubation centres at higher educational institutions in colleges and universities in Tier 2 and 3 cities, Start Up India initiative, and regional government programmes are designed to build enterprise incubation infrastructure in secondary cities and support these high potential enterprises. Despite these initiatives, training programmes are not yet in place to ensure a high-quality standard of incubation and to give business development service providers the tools they need to support enterprises in non-metro cities.

SEED’s two-pronged approach to supporting enterprises through direct support and ecosystem building activities is founded on the belief that enterprises rely on both internal and external success factors to grow their solutions. The [SEED Direct Enterprise Support programmes](#) on the one hand directly assist individual enterprises at multiple levels of business development – from the early stages of inspiration and concept building to scaling up or the replication of proven, successful eco-inclusive business models in other geographical locations. [The Ecosystem Building programmes](#) on the other hand cultivate networks of collaborators, finance and policy to support eco-inclusive entrepreneurship. SEED provides platforms for dialogue between local, national and international stakeholders and work to improve the quality of relations between these stakeholders and enterprises.

When supported to scale, eco-inclusive enterprises can multiply their impact and showcase their innovative approaches to sustainable development at a global level. As India’s entrepreneurial ecosystem booms and diversifies across geographies, it is time to discuss how to enforce this momentum and foster enterprises and their contributions to sustainable development.

In the session during the World Sustainable Development Summit 2020, we will introduce SEED and its work around eco-inclusive entrepreneurship in India and globally. We will share and discuss success stories and best practices of SEED Award Winners: enterprises that are environmental stewards in their communities and support India’s goals of climate change mitigation and adaptation in the sectors of clean energy, sustainable agriculture, water and sanitation, and waste management.

After this first input on the role of SEED and eco-inclusive entrepreneurship in general, the session will continue with a [mentimeter](#), giving every participant the chance to express their opinions regarding eco-inclusive enterprises and entrepreneurship, prevailing challenges and promising opportunities for enterprise development anonymously via an online platform. These questions will serve as an input for a subsequent panel discussion, bringing together five experts for eco-inclusive entrepreneurship in

India, who will then discuss the incoming questions. The panel will also provide the audience with the opportunity to engage in a direct discussion on the questions addressed, to add further comments and to bring forward additional questions.

The session will close with a highlight: the launch of the **SEED India Hub** in partnership with TERI. The goal of this collaboration is to create a supportive ecosystem for eco-inclusive enterprises in India while tapping into the growing number of start-ups and the diverse programmes that already exist to promote such enterprises. The partners will introduce themselves and their concept for the implementation of the partnership and also announce activities around upcoming SEED support programmes and other future initiative.