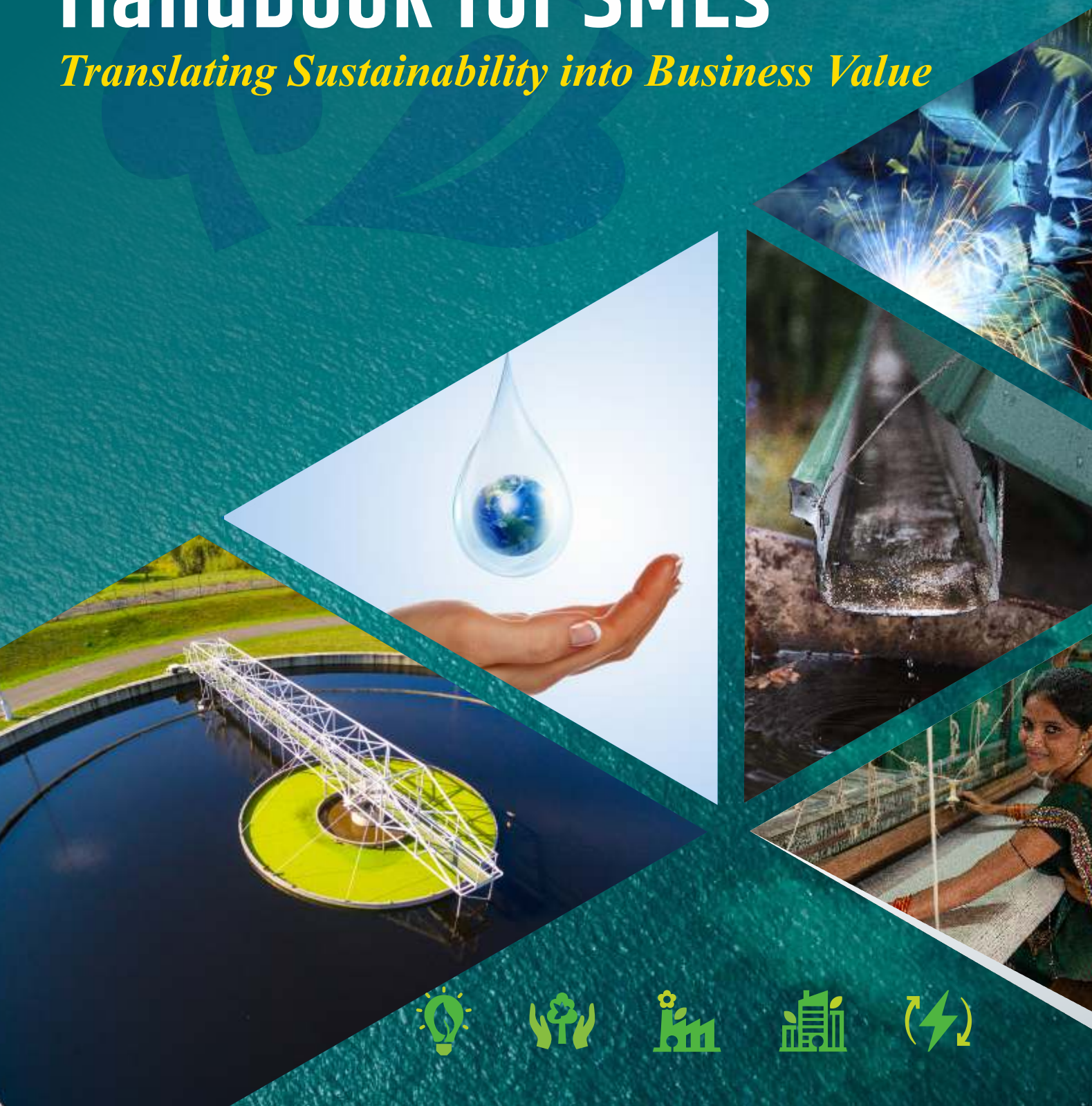
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100 YEARS OF BUILDING TOMORROW

Sustainability Handbook for SMEs

Translating Sustainability into Business Value



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The handbook draws on a wide range of publicly available reports, policy documents, and research studies from national and international institutions. We gratefully acknowledge these sources, which have informed the insights and perspectives presented in this publication.

About the Handbook

The Sustainability Handbook aims to serve as a concise reference for businesses and stakeholders seeking to understand emerging trends, frameworks, and practices in sustainability. The publication brings together insights from credible secondary sources to highlight key developments across areas such as responsible business practices, climate action, resource efficiency, circular economy, and sustainable value creation.

Designed as an accessible knowledge resource, the handbook seeks to support industry leaders, policymakers, and practitioners in navigating the evolving sustainability landscape and identifying opportunities for integrating sustainability into business strategies and operations.

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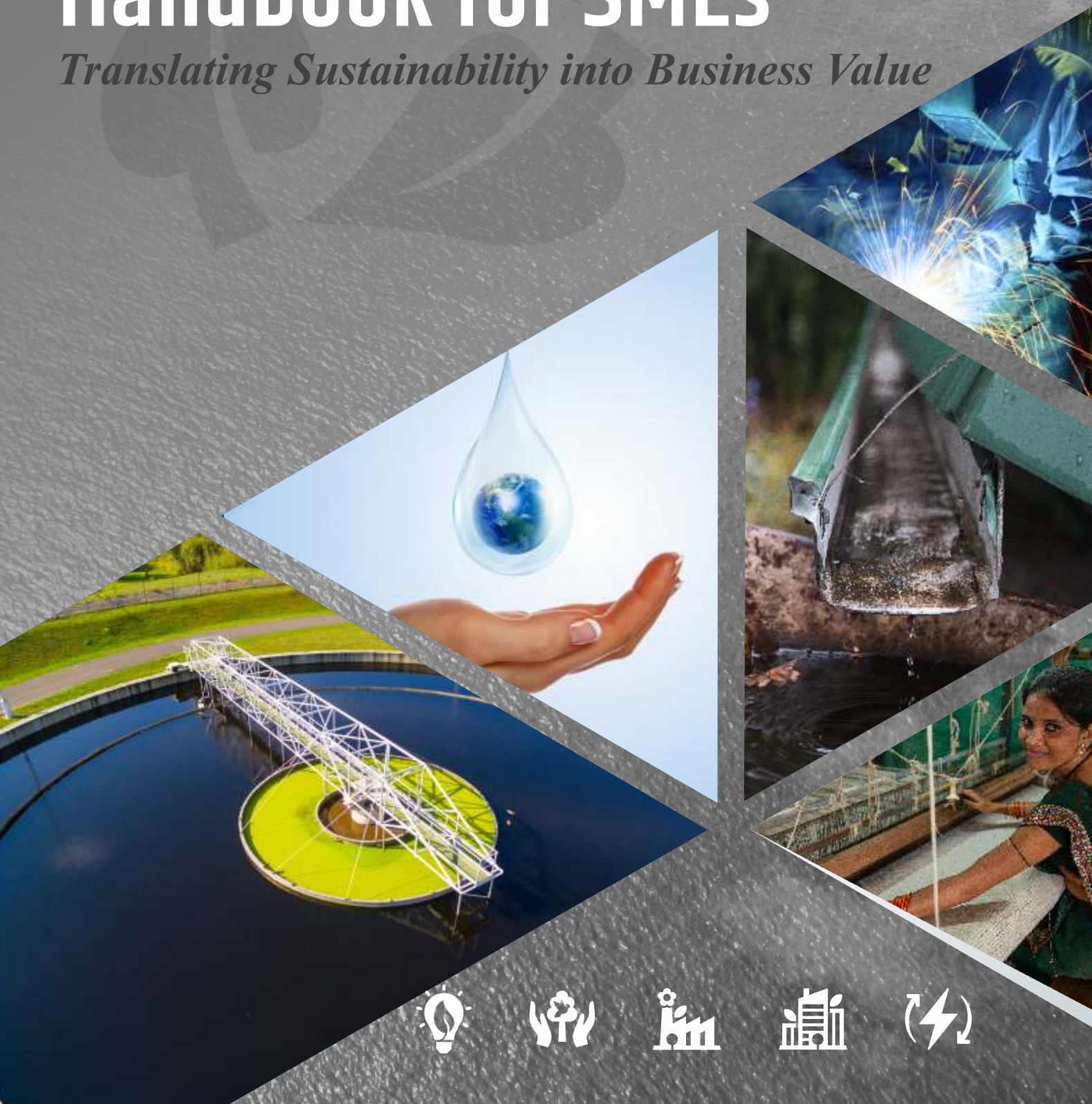




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Foreword

India's journey towards Viksit Bharat places sustainability at the heart of economic transformation. As the country advances its green growth agenda, Micro, Small and Medium Enterprises (MSMEs) will play a decisive role in translating national ambition into on-ground action.

Indian SMEs are the backbone of the economy-driving employment, entrepreneurship, exports, and regional development. As global and domestic markets increasingly integrate sustainability into business decision-making, it is essential that Indian SMEs are equipped with the knowledge, tools, and institutional support required to remain competitive and future-ready.

At FICCI, we recognise that sustainability for SMEs must be practical, scalable, and aligned with business realities. This handbook has been developed to support SMEs across sectors in understanding evolving policy and regulatory expectations, identifying priority actions, and accessing opportunities linked to energy efficiency, responsible production, green finance, digitalisation, and emerging sustainability-linked markets.

Importantly, sustainability is no longer a matter of compliance alone. For Indian SMEs, it is a strategic enabler-supporting cost optimisation, risk management, supply-chain integration, market access, and long-term resilience. Aligning enterprise-level action with national initiatives such as Atmanirbhar Bharat, Make in India, and India's Net Zero 2070 commitment will be critical to achieving inclusive and sustainable growth.

This SME Sustainability Handbook brings together policy insights, practical frameworks, real-world examples, and curated resources to guide SMEs at different stages of their sustainability journey. It is designed to serve as a reference for business leaders, industry associations, financial institutions, and other ecosystem partners working to strengthen India's SME sector.

As India accelerates its transition towards a low-carbon and resource-efficient economy, enabling SMEs will be central to the success of this mission. FICCI remains committed to working closely with industry, government, and stakeholders to support SMEs in building resilient, competitive, and sustainable businesses.

We hope this handbook contributes meaningfully to that effort.



Introduction

SMEs at the Heart of India's Sustainable Future

Preface

Sustainability is no longer a distant aspiration—it is now central to how businesses operate, compete, and grow. As India accelerates its transition toward a low-carbon, resource-efficient economy, small and medium enterprises (SMEs) stand at the heart of this transformation. Representing nearly 30% of India's GDP and employing over 110 million people, SMEs hold the potential to become powerful agents of change in advancing national and global sustainability goals.

This handbook has been designed to help Indian SMEs translate sustainability principles into practical action. It distills complex ideas—ranging from climate commitments and ESG disclosures to green finance and circular economy models—into an accessible, business-friendly format. Each chapter combines conceptual insights with case studies, frameworks, and self-assessment tools tailored for SME contexts.

Developed under the guidance of the Federation of Indian Chambers of Commerce and Industry (FICCI), the handbook is aligned with national priorities such as Make in India, Atmanirbhar Bharat, and India's Net Zero by 2070 vision, as well as global frameworks including the UN Sustainable Development Goals (SDGs), the Paris Agreement, and emerging ESG reporting standards.

Our aim is simple: to equip Indian entrepreneurs, business owners, and managers with the knowledge, tools, and confidence to integrate sustainability into their everyday decisions—turning environmental and social responsibility into strategic advantage.

Purpose and Scope of the Handbook

India's small and medium enterprises (SMEs) form the backbone of the nation's economy—accounting for nearly one-third of GDP and employing over 110 million people. As India moves toward its Net Zero 2070 target and advances its Panchamrit commitments announced at COP26, SMEs will play a pivotal role in translating these national ambitions into tangible, on-the-ground results.

This handbook serves as a practical guide to help SMEs understand, adopt, and scale sustainability practices within their operations. It simplifies complex global sustainability frameworks—such as the UN Sustainable Development Goals (SDGs), ESG reporting standards, and green finance mechanisms—into actionable steps relevant to Indian enterprises.

The scope covers six critical dimensions: energy efficiency, resource optimization, waste management, social inclusion, corporate governance, and access to finance. It provides SMEs with both strategic insights and practical tools to build competitiveness in a rapidly evolving business landscape.

Why Sustainability Matters for Indian SMEs

For SMEs, sustainability is no longer a luxury or a compliance exercise—it is a strategic necessity. Global supply chains, investors, and consumers are increasingly demanding responsible business practices. Indian SMEs that integrate sustainability early will not only future-proof their operations but also gain a first-mover advantage.

Key drivers include:

- **Investor Expectations:** Financial institutions and venture funds now assess ESG performance when extending credit or making investment decisions.
- **Supply Chain Linkages:** Large corporations are integrating sustainability into procurement and require disclosures from their suppliers.
- **Consumer Awareness:** Indian and international consumers are shifting preferences toward green, ethical, and locally sourced products.
- **Regulatory Alignment:** New regulations, such as SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework and India's Green Credit Programme, are reshaping compliance expectations.

The Business Case for SMEs

Sustainability creates direct business value. For Indian SMEs, the most compelling benefits include:

1. **Cost Savings:** Energy-efficient technologies, waste reduction, and circular resource use reduce operational expenses and improve margins.
2. **Brand Value:** A visible commitment to sustainability builds reputation and customer loyalty.
3. **Market Access:** Alignment with ESG and green standards enhances export readiness and participation in global supply chains.
4. **Risk Mitigation:** Environmental and social management reduces business disruptions, legal liabilities, and reputational risks.

In a competitive marketplace, SMEs that embed sustainability gain both economic resilience and strategic differentiation.

India's Role in Global Sustainability - Panchamrit and Net Zero 2070

India's Panchamrit framework-announced at COP26-defines the country's five key commitments to climate action:

1. Reach 500 GW of non-fossil energy capacity by 2030.
2. Meet 50% of energy requirements from renewables by 2030.
3. Reduce total projected carbon emissions by 1 billion tonnes by 2030.
4. Lower emissions intensity of GDP by 45% by 2030 (from 2005 levels).
5. Achieve Net Zero by 2070.

SMEs will be instrumental in achieving these targets. Whether through adopting cleaner technologies, reducing energy intensity, or innovating in circular manufacturing, SMEs provide the agility and innovation that large corporations often lack.

FICCI's role, through this handbook, is to support this transition—by equipping SMEs with knowledge, tools, and partnerships needed to participate meaningfully in India's sustainable growth journey.

In developing this Handbook, the authors benefited from informal consultations and strategic reflections shared by a small group of senior practitioners across sustainable finance, policy, and industry. Their perspectives helped ensure that the guidance remains practical, credible, and grounded in real-world experience.

How to Use This Handbook

The handbook is structured in progressive chapters:

- Understanding Sustainability in the Indian SME Context
- Embedding ESG in Business Operations
- Measuring and Reporting Impact
- Accessing Green Finance and Incentives
- Sector-Specific Pathways (Manufacturing, Agriculture, Services)
- Digital Tools and Data for Sustainability
- Roadmap for Implementation and Continuous Improvement

Each chapter concludes with Key Takeaways, self assessment checklists where possible o help businesses translate insights into measurable outcomes.



CHAPTER 1

Understanding Sustainability in the Indian SME Context

1.1 *Key Concepts: Sustainability, ESG, SDGs, Circular Economy, and Net Zero*

1.2. *Triple Bottom Line: People, Planet, Profit in the Indian Context*

1.3 *Myths vs. Reality: Overcoming SME Misconceptions*

1.4 *Sustainability as a Driver of Atmanirbhar Bharat and Make in India Competitiveness*

1.5 *The Evolving Role of SMEs in India's Climate Goals and Green Industrial Policy*

1.6 *Global Trends Shaping Indian SMEs*

1.7 *SME Resilience Through Sustainability*

1.8 *The Business Case for Sustainability*

1.9 *India's Role in Global Sustainability - Panchamrit & Net Zero 2070*







CHAPTER 01

Understanding Sustainability in the Indian SME Context

1.1 Key Concepts: Sustainability, ESG, SDGs, Circular Economy, and Net Zero

Sustainability today is no longer a peripheral or optional concept for Indian SMEs. It lies at the core of long?term business survival, competitiveness, and compliance. In practical terms, sustainability means running a business in a way that balances economic performance with environmental responsibility and social well?being.

Environmental, Social and Governance (ESG) frameworks help organise sustainability into clear and actionable business themes. For SMEs, ESG is increasingly relevant because expectations from large buyers, lenders, investors, and regulators are flowing down supply chains.

The Sustainable Development Goals (SDGs) provide a global reference point for responsible growth. Many everyday SME activities-such as improving energy efficiency, ensuring worker safety, or reducing waste-directly contribute to these goals.

The circular economy focuses on reducing waste, reusing materials, and designing processes that maximise resource efficiency. For SMEs, circularity often translates into cost savings and improved resilience.

Net Zero refers to balancing greenhouse gas emissions with removals. While India has committed to achieving Net Zero by 2070, SMEs play a crucial role through incremental improvements in energy use, materials, and operations.

1.2 Triple Bottom Line: People, Planet, Profit in the Indian Context

The Triple Bottom Line framework-People, Planet, Profit-captures the essence of responsible business in a manner that resonates strongly with Indian SMEs.

People refers to fair labour practices, workplace safety, skills development, and community engagement. Many Indian SMEs already embed these principles informally through long-standing business traditions.

Planet focuses on managing environmental impacts such as energy use, water consumption, waste, emissions, and raw materials. Given India's resource constraints, environmental efficiency is often a business necessity rather than a choice.

Profit recognises that sustainable businesses are more efficient, resilient, and competitive. Reducing waste, energy consumption, or downtime directly improves margins.

Together, the Triple Bottom Line aligns well with Indian cultural values of frugality, responsibility, and long-term thinking.

1.3 Myths vs. Reality: Overcoming SME Misconceptions

Despite growing awareness, many SMEs still view sustainability as complex or expensive. These misconceptions often delay action and result in missed opportunities.

Common myths include the belief that sustainability is costly, relevant only for large companies, or too resource-intensive for small teams. In reality, many sustainability actions-such as energy efficiency or waste reduction-deliver quick returns.

Digital tools, simplified frameworks, and government support have made sustainability far more accessible. Increasingly, early adopters gain competitive advantages through cost savings, market access, and stronger customer relationships.

1.4 Sustainability as a Driver of Atmanirbhar Bharat and Make in India Competitiveness

Sustainability plays a vital role in strengthening India's vision of Atmanirbhar Bharat and Make in India. Resource-efficient SMEs are more productive, competitive, and resilient.

Sustainability alignment improves access to finance, government incentives, and global markets. Cleaner production processes help Indian goods meet international standards, supporting export growth.

By adopting sustainable practices, SMEs contribute to national self-reliance while positioning themselves within global value chains.

1.5 The Evolving Role of SMEs in India's Climate Goals and Green Industrial Policy

SMEs are central to India's climate and green industrial ambitions. Their scale and integration across value chains mean they are essential enablers of the country's Panchamrit commitments and Net Zero 2070 target.

As of 2024-25, India has approximately 5.9 crore registered MSMEs, contributing nearly 30% of Gross Value Added and over 45% of exports, while employing more than 25 crore people. The sector is rapidly formalising through digitalisation, improved access to finance, and participation in capital markets.

Policy measures such as enhanced credit guarantee coverage and support for renewable energy and efficiency upgrades are aligning SME growth with green objectives. SMEs increasingly contribute through renewable adoption, efficiency improvements, waste reduction, circular models, and green innovation.

For mid-sized enterprises in particular, ESG has become strategically important due to supply-chain expectations, financing requirements, capital market participation, and talent considerations.

1.6 Global Trends Shaping Indian SME's

Global markets are changing rapidly, and Indian SMEs must adapt to remain competitive. Key trends include supply-chain decarbonisation, sustainability-linked procurement, green trade standards such as EU CBAM, and rising expectations for traceability and digital reporting.

These trends are no longer optional. They increasingly determine market access, especially for export-oriented SMEs.

1.7 SME Resilience Through Sustainability

Sustainability enhances SME resilience by reducing exposure to climate, resource, and market risks. Energy efficiency, diversified inputs, and better documentation strengthen business continuity.

SMEs that integrate sustainability are better prepared for climate shocks, supply-chain disruptions, and regulatory changes, making them more adaptable and competitive over time.

1.8 The Business Case for Sustainability

A clear business case for sustainability is emerging for Indian SMEs. Benefits include cost savings, improved brand value, enhanced market access, reduced risks, and better financing terms.

Sustainability is not a cost centre but a profit and growth strategy that strengthens long-term competitiveness.

1.9 India's Role in Global Sustainability - Panchamrit & Net Zero 2070

India's .1amrit commitments outline ambitious climate targets, including expanding renewable energy, reducing emissions intensity, and achieving Net Zero by 2070.

SMEs play a critical role in delivering these commitments through operational improvements, renewable adoption, and transparent supply-chain practices.

India's climate commitments, including emissions intensity reduction and Net Zero targets, are measured against defined reference years and national baselines as communicated to the UNFCCC. While technical base years and accounting methodologies are critical for national reporting and policy design, this handbook focuses on what these commitments mean in practical terms for SMEs-namely, improving efficiency, reducing emissions intensity, and aligning with evolving market and policy expectations.

Key Takeaways & Practical Steps

- Sustainability is now a business necessity.
- SMEs play a central role in India's climate and industrial transformation.
- Global trends demand cleaner, more transparent production.
- Sustainability drives profitability, not cost.
- Early adoption gives Indian SMEs a competitive edge.

Practical Steps for SMEs

- Start with low-cost efficiency improvements (energy, water, waste).
- Develop basic ESG documentation and policies.
- Use simple digital tools for data tracking.
- Engage employees-build internal awareness and skills.
- Explore government schemes and green financing options.
- Set short-term (12-month) sustainability goals.
- Begin preparing for supply chain and export requirements.

Recommended readings :

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https://www.oecd.org

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https://www.weforum.org

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Trade, Markets & Supply Chains

16. European Commission - Carbon Border Adjustment Mechanism (CBAM)
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https://www.sebi.gov.in



CHAPTER 2

The Policy & Regulatory Landscape for Indian SMEs

2.1 National policies: MSME schemes, BRSR Core, EPR, renewable energy targets

2.2 State-level initiatives supporting SMEs

2.3 International frameworks: EU CBAM, ISO, GHG Protocol

2.4 Future regulatory trends

2.5 Policy Alignment Checklist for SMEs







CHAPTER 02

The Policy & Regulatory Landscape for Indian SMEs

India's policy landscape on sustainability is evolving rapidly, driven by climate commitments, global trade pressures, investor expectations, and an increasing focus on supply-chain transparency. For Indian SMEs—who form 30% of GDP and 45% of exports—understanding this landscape is no longer optional; it is essential for competitiveness, compliance, and market access.

2.1 National Policies Shaping SME Sustainability

a. MSME Schemes Supporting Sustainability

Several government schemes help SMEs transition towards greener operations:

- **ZED Certification (Zero Defect Zero Effect):** Provides financial incentives for adopting energy efficiency, waste reduction, and quality improvements.
- **Credit Guarantee Scheme for Green Technologies:** Encourages SMEs to invest in clean technologies by offering collateral-free loans.
- **Cluster Development Programme (CDP):** Supports cleaner production, common effluent treatment plants, and renewable solutions for industrial clusters.

These schemes reduce costs, improve quality, and make SMEs more resilient to policy and market risks.

b. Business Responsibility and Sustainability Reporting (BRSR) Core for Value-Chain SMEs

While BRSR Core is mandatory only for India's top 1,000 listed companies, these companies must collect assured ESG data from their value-chain partners, often SMEs. This means SMEs now face:

- Requests for data on emissions, water use, labour practices

- Need for basic ESG record-keeping
- Supplier audits and sustainability questionnaires

SMEs that adopt early systems gain preferential supplier status and long-term contracts.

c. Extended Producer Responsibility (EPR)

EPR regulations for plastics, tyres, batteries, and e-waste require companies to ensure traceability, recycling, and circularity. SMEs supplying packaging or manufactured components are impacted through:

- Mandatory labelling
- Recyclability requirements
- Record-keeping for waste handling

EPR compliance is becoming a key procurement condition for large buyers.

d. India's Renewable Energy Targets

India aims for 500 GW of renewable energy by 2030 and significant emissions intensity reduction.

This affects SMEs through:

- Incentives for rooftop solar and open-access green power
- Increasing pressure from buyers to reduce Scope 2 emissions
- Likely future carbon-pricing or energy-efficiency mandates

Energy savings also improve margins—making RE adoption both a sustainability and business decision.

2.2 State-Level SME Sustainability Initiatives

Many Indian states are introducing green incentives:

Gujarat

- Subsidies for rooftop solar
- Cleaner production centers for SMEs
- Incentives for pollution-control equipment

Tamil Nadu

- Green Tamil Nadu Mission promoting circular economy models
- Mandates for renewable electricity in industrial estates

Maharashtra

- Green energy procurement guidelines
- ESG-linked incentives for MSME clusters

Karnataka

- Support for green hydrogen pilots
- Waste-to-energy solutions for industrial clusters

SMEs operating in these states can access financial incentives, faster approvals, and infrastructure support.

2.3 International Frameworks Impacting Indian SMEs

a. EU Carbon Border Adjustment Mechanism (CBAM)

CBAM requires exporters of steel, aluminium, cement, hydrogen, and fertilizers to report and pay for carbon emissions.

Indian SMEs in upstream supply chains may face:

- Mandatory GHG reporting
- Pressure to shift to low-carbon inputs
- Risk of losing competitiveness if buyers shift to greener suppliers

CBAM is effectively a trade regulation, not a climate rule—and SMEs must prepare early.

b. ISO Standards Relevant to SMEs

Key standards include:

- **ISO 14001:** Environmental management systems
- **ISO 9001:** Quality management
- **ISO 50001:** Energy management
- **ISO 26000:** Social responsibility guidance

These standards improve operational efficiency and qualify SMEs for international buyers.

c. GHG Protocol for Measuring Emissions

The global standard for:

- **Scope 1:** Direct emissions from owned or controlled sources
- **Scope 2:** Indirect emissions from purchased electricity, steam, heat, or cooling
- **Scope 3:** Other indirect emissions across the value chain (upstream and downstream)

SMEs increasingly need to report basic emissions data to maintain buyer relationships.

2.4 Future Regulatory Trends SMEs Must Prepare For

1. Mandatory ESG Reporting for Large Unlisted Entities

MCA (Ministry of Corporate Affairs) and SEBI have begun consultations on expanding BRSR-style reporting to major unlisted companies, which will cascade into SME supply chains.

2. Carbon Markets and Pricing Instruments

India is preparing a Carbon Credit Trading Scheme (CCTS), which may introduce:

- Energy performance certificates
- Market-based emissions reduction
- Sectoral baselines for MSMEs

3. Stricter Waste & Circular Economy Rules

Future extensions of EPR may include textiles, construction materials, and packaging tiers relevant to SMEs.

4. Green Finance Requirements

Banks may start requiring:

- ESG disclosures for loan approvals
- Green credit verification
- Climate-risk assessments

This will directly influence SME credit ratings and capital access.

2.5 Policy Alignment Checklist for SMEs

Checklist Area	Key Actions for SMEs
Regulatory Compliance	Identify applicable MSME, EPR, labour, and energy rules; track updates through government portals.
ESG Readiness	Begin basic data collection on energy, waste, water, labour, and emissions to meet BRSR-Core requirements.
Energy Management	Assess potential for rooftop solar, energy-efficient equipment, and state incentives.
GHG Reporting	Start with simple Scope 1 & 2 calculations using GHG Protocol tools.
Waste & Circularity	Prepare for future EPR regulations; establish recycling partners.
Supplier Competitiveness	Align with buyer requirements (ISO, ESG questionnaires, code of conduct).
Market Access	For exporters, track CBAM and global reporting expectations.
Risk Mitigation	Monitor regulatory trends to avoid disruption to contracts or financing.

Case Study 1: Jamna Auto Industries Ltd - Indirect CBAM & ESG Pressure in Auto Supply Chains

Company Profile

- **Company:** Jamna Auto Industries Ltd
- **Sector:** Auto components (suspension systems)
- **Headquarters:** New Delhi | Manufacturing across India
- **SME Context:** Mid-sized listed supplier, deeply embedded in OEM and export-linked value chains

Regulatory Trigger

Jamna Auto supplies to OEMs and Tier-1 exporters with exposure to EU markets. With the rollout of EU CBAM, its customers began tightening requirements on:

- Energy intensity
- GHG emissions disclosures
- Renewable electricity sourcing

Although Jamna itself is not directly exporting to the EU, CBAM-related data requests flowed down the supply chain.

Actions Taken

- Strengthened energy monitoring systems across plants
- Increased renewable energy procurement, including rooftop solar
- Enhanced environmental disclosures aligned with BRSR and global ESG expectations

Outcomes

- Retained preferred supplier status with export-oriented OEMs
- Improved operational efficiency and cost savings from energy optimisation
- Positioned itself as a future-ready supplier under tightening trade regulations

Policy Linkages

- EU CBAM (indirect exposure)
- BRSR / BRSR Core (value-chain relevance)
- National renewable energy policies

Case Study 2: KPR Mill Ltd (SME Cluster Linkages) - Textile Sustainability & Buyer Compliance

Company / Cluster Context

- **Company:** KPR Mill Ltd (anchor firm)

- **SME Linkages:** Spinning, dyeing, and processing SMEs in Tiruppur textile cluster
- **Sector:** Textiles & garments

Regulatory & Market Pressure

European fashion brands sourcing from Tiruppur required:

- Proof of water stewardship
- Compliance with chemical and effluent norms
- Alignment with ESG and supplier codes of conduct

Actions Taken (SME-Level)

- SMEs in the cluster participated in:
  - Common Effluent Treatment Plants (CETPs)
  - Renewable energy sourcing (wind & solar via group captive models)
  - Basic ESG data collection aligned with buyer requirements

Outcomes

- Sustained access to EU and UK buyers despite tightening sustainability standards
- Reduced regulatory risk from pollution-control non-compliance
- Strengthened cluster reputation as a responsible sourcing hub

Policy Linkages

- State-level environmental regulation (Tamil Nadu)
- Buyer-led ESG compliance
- BRSR Core value-chain pressures

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6. SEBI Business Responsibility & Sustainability Reporting (BRSR) Framework - SEBI official repository

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7. ISO Standards (International Organization for Standardization) - Official standards portal

   https://www.iso.org/standards.html

8. GHG Protocol (World Resources Institute & World Business Council) - Official guidance and tools

   https://ghgprotocol.org/

International Policy Reference

9. EU Carbon Border Adjustment Mechanism (CBAM) - Official EU Commission page

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CHAPTER 3

Assessing Your Sustainability Readiness

3.1 Self-assessment checklist

3.2 ESG materiality mapping for SMEs

3.3 Identifying high-impact and high-risk areas

3.4 Benchmarking against peers

3.5 Readiness Scoring Tool (Template)

3.6 Action Plan Prioritisation Matrix







CHAPTER 03

Assessing Your Sustainability Readiness

Indian SMEs often feel sustainability is "too big" or "too complex" — but readiness can be measured systematically. This chapter provides a practical, step-by-step approach to help SMEs understand where they stand today, what matters most, and how to prioritise actions that deliver the highest impact at the lowest cost.

Why Sustainability Readiness Matters for SMEs

Before investing in ESG initiatives, SMEs must know:

- What are my material risks and opportunities?
- Which sustainability issues impact my business the most?
- How do I compare with my competitors and supply chain expectations?
- Where should I start to get maximum ROI?

A structured readiness assessment helps SMEs avoid wasted effort, comply with emerging regulations (BRSR Core, EPR, energy mandates), and position themselves strongly for corporate supply chain partnerships.

3.1 SME Self-Assessment Checklist

A practical yes/no checklist that SMEs can complete within 30 minutes.

A. Governance & Management

- Do you have a sustainability or ESG focal point within your organisation?
- Are roles and responsibilities for ESG documented?
- Does management review sustainability risks at least annually?
- Do you track any environmental, social, or governance KPIs today?

B. Environmental Management

- Do you measure fuel, electricity, or water consumption?
- Do you track waste generation and disposal methods?
- Do you handle hazardous waste according to regulatory standards?
- Have you conducted any energy or resource audits?

C. Social Responsibility

- Do you have policies for worker safety, labour practices, and grievance redressal?
- Is there regular safety training for employees?
- Do you engage with your community or local stakeholders?

D. Compliance & Reporting

- Are you aware of BRSR Core, EPR, and environmental laws relevant to your sector?
- Have you been asked for ESG data by customers or investors?
- Do you publish any form of sustainability information (website, CSR report, supplier questionnaires)?

E. Strategy & Future Readiness

- Do you have sustainability goals (e.g., energy efficiency, waste reduction)?
- Have you explored green finance, subsidies, or government schemes?
- Do you track climate- or market-related risks?

SMEs scoring

Score	Stage	KPI
<40%:	Early-stage	focus on compliance and basic data collection
40–70%:	Intermediate	start materiality, benchmarking, and target-setting
>70%:	Advanced	ready for structured reporting and certification

3.2 ESG Materiality Mapping for SMEs

Materiality helps SMEs identify which ESG topics have the greatest:

1. Impact on business performance
2. Importance to customers, regulators, and stakeholders

Core ESG topics to evaluate:

Environmental

- Energy use
- Water use
- Waste and recycling
- Air emissions
- Hazardous waste
- Resource efficiency
- Packaging
- Climate resilience

Social

- Worker safety
- Wages and benefits
- Gender diversity
- Community impact
- Supply chain labour practices

Governance

- Ethical practices
- Anti-corruption
- Data protection
- Board oversight

Simple Method for SME's Rate each topic on 1 to 5 scale:

Criteria	Score 1	Score 5
Internal Impact	Minimal effect on business	Direct impact on cost, risk, or efficiency
External Importance	Not relevant to customers/regulators	Required by regulations or supply chain

High-High scores = **priority areas.**

3.3 Identifying High-Impact & High-Risk Areas

SMEs should focus on areas where sustainability directly affects:

A. Cost Drivers

Examples:

- High electricity bills → energy efficiency projects
- High waste disposal costs → recycling or resource optimisation

B. Compliance Risks

Examples:

- EPR obligations for plastic/packaging
- Sector-specific environmental norms
- Worker safety requirements

C. Market Access Risks

Many MNCs now require suppliers to disclose emissions, wages, water usage, and ESG policies.

D. Reputation Risks

Labour practices, safety issues, or pollution exposure can quickly damage brand trust.

3.4 Benchmarking Against Peers

Benchmarking allows SMEs to understand how they compare with:

- Other SMEs in the same sector
- Suppliers in the same value chain
- Industry leaders setting sustainability expectations

Simple Benchmark Metrics

- Energy use per unit output
- Water intensity
- Waste generation per tonne of production
- % renewable energy
- % workforce trained on safety
- Gender diversity in workforce
- Presence of ESG policies

Sources for Benchmarking

- Bureau of Energy Efficiency (BEE) sector benchmarks
- ISO 14001 / ISO 45001 guidelines
- Industry associations
- Global sectoral reports (CDP, WRI, IFC)

3.5 Readiness Scoring Tool (Template)

A structured scoring tool SMEs can use internally.

Readiness Score = Sum of all weighted scores

Category	Weight	SME Score (1–5)	Weighted Score
Governance & Policies	20%		
Environmental Management	30%		
Social Practices	20%		
Data & Reporting	20%		
Risk Management	10%		

Interpretation

0–2.0	→	Foundation stage
2.1–3.5	→	Progressing
3.6–5.0	→	Ready for certification, reporting, and green finance

3.6 Action Plan Prioritisation Matrix

A simple tool to help SMEs decide where to start based on:

- **Impact (High–Low)**
- **Difficulty (Easy–Hard)**

	High Impact	Low Impact
Easy to Implement	LED upgrades, safety training, water metering, waste segregation	Quick wins (branding)
Hard to Implement	Medium-term projects: solar rooftop, effluent treatment, redesigning packaging	Defer or integrate into long-term planning

This prevents SMEs from wasting effort on high-cost/low-impact activities.

Case Study 1: Arvind Limited (Textiles) – Materiality & Water Risk Mapping

Sector: Textiles & Apparel

Location: Gujarat, Karnataka

SME Context: Mid-sized manufacturing units within a larger group ecosystem

While Arvind Limited is a large enterprise, several of its manufacturing units operate at SME scale, particularly in processing and dyeing. These units undertook materiality mapping to identify high-risk sustainability issues.

Readiness Actions Taken

- Assessed water use, effluent discharge, and energy intensity
- Conducted stakeholder consultations with workers and local communities
- Ranked water stewardship and chemical management as high-materiality issues
- Benchmarked performance against textile sector best practices

Outcome

- Clear prioritisation of water recycling and effluent treatment investments
- Reduced regulatory risk and community opposition
- Improved readiness for export and buyer sustainability requirements

Relevance for SMEs:

Demonstrates how materiality mapping helps SMEs in resource-intensive sectors focus on the right sustainability risks first.

Case Study 2: Sona BLW Precision Forgings – ESG Readiness Driven by OEM Expectations

Sector: Auto Components

Location: Haryana, Maharashtra

SME Context: Tier-1/Tier-2 supplier with SME-scale manufacturing units

Sona BLW Precision Forgings undertook a structured assessment of its sustainability readiness in response to increasing ESG requirements from global automotive OEM customers. Rather than beginning with formal reporting, the company focused on identifying material risks and operational gaps.

Readiness Actions Taken

- Internal assessment of energy use, emissions intensity, and worker safety
- Mapping of ESG data requirements requested by OEM clients
- Benchmarking internal practices against automotive sector norms
- Identification of energy efficiency and safety as priority focus areas

Outcome

- Improved preparedness for supplier ESG disclosures
- Clear prioritisation of operational improvements over complex reporting
- Strengthened supplier positioning within global value chains

Why this matters for SMEs:

Shows how supply-chain pressure can trigger structured sustainability readiness even before regulatory mandates.

Key takeaways for SME's

- Start with a simple self-assessment; avoid over-engineering.
- Focus on material issues that affect cost, risk, and compliance.
- Benchmarking helps SMEs stay competitive in supply chains.
- Use the scoring tool to track improvements annually.
- Prioritise high-impact, low-effort activities first.
- Sustainability readiness is a journey — not a one-time exercise.

Sources

- Bureau of Energy Efficiency - SME Cluster Energy Efficiency Studies
  https://beeindia.gov.in/content/sme-programme
- Tamil Nadu Pollution Control Board - Textile Sector Best Practices
  https://www.tnpcb.gov.in/
- Central Pollution Control Board - Plastic Waste Management Rules & EPR Guidelines
  https://cpcb.nic.in/plastic-waste/
- IFC Sustainability Tools for SMEs
  https://www.ifc.org/sustainability
- UN Global Compact - SME Guidance on Sustainable Development
  https://www.unglobalcompact.org/library/3641
- CDP - Supply Chain Expectations
  https://www.cdp.net/en/supply-chain
- ISO 14001 - Environmental Management Systems Standard
  https://www.iso.org/iso-14001-environmental-management.html



CHAPTER 4

Environmental Sustainability for Indian SMEs

4.1 Energy efficiency and PAT Scheme

4.2 Renewable energy adoption: solar, biomass, other options

4.3 Water conservation and Jal Jeevan Mission

4.4 Waste minimization and Swachh Bharat Mission

4.5 Green procurement and sustainable supply chains

4.6 Pollution prevention and compliance with environmental laws

4.7 Sectoral Case Studies (Textiles, Manufacturing, Hospitality)

4.8 SME Checklist: Environmental Performance Indicators







CHAPTER 04

Environmental Sustainability for Indian SMEs

Environmental sustainability is no longer optional for India's MSMEs-it is central to cost reduction, risk management, market access, and long-term competitiveness. With global supply chains tightening expectations around emissions, water, waste, and compliance, SMEs can gain a strong business advantage by embedding environmental practices early.

This chapter provides a practical roadmap across six* priority themes

1. energy,
2. renewable adoption,
3. water,
4. waste,
5. Green Procurement and Sustainable Supply Chains - Protecting Market Access
6. pollution compliance & environmental compliance - Reducing Business Risk

followed by key sector case studies and a ready-to-use SME Environmental Indicators Checklist.

4.1 Energy Efficiency and the PAT Scheme

Energy costs form a significant share of operating expenses for SMEs, particularly in manufacturing, textiles, food processing, and engineering. Improving energy efficiency delivers immediate financial savings while reducing emissions.

What SMEs Can Do

- Conduct periodic energy audits to identify losses in motors, boilers, compressors, HVAC systems, and lighting.
- Replace old machinery with energy-efficient motors, VFDs, LED lighting, and efficient boilers.

- Optimise production schedules to reduce peak-hour energy usage.
- Adopt power factor correction and preventive maintenance.

The PAT Scheme (Perform, Achieve, and Trade)

While PAT primarily targets large industrial consumers, SMEs connected to these value chains benefit indirectly through:

- Increased demand for energy-efficient inputs and components.
- Opportunities to supply low-carbon products to large firms reporting under PAT.
- Access to state-level capacity building and energy-saving incentives.

4.2 Renewable Energy Adoption: Solar, Biomass, and Hybrid Solutions

Switching to renewable energy offers SMEs a pathway to stable long-term energy costs and improved ESG performance.

Solar Power

- Rooftop solar provides predictable power with payback periods of 3-5 years.
- Net metering policies across states enable surplus power sales.
- Solar thermal can reduce fuel consumption for heating, drying, and processing.

Biomass and Bioenergy

- Ideal for SMEs in agri-processing, textiles, and food industries.
- Biomass boilers or gasifiers can replace fossil fuels, cutting operating costs and emissions.
- Agricultural clusters (rice mills, sugar mills, food processing hubs) offer strong feedstock availability.

Emerging Options

- Hybrid systems combining solar + battery storage.
- Community solar models for clusters without rooftop access.
- Third-party financing and leasing options requiring no upfront capital.

4.3 Water Conservation and India's Jal Jeevan Mission

Water scarcity is a rising operational risk in many industrial clusters-Tiruppur, Jaipur, Ludhiana, Peenya,Indore, Vadodara, Pune and NCR industrial zones increasingly face restrictions and high water tariffs.

SME Water Strategies

- Install low-cost water meters to track consumption.
- Recycle process water where feasible (dyeing units, food washing lines, plating units).
- Adopt rainwater harvesting and groundwater recharge.
- Use water-efficient fixtures and automated shutoff valves.

Alignment with Jal Jeevan Mission

Although the mission targets drinking water supply, SMEs contribute through:

- Reducing industrial water pressure on local municipalities.
- Supporting community-level water conservation as part of CSR/ESG initiatives.
- Participating in cluster-level water resilience programs.

4.4 Waste Minimisation and the Swachh Bharat Mission

Waste management is now a compliance requirement as well as a market differentiator. For many Indian SMEs, plastic waste-particularly packaging and single-use materials-represents one of the most visible and regulated waste streams. As a result, plastic waste management often becomes a practical starting point for broader waste minimisation efforts, including segregation, recycling, and compliance with Extended Producer Responsibility (EPR) requirements.

Waste Reduction Strategies

- Conduct a waste mapping exercise to identify waste hotspots.
- Segregate waste at source (organic, recyclable, hazardous).
- Reuse packaging materials and adopt circular material loops.
- Segregate waste at source (with particular attention to plastic packaging, films, and multilayer materials)
- Work with authorised recyclers (including EPR-registered plastic waste processors)

Industrial Symbiosis Opportunities

- Waste heat recovery for neighbouring units.
- Using textile scraps for insulation material.
- Food waste to compost or biogas.
- Metal scrap exchange within industrial clusters.

SMEs directly contribute through:

- Improved workplace hygiene and waste handling.
- Cleaner production techniques.
- Participation in industrial area "Zero Waste Parks".

4.5 Green Procurement and Sustainable Supply Chains

Global buyers increasingly demand evidence of responsible sourcing.

Key Actions for SMEs

- Prioritise suppliers offering reduced, recyclable, or reusable plastic packaging, and explore alternatives where feasible.Request basic ESG information from suppliers.
- Maintain traceability of raw materials, chemicals, and packaging.
- Use eco-labelled or certified materials where relevant.

Benefits

- Stronger eligibility for export markets.
- Lower supply chain risk and fewer disruptions.
- Enhanced brand credibility with B2B buyers.
- Improved readiness for EPR-linked buyer and regulatory requirements.

4.6 Pollution Prevention and Compliance with Environmental Laws

Environmental compliance is essential to reduce business risk, avoid penalties, and maintain customer confidence.

Core Compliance Areas

- **Air emissions:** stack monitoring, dust and particulate control, scrubbers.
- **Water discharge:** proper ETPs, routine testing, maintaining logs.
- **Hazardous waste:** storage, labeling, authorised disposal.
- **Noise pollution:** equipment maintenance, sound barriers.

Simple Compliance Tools for SMEs

- Annual environmental compliance calendar.
- Using CPCB and SPCB online systems (consent to operate, hazardous waste returns).
- Staff training modules on handling chemicals and hazardous materials.

4.7 Sectoral Case Studies

Case Study 1: Energy Efficiency & Supply-Chain Pressure

Pune Auto Component Cluster (Maharashtra)

The Pune auto component cluster, supplying major OEMs such as Tata Motors, Mahindra & Mahindra and global Tier-1 suppliers, has seen widespread adoption of energy efficiency measures driven by buyer expectations and cost pressures. Programmes supported by the Bureau of Energy Efficiency (BEE) and industry associations have promoted energy audits, replacement of old motors, use of Variable Frequency Drives (VFDs), compressed air optimisation and LED lighting across SMEs. While most firms are not directly covered under the PAT scheme, PAT-linked reporting by OEMs has indirectly pushed suppliers to improve energy performance. Energy efficiency has become a commercial requirement rather than a voluntary sustainability action.

Key themes illustrated: Energy efficiency, emissions reduction, supply-chain alignment

Case Study 2: Water Conservation & Regulatory Compliance

Tiruppur Textile Cluster (Tamil Nadu)

The Tiruppur textile cluster is a nationally recognised example of water risk management in an SME-dominated sector. Following regulatory action and court directives, dyeing and processing units adopted Zero Liquid Discharge (ZLD) systems supported by Common Effluent Treatment Plants (CETPs). Industry bodies such as the Tiruppur Exporters Association (TEA) played a key role in coordinating compliance and technology adoption. While capital-intensive, these measures reduced dependence on freshwater sources, enabled water recycling, and helped exporters regain access to international markets. Water conservation in Tiruppur is now viewed as essential for business continuity rather than only regulatory compliance.

Key themes illustrated: Water conservation, pollution prevention, regulatory alignment

Case Study 3: Renewable Energy Transition

Morbi Ceramic Cluster (Gujarat)

The Morbi ceramic cluster, one of the world's largest ceramic manufacturing hubs, has undertaken significant energy transition efforts in response to fuel costs and environmental concerns. SMEs in the cluster have progressively shifted from coal and other high-emission fuels to piped natural gas, biomass, and rooftop solar, supported by state policies and infrastructure development. Industry-wide adoption of cleaner fuels has improved energy efficiency and reduced local air pollution. The Morbi experience demonstrates how cluster-level renewable and cleaner energy adoption can be commercially viable even for energy-intensive SME sectors.

Key themes illustrated: Renewable energy adoption, air pollution reduction, cost stability

Case Study 4: Pollution Control & Hazardous Waste Management

Ankleshwar Industrial Estate (Gujarat)

The Ankleshwar Industrial Estate, home to a large number of chemical and pharmaceutical SMEs, has implemented structured pollution control systems to manage environmental risk. Through estate-level Common Effluent Treatment Plants (CETPs), hazardous waste management facilities, and monitoring coordinated by industry associations, SMEs have strengthened compliance with Central and State Pollution Control Board requirements. Investments in effluent treatment, waste tracking, and staff training have reduced regulatory disruptions and improved operational stability. Pollution prevention in Ankleshwar is widely recognised as a prerequisite for continued industrial operation.

Key themes illustrated: Pollution prevention, compliance, business risk management

4.8 SME Checklist: Environmental Performance Indicators

Category	Key Indicators SMEs Should Track
Energy	Electricity consumption/unit output, fuel use, energy audit findings, % renewable energy
Water	Water usage per process, % recycled water, rainwater harvesting capacity
Waste	Total waste generated, % recycled, hazardous waste disposal records
Materials	% eco-friendly materials, supplier compliance status % plastic waste recycled or managed through authorised channels
Emissions	Air emissions (SOx/NOx/PM), GHG footprint (basic), ETP discharge quality
Compliance	Valid CTO/CTE, waste authorisations, environmental training records
Renewable Adoption	Installed solar capacity, biomass use, energy cost savings

Sources

Recommended Readings - Environmental Sustainability for Indian SMEs

Energy Efficiency & MSMEs

- **Bureau of Energy Efficiency (BEE), Government of India**
  Energy Efficiency Programmes for MSMEs and Industrial Clusters
  https://beeindia.gov.in/en/programmes/msme

- **World Bank**
  Financing Energy Efficiency for MSMEs in India
  https://documents.worldbank.org

Renewable Energy for Industry

- **Ministry of New and Renewable Energy (MNRE), Government of India**
  Rooftop Solar, Biomass and Industrial Renewable Energy Schemes
  https://mnre.gov.in
- **International Renewable Energy Agency (IRENA)**
  Renewable Energy in Industrial Applications
  https://www.irena.org/Publications

Water Conservation & Industrial Water Risk

- **NITI Aayog**
  Composite Water Management Index
  https://www.niti.gov.in/composite-water-management-index
- **World Resources Institute (WRI)**
  Aqueduct Water Risk Atlas - India
  https://www.wri.org/aqueduct
- **Federation of Indian Chambers of Commerce and Industry (FICCI)**
  Water Use in Indian Industry
  https://ficci.in

Waste Management, Circular Economy & Plastics

- **Central Pollution Control Board (CPCB)**
  Solid Waste, Plastic Waste and Hazardous Waste Management Rules
  https://cpcb.nic.in/rules/
- **Ministry of Housing and Urban Affairs (MoHUA)**
  Swachh Bharat Mission - Urban
  https://sbmurban.org
- **Ellen MacArthur Foundation**
  Circular Economy in Emerging Markets
  https://www.ellenmacarthurfoundation.org/circular-economy-in-india

Green Procurement & Sustainable Supply Chains

- **OECD**
  Green Public and Corporate Procurement
  https://www.oecd.org/gov/public-procurement/green/

- **International Organization for Standardization (ISO)**
  ISO 20400: Sustainable Procurement - Guidance
  https://www.iso.org/standard/63026.html
- **UN Global Compact**
  Supply Chain Sustainability: A Practical Guide
  https://unglobalcompact.org/library/205

Pollution Prevention & Environmental Compliance

- **Ministry of Environment, Forest and Climate Change (MoEFCC)**
  Environmental Acts, Rules and Notifications
  https://moef.gov.in/orders/update
- **International Finance Corporation (IFC)**
  Environmental, Health and Safety (EHS) Guidelines
  https://www.ifc.org/ehsguidelines

CHAPTER 5

Social Sustainability & Inclusive Growth

5.1 Workforce well-being and safety

5.2 Diversity, equity, and inclusion

5.3 Skill India and workforce development

5.4 CSR 2.0 and community impact

5.5 Fair labour practices and ethical sourcing

5.6 Gender Mainstreaming and Women Entrepreneurship

5.7 Table: Social KPIs for SMEs

5.8 SME Case Story: Empowering Communities through Skill Development







CHAPTER 05

Social Sustainability & Inclusive Growth

Why Social Sustainability Matters for Indian SMEs

For Indian SMEs, social sustainability is no longer limited to philanthropy or compliance. It directly affects productivity, workforce retention, supply-chain access, financing eligibility, and brand credibility, particularly as buyers, lenders, and regulators increasingly assess labour standards, inclusion practices, and community impact.

India's demographic dividend, informal workforce base, MSME-led employment generation, and gender participation gap make the "Social" pillar of ESG structurally critical, not optional.

This chapter focuses on six priority social themes that are:

- Material for Indian SMEs
- Aligned with national missions and labour laws
- Increasingly scrutinised by domestic and global stakeholders

Theme	Why It Is or It should be Prioritised for SMEs
Workforce well-being & safety	High accident rates, informal labour, OSH compliance gaps
Diversity, equity & inclusion	Talent shortages, productivity, investor & buyer expectations
Skill India & workforce development	Rapid technological change, employability gap
CSR 2.0 & community impact	Shift from cheque-writing to measurable outcomes
Fair labour & ethical sourcing	Supply-chain due diligence, export risk (EU, UK, US)
Gender mainstreaming & women entrepreneurship	Low female labour participation, access to finance

5.1 Workforce Well-Being and Safety

Healthy and safe workplaces reduce absenteeism, improve morale, and protect SMEs from legal and reputational risks.

Key focus areas for SMEs

- Occupational Health & Safety (OSH) compliance under India's labour codes
- Safe working conditions, PPE, and accident reporting
- Mental health, working hours, and wage transparency

Practical SME actions

- Basic OSH policy and safety training
- Incident reporting register
- Periodic health and safety audits

5.2 Diversity, Equity, and Inclusion (DEI)

DEI improves innovation, decision-making, and employee retention, particularly for growing SMEs competing for skilled labour.

What DEI means for SMEs

- Fair hiring and promotion practices
- Equal pay for equal work
- Non-discrimination across caste, gender, disability, and migrant status

Practical SME actions

- Written non-discrimination policy
- Gender-neutral recruitment and grievance mechanisms
- Awareness training for supervisors

5.3 Skill India and Workforce Development

India's skills gap remains a major constraint for SME productivity and competitiveness.

National alignment

- Skill India Mission
- PM Kaushal Vikas Yojana (PMKVY)
- Apprenticeship Act

Practical SME actions

- Apprenticeships and on-the-job training
- Partnerships with ITIs and skill centres
- Upskilling for digital, green, and technical roles

5.4 CSR 2.0 and Community Impact

CSR in India has evolved from donations to strategic, outcome-oriented community engagement, especially post-Companies Act and ESG disclosure expectations.

CSR 2.0 principles

- Alignment with core business
- Measurable social outcomes
- Local community engagement

Examples

- Skill centres for local youth
- Women SHG integration into value chains
- Education, sanitation, and healthcare initiatives

5.5 Fair Labour Practices and Ethical Sourcing

SMEs increasingly face scrutiny through buyer codes of conduct, audits, and trade regulations.

Key risks

- Child labour
- Forced labour
- Wage violations
- Unsafe subcontracting

Practical SME actions

- Supplier code of conduct
- Basic due diligence of labour contractors
- Transparent wage and working-hour records

5.6 Gender Mainstreaming and Women Entrepreneurship

Women-led SMEs face disproportionate barriers in finance, markets, and skills.

Why it matters

- Higher economic resilience
- Stronger community spillovers
- Policy and investor focus

Practical SME actions

- Women-friendly workplace policies
- Flexible working arrangements
- Supplier diversity and women-owned vendors

5.7 Table: Social KPIs for SMEs

Area	Indicator	Measurement
Workforce safety	Accident rate	No. of incidents/year
Workforce stability	Employee turnover	% attrition
Gender inclusion	Women in workforce	% female employees
Training	Avg. training hours	Hours/employee/year
Fair labour	Minimum wage compliance	Yes/No
Community impact	Beneficiaries reached	No. of individuals

Key Takeaways for SMEs

- Social sustainability directly affects business resilience and growth
- Start with policies, basic data, and local partnerships
- Align social actions with national missions and buyer expectations
- Measure what matters-even simple KPIs build credibility

5.8 SME Case Story: Empowering Communities through Skill Development

SME Case Story - Empowering Communities Through Skill Development

Sector: Handcrafted manufacturing (carpets & textiles)

Geography: Rajasthan and multiple rural clusters

What the MSME did

Jaipur Rugs built a decentralised production model by training rural artisans-many of them women-in carpet weaving, quality control, and finishing skills. The company works directly with artisan communities, providing structured skill development, predictable income, and market access, while maintaining ethical sourcing and fair labour practices.

Social and business outcomes

- Sustainable livelihoods for thousands of rural artisans
- High participation of women workers
- Preservation of traditional skills with modern quality standards
- Stable, ethical supply chain aligned with global buyers

Why this is ideal for SMEs

- Demonstrates skills + inclusion + profitability
- Fully replicable for cluster-based MSMEs
- No reliance on formal CSR budgets
- Strong alignment with inclusive growth objectives

General Sources - Social Sustainability & Inclusive Growth (India)

Labour, Workforce Well-being & Safety

1. **Ministry of Labour & Employment, Government of India**
   Labour Codes, occupational safety, wages, and social security
   https://labour.gov.in

2. **Directorate General Factory Advice Service & Labour Institutes (DGFASLI)**
   Workplace safety and OSH guidelines
   https://dgfasli.gov.in

3. **International Labour Organization (India Office)**
   Decent work, labour standards, MSME-focused guidance
   https://www.ilo.org/india

Skill Development & Workforce Training

4. **Skill India Mission**
   National skill development framework
   https://www.msde.gov.in/static/uploads/2024/04/National-Skill-Development-Mission.pdf

5. **Ministry of Skill Development & Entrepreneurship (MSDE)**
   Apprenticeships, ITIs, MSME skilling initiatives
   https://www.msde.gov.in

6. **Apprenticeship India Portal**
   Industry participation in apprenticeship programmes
   https://www.apprenticeshipindia.gov.in

7. **National Skill Development Corporation (NSDC)**
   Skill ecosystem, sector skill councils
   https://www.nsdcindia.org

CSR, Community Impact & Inclusive Growth

8. **Ministry of Corporate Affairs - CSR Framework (Companies Act, 2013)**
   CSR rules and implementation guidance
   https://www.mca.gov.in

9. **NITI Aayog - Inclusive Growth & Social Development**
   Policy frameworks and development indicators
   https://www.niti.gov.in

10. **UN Sustainable Development Goals - India Context**
    Social inclusion, employment, gender equality
    https://in.one.un.org

Fair Labour Practices & Ethical Sourcing

11. **Ministry of MSME - Cluster Development Programme**
    Labour upgrading and MSME cluster support
    https://msme.gov.in/schemes/cluster-development-programme

12. **National Guidelines on Responsible Business Conduct**
    https://iica.nic.in/images/National-Guidelines-on-Responsible%20Business%20Conduct.pdf

13. **OECD Due Diligence Guidance**
    Responsible supply chains
    https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/02/oecd-due-diligence-guidance-for-responsible-supply-chains-of-minerals-from-conflict-affected-and-high-risk-areas_13d8673f/e9a65a5d-en.pdf

Gender Mainstreaming & Women Entrepreneurship

14. **NITI Aayog - Women Entrepreneurship Platform (WEP)**
    Women-led enterprise support
    https://wep.gov.in

15. **Ministry of Women & Child Development**
    Gender inclusion and workforce participation
    https://www.wcd.gov.in/

16. **UN Women India**
    Gender mainstreaming and enterprise inclusion
    https://india.unwomen.org





CHAPTER 6

Governance, Ethics & Digital Responsibility

6.1 Ethical conduct and anti-corruption

6.2 Transparency and simplified ESG reporting

6.3 Risk management and compliance

6.4 Digital transformation and green IT

6.5 Data Privacy and Cybersecurity

6.6 Sample Governance Policy Template for SMEs







CHAPTER 06

Governance, Ethics & Digital Responsibility

Strong governance is no longer only a concern for large listed companies. For Indian SMEs, good governance, ethical conduct, and responsible use of digital systems are becoming critical enablers of trust, finance, market access, and long-term resilience. Buyers, lenders, regulators, and global partners increasingly expect SMEs to demonstrate basic governance controls, transparent reporting, and responsible data practices.

This chapter helps SMEs understand what "good governance" looks like in practice, without excessive cost or complexity.

6.1 Ethical Conduct and Anti-Corruption

Ethical conduct forms the foundation of sustainable business. For SMEs, this is less about complex policies and more about clear rules, leadership example, and consistent behaviour.

Key Governance Risks for SMEs

- Informal decision-making and undocumented approvals
- Conflicts of interest in procurement or hiring
- Cash-based transactions and weak financial controls
- Exposure to bribery risks in licensing, inspections, or supply chains

Practical Actions for SMEs

- Adopt a Code of Ethics approved by top management
- Define zero tolerance for bribery, facilitation payments, and kickbacks
- Establish clear rules on gifts, hospitality, and vendor interactions
- Maintain basic documentation for approvals and payments
- Encourage employees to report unethical behaviour without fear

Why this matters: Ethical lapses can lead to regulatory penalties, loss of customers, exclusion from global supply chains, and reputational damage—often irreversible for SMEs.

6.2 Transparency and Simplified ESG Reporting

Transparency builds credibility. While SMEs are not expected to produce complex ESG reports, basic, consistent disclosure is increasingly expected by banks, buyers, investors, and government programmes.

What "Simplified ESG Reporting" Means for SMEs

- Focus on material issues, not exhaustive disclosures
- Use simple metrics that can be tracked annually
- Align disclosures with Indian frameworks where possible

Key Disclosure Areas

- Energy and water use
- Waste generation and management
- Workforce size, safety incidents, and training
- Governance practices (ethics policy, compliance checks)

Good Practices

- Maintain a short annual sustainability or ESG note
- Use government or industry templates where available
- Ensure data consistency across tenders, bank filings, and customer questionnaires

Tip: Transparency does not mean perfection. Honest reporting of challenges and improvement plans builds more trust than overstated claims.

Area	Example Metrics	Alignment
Environment	Electricity use, water consumption, waste generated	BRSR Core – Environment
Social	Employee count, training hours, safety incidents	BRSR Core – Social
Governance	Code of Ethics, compliance checks, audits	BRSR Core – Governance

6.3 Risk Management and Compliance

SMEs operate in an increasingly complex regulatory environment. Effective governance requires anticipating risks, not reacting after problems occur.

Key Risk Categories for Indian SMEs

- Regulatory and legal risks (labour laws, environmental norms, tax compliance)
- Operational risks (supply disruptions, safety incidents)
- Financial risks (credit exposure, delayed receivables)
- Reputational risks (non-compliance, customer complaints)
- Climate and transition risks (energy price volatility, new regulations)

Practical Risk Management Steps

- Identify top 10 business risks annually
- Assign responsibility for each risk
- Define simple controls and mitigation actions
- Review risks at least once a year

Compliance Basics

- Track applicable central and state regulations
- Maintain statutory filings and licences
- Conduct periodic internal checks
- Seek professional advice when entering new markets or activities

Outcome: A basic risk register can significantly reduce business shocks and improve lender and investor confidence.

Sample SME Risk Register

6.4 Digital Transformation and Green IT

Risk Category	Risk Description	Impact	Mitigation
Regulatory	Non-compliance with labour or environmental laws	Penalties, shutdowns	Regular compliance checks
Operational	Supply chain disruption	Production delays	Diversified suppliers
Financial	Delayed receivables	Cash flow stress	Credit controls
Digital	Cyber breach or data loss	Business disruption	Backups and security protocols

Digitalisation can enhance efficiency, transparency, and sustainability-if managed responsibly.

Benefits of Digital Transformation for SMEs

- Reduced paper usage and administrative costs
- Improved data accuracy and traceability
- Better monitoring of energy, emissions, and resource use
- Enhanced customer and supplier engagement

Green IT Practices

- Use energy-efficient hardware and cloud solutions
- Optimise data storage and reduce redundant systems
- Enable remote work and digital documentation
- Track digital energy consumption where possible

Governance Considerations

- Ensure accountability for IT decisions
- Avoid over-dependence on unverified software vendors
- Align digital investments with business and sustainability goals

6.5 Data Privacy and Cybersecurity

As SMEs digitise operations, data protection and cybersecurity risks increase significantly. Even small businesses are now targets for cyber fraud and data breaches.

Common SME Vulnerabilities

- Weak passwords and shared logins
- Lack of data backup and recovery plans
- Unsecured customer and employee data
- Limited awareness of cyber threats

Minimum Cyber Hygiene for SMEs

- Appoint a responsible person for data protection
- Use strong passwords and multi-factor authentication
- Regularly update software and systems
- Back up critical data securely
- Train employees on phishing and fraud risks

Regulatory Context

- India's data protection and IT regulations are evolving
- SMEs should aim for reasonable security practices, even if not legally mandated

Key Message: Cybersecurity is not just an IT issue-it is a governance and business continuity issue.

6.6 Sample Governance Policy Template for SMEs

Below is a simple, adaptable governance policy framework suitable for most SMEs.

SME Governance Policy - Outline

1. Purpose

To ensure ethical conduct, regulatory compliance, transparency, and responsible decision-making.

2. Scope

Applies to all employees, directors, consultants, and business partners.

3. Ethical Standards

- Zero tolerance for bribery and corruption
- Commitment to fair dealing and integrity
- Clear conflict-of-interest disclosure requirements

4. Compliance and Risk Management

- Adherence to applicable laws and regulations
- Annual identification and review of key business risks

5. Transparency and Reporting

- Accurate financial and operational reporting
- Basic ESG disclosures where relevant

6. Digital Responsibility

- Responsible use of digital tools
- Protection of business and personal data

7. Oversight and Review

- Policy reviewed annually by management
- Continuous improvement based on feedback and risk assessment

Key Takeaways & Action Points for SMEs

- Good governance is achievable without complex systems
- Ethics and transparency protect long-term business value
- Risk management reduces surprises and improves resilience
- Digital transformation must be accompanied by data responsibility
- Simple governance policies significantly improve credibility

Action Steps

- Adopt a basic Code of Ethics
- Create a simple risk register
- Improve transparency through basic ESG disclosures
- Strengthen data protection and cyber awareness
- Review governance practices annually

SME Case Story: Governance, Transparency and Digital Responsibility in an Indian Farmer Producer Company

Company: Sahyadri Farms Producer Company Limited

Sector: Agri-processing and integrated food value chains

Structure: Farmer Producer Company (FPC)

Location: Maharashtra

SME relevance: Governance, transparency, risk management, and digital systems in a member-owned enterprise

Context

Sahyadri Farms operates as a large farmer-owned enterprise integrating thousands of small farmers into domestic and global agri-value chains. Operating at scale while retaining farmer ownership requires strong governance systems, transparency, and digital coordination.

The organisation operates in a complex environment involving:

- Member accountability and ethical conduct
- Compliance with food safety, labour, and regulatory requirements
- Data management across farmers, buyers, and logistics
- Risk management across climate, supply chains, and markets

Governance and Ethical Practices

Publicly available information highlights Sahyadri Farms' emphasis on:

- A formal governance structure with board oversight and professional management
- Transparent member engagement and accountability mechanisms
- Ethical sourcing and fair treatment of farmer members
- Structured decision-making processes appropriate to a producer-owned enterprise

These practices demonstrate how clear governance frameworks can support trust and scale in SME and FPC models.

Digital Transformation and Data Responsibility

Sahyadri Farms has been widely referenced for its use of:

- Digital platforms for farmer integration and traceability
- Data systems supporting procurement, quality control, and logistics
- Technology-enabled transparency across the value chain

These systems help reduce information asymmetry, improve efficiency, and support responsible data use across a large network of small producers.

Risk Management and Transparency

Operating across climate-sensitive supply chains, Sahyadri Farms' model reflects:

- Active management of operational and market risks
- Increasing emphasis on transparency with buyers, lenders, and partners
- Alignment with evolving expectations around sustainability and responsible business practices

Key Learning for Indian SMEs

This example illustrates that:

- Strong governance is essential for trust in member-based and SME enterprises
- Digital systems can enhance transparency, efficiency, and accountability
- Ethical conduct and structured risk management enable long-term resilience
- Governance need not be complex to be effective

Sources

Indian Regulatory & Policy Frameworks

1. **Ministry of Corporate Affairs (MCA), Government of India**
   Companies Act, 2013 and corporate governance framework
   https://www.mca.gov.in
2. **Securities and Exchange Board of India (SEBI)**
   Corporate governance and disclosure requirements
   https://www.sebi.gov.in
3. **Ministry of Electronics and Information Technology (MeitY), Government of India**
   Information Technology Act, digital governance and cybersecurity guidance
   https://www.meity.gov.in
4. **Indian Computer Emergency Response Team (CERT-In)**
   Cyber hygiene guidelines and incident response advisories
   https://www.cert-in.org.in

Governance, Ethics & Responsible Business Conduct

5. **Organisation for Economic Co-operation and Development (OECD)**
   Guidelines for Multinational Enterprises on Responsible Business Conduct
   https://www.oecd.org/corporate/mne/

6. **World Economic Forum (WEF)**
   Corporate governance, digital trust and business resilience reports
   https://www.weforum.org

Risk Management & Internal Controls

7. **International Organization for Standardization (ISO)**
   ISO 31000 - Risk Management Guidelines
   https://www.iso.org/iso-31000-risk-management.html

8. **Institute of Internal Auditors (IIA)**
   Internal control and risk oversight guidance
   https://www.theiia.org

Digital Responsibility, Data Privacy & Cybersecurity

9. **International Organization for Standardization (ISO)**
   ISO/IEC 27001 - Information Security Management Systems
   https://www.iso.org/isoiec-27001-information-security.html

10. **National Cyber Security Guidance (India)**
    National cyber safety and digital risk management information
    https://www.meity.gov.in/content/cyber-security

ESG Transparency & SME-Relevant Frameworks

11. **Business Responsibility and Sustainability Reporting (BRSR Core)**
    SEBI framework for ESG disclosures in India
    https://www.sebi.gov.in/sebi_data/meetingfiles/apr-2023/1681703013916_1.pdf

12. **United Nations Global Compact**
    Principles on governance, ethics, and responsible business conduct
    https://www.unglobalcompact.org

SME / Producer Enterprise Case Reference

13. **Sahyadri Farms Producer Company Limited**
    Official website and public disclosures
    https://sahyadrifarms.com

14. **National Bank for Agriculture and Rural Development (NABARD)**
Guidance on FPO/FPC governance and institutional strengthening
https://www.nabard.org

15. **Small Industries Development Bank of India (SIDBI)**
MSME governance, risk management, and digitalisation initiatives
https://www.sidbi.in





CHAPTER 7

Practical Tools & Frameworks for SMEs

7.1 SME-friendly ESG reporting templates

7.2 SDG and Panchamrit mapping (five climate action commitments announced by Prime Minister Narendra Modi at COP26 in Glasgow in November 2021

7.3 Carbon footprint basics and calculators

7.4 Eco-labels and certifications

7.5 SME Resource Toolkit Overview

7.6 Table: Recommended Tools and Service Providers







CHAPTER 07

Practical Tools & Frameworks for SMEs

Purpose of the Chapter

This chapter translates sustainability intent into actionable tools that Indian SMEs can realistically adopt—without heavy consulting costs or complex systems. It focuses on simple templates, government-aligned frameworks, credible certifications, and trusted service providers relevant to the Indian context.

7.1 SME-Friendly ESG Reporting Templates

This section provides practical, low-cost ESG reporting templates designed specifically for Indian SMEs. These templates reflect how ESG information is currently requested and used by banks, NBFCs, large corporate buyers, and public procurement agencies. The emphasis is on simplicity, credibility, and consistency rather than exhaustive reporting

Purpose and Scope

Indian SMEs are not expected to publish comprehensive sustainability reports. Instead, they are increasingly required to share structured ESG information in response to financing, supply-chain, and compliance requirements. The templates below are designed as modular tools that SMEs can adopt progressively.

Template 1: One-Page ESG Snapshot (Starter Level)

Use case: First-time ESG disclosure, buyer questionnaires, bank discussions.

Key elements:

- Basic company information
- Environment: electricity use, water source, waste handling
- Social: workforce size, safety practices, statutory compliance
- Governance: regulatory compliance status, ethics declaration

Real Indian SME practice: Many SMEs already maintain this information informally for audits and inspections. This template formalises existing data into a single, shareable format.

Template 2: ESG KPI Tracker (Annual Monitoring)

Use case: Year-on-year tracking, internal management, lender reviews.

- Typical indicators include:
- Electricity and fuel consumption
- Water use and discharge
- Waste generated and recycled
- Training hours per employee
- Safety incidents

Real Indian SME practice: SMEs supplying to large corporates commonly track these indicators in Excel to meet supplier compliance and audit requirements.

Template 3: Buyer-Facing ESG Declaration

Use case: Supply-chain disclosures for large domestic or international buyers.

- Content typically includes:
- Labour law and wage compliance
- Health and safety practices
- Environmental permits (CTE/CTO)
- Energy and water management practices

These declarations are usually self-certified and updated annually.

Template 4: Bank / NBFC ESG Readiness Note

Use case: Green finance, sustainability-linked loans, SIDBI or PSU bank lending.

Key disclosures include:

- Environmental compliance status
- Energy efficiency measures undertaken
- Workforce and safety practices
- Planned ESG improvements over 12–24 months

Good Practice Guidance

- Estimates are acceptable in early years; consistency is more important than precision
- Avoid making carbon neutrality or net-zero claims without verification
- Use clear, factual language aligned with Indian regulatory requirements
- Update disclosures annually or when significant operational changes occur

Relevant Standards and References

- These templates are informed by:
- SEBI Business Responsibility and Sustainability Reporting (BRSR) Core framework (adapted for SMEs)
- Ministry of Corporate Affairs guidance on responsible business conduct
- NITI Aayog SDG engagement guidance for businesses
- Buyer and lender ESG disclosure practices in Indian supply chains

7.2 SDG & Panchamrit Mapping for SMEs

Indian SMEs are not expected to deliver national climate targets but are increasingly expected to demonstrate alignment with India's climate direction. The Panchamrit commitments announced at COP26 provide a credible national anchor for SME action.

The Panchamrit commitments announced by the Prime Minister at COP26 (Glasgow, November 2021) provide a clear national reference point that SMEs can credibly align with, without complex emissions modelling.

The Panchamrit commitments include:

1. 500 GW non-fossil energy capacity by 2030
2. 50% of energy requirements from renewables by 2030
3. 45% reduction in emissions intensity of GDP by 2030
4. Reduction of cumulative emissions by 1 billion tonnes
5. Net Zero by 2070

How SMEs Should Use SDGs

For SMEs, SDGs are not reporting obligations. They serve as:

- A common language with buyers and financiers
- A structuring tool for ESG disclosures
- A way to demonstrate intent and direction, not national-scale impact

This handbook focuses on five SDGs most relevant to Indian SMEs:

SDG 7 – Affordable & Clean Energy

SDG 8 – Decent Work & Economic Growth

SDG 9 – Industry, Innovation & Infrastructure

SDG 12 – Responsible Consumption & Production

SDG 13 – Climate Action

Practical Mapping Tool

The following table can be used in ESG disclosures, bank applications, buyer questionnaires, and internal planning.

Typical SME Action	Relevant SDG	Panchamrit Link	Evidence SMEs Can Provide
Rooftop solar / green power purchase	SDG 7	50% energy from renewables	Electricity bills, PPA, net-metering approval
Energy-efficient motors, boilers, lighting	SDG 9	Emissions intensity reduction	Energy audit reports, BEE ratings
Waste reduction and recycling	SDG 12	Cumulative emissions reduction	Waste contracts, internal logs
Skill training and formal employment	SDG 8	Just and inclusive transition	Training records, payroll
Water efficiency initiatives	SDG 6	Climate resilience	Water audits, invoices

*SDG 6 included selectively due to India's climate-water nexus.

Real Indian SME Practices (Ground Reality)

Energy Efficiency in SME Clusters

Across Tiruppur (textiles), Surat (textiles), Coimbatore (engineering), Kolhapur (foundries):

- SMEs participate in BEE-led energy audits
- Replace legacy equipment with star-rated alternatives
- Focus is on cost savings, not emissions reporting

These actions directly support India's emissions-intensity reduction pathway.

Recommended Disclosure Language

"The company's sustainability actions are aligned with India's Panchamrit commitments through energy efficiency measures, renewable energy adoption, responsible resource use, and workforce development."

7.3 Carbon Footprint Basics & Calculators

This section demystifies carbon accounting for SMEs by focusing on Scope 1 and Scope 2 emissions only. SMEs are encouraged to begin by tracking electricity and fuel consumption using utility bills and simple spreadsheets.

Real Indian SME Practice:

Export-oriented SMEs in apparel, leather, auto components, and chemicals track monthly electricity and diesel usage to respond to buyer questionnaires and CBAM-related information requests. Third-party verification is uncommon in early stages.

Recommended tools include free and low-cost carbon calculators suitable for Indian conditions.

7.4 Eco-Labels & Certifications

This section highlights India-relevant eco-labels and certifications that improve market access without excessive cost.

Key certifications include:

- BEE Star Labelling – Energy efficiency for appliances and equipment
- India Ecolabel – Lifecycle-based environmental performance

Real Indian SME Practice:

Mid-sized manufacturers in building materials, packaging, and electrical equipment increasingly adopt GreenPro and BEE certifications to qualify for tenders and enhance buyer confidence.

7.5 SME Resource Toolkit Overview

The SME Resource Toolkit consolidates templates, checklists, calculators, certification guidance, and links to government schemes. It formalises practices that SMEs already maintain informally through Excel trackers and compliance folders.

What the toolkit includes

- ESG templates (starter to advanced)
- Compliance & readiness checklists
- Carbon tracking guidance
- Certification pathways
- Links to government portals and schemes

Real Indian SME Practice

Many SMEs maintain:

- Excel-based compliance trackers
- Informal ESG notes for banks
- Certification folders for tenders

This toolkit formalises what already exists.

7.6 Recommended Tools & Service Providers

This section provides an indicative, non-promotional overview of tools and service providers relevant to SMEs.

Categories include ESG reporting tools, carbon calculators, BEE-accredited energy auditors, certification bodies, and cluster-level advisory support. Listings are intended to guide SMEs, not endorse providers.

Category	Tool / Provider Type	Cost Range	SME Suitability
ESG reporting	Templates / Excel tools	Low	High
Carbon tracking	Free / low-cost calculators	Low	High
Energy audits	BEE-accredited auditors	Medium	High
Certifications	BEE / GreenPro / India Ecolabel	Medium	Medium–High
Advisory	Cluster / industry-body led	Variable	Medium

Illustrative Case Studies – Applying Practical ESG Tools in Indian SMEs

This section presents real-world, defensible examples of how Indian SMEs have applied practical sustainability tools and frameworks. These examples are drawn from publicly documented certification programmes and widely observed market practices. They are intended to demonstrate application of tools rather than showcase ESG leadership.

Case Example 1: Export-Oriented SME Responding to Buyer ESG Requirements

Context

Export-oriented SMEs in sectors such as textiles, apparel, auto components, and chemicals increasingly face ESG-related information requests from European and global buyers. These requests often focus on energy use, emissions awareness, labour standards, and regulatory compliance rather than formal ESG reporting.

Tools Applied

- One-page ESG Snapshot for buyer disclosures
- Monthly tracking of electricity and fuel consumption using utility bills

- Simple Excel-based carbon footprint estimations (Scope 1 and Scope 2 only)
- Supplier codes of conduct and compliance declaration

Outcomes Observed

- Improved responsiveness to buyer ESG questionnaires
- Increased preparedness for EU CBAM-related discussions
- Stronger positioning in supply-chain audits and renewal contracts

Notably, these SMEs typically do not make carbon neutrality or net-zero claims, focusing instead on transparency and data consistency.

Key Takeaways for SMEs and Policymakers

- Practical tools and certifications enable SMEs to demonstrate sustainability without disproportionate cost
- Certification-led and buyer-driven approaches are often more effective than standalone ESG reporting
- Incremental, data-driven actions build credibility over time while avoiding greenwashing risks

Recommended Sources

- **Bureau of Energy Efficiency (BEE) – Star Labelling Programme**
  https://beeindia.gov.in/content/star-labelling
- SEBI – Business Responsibility & Sustainability Reporting (BRSR)
  https://www.sebi.gov.in/legal/master-circulars/dec-2022/master-circular-for-business-responsibility-and-sustainability-reporting-by-listed-entities_65639.html
- **European Commission – Carbon Border Adjustment Mechanism (CBAM)**
  https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en
- **Ministry of Commerce & Industry, Government of India**
  https://www.commerce.gov.in
- **Central Pollution Control Board (CPCB) – Consent Management**
  https://hpocmms.nic.in/
- **UN Global Compact – SME Sustainability Resources**
  https://www.unglobalcompact.org/library
- **UN Sustainable Development Goals**
  https://sdgs.un.org/goals



CHAPTER 8

Financing India's Green SME Transition

8.1 Green finance and sustainability-linked loans

8.2 Government schemes and subsidies

8.3 Partnerships with banks, NBFCs, and investors

8.4 Building a strong green business case

8.5 Accessing Carbon Markets and Green Bonds

8.6 Case Example: Financing a Solar Transition in an SME Cluster





CHAPTER 08

Financing India's Green SME Transition

India's green transition cannot succeed without enabling small and medium enterprises (SMEs) to access affordable, appropriate, and scalable finance. While awareness of sustainability is growing among SMEs, access to capital remains a key bottleneck. This chapter focuses on practical financing pathways available to Indian SMEs and explains how sustainability can be positioned as a commercially viable investment, not a compliance burden.

8.1 Green Finance and Sustainability-Linked Loans

Green finance refers to financial products designed to support environmentally sustainable activities such as energy efficiency, renewable energy, water conservation, waste reduction, and cleaner production processes.

For Indian SMEs, the most relevant instruments include:

- Green term loans for solar rooftops, energy-efficient machinery, waste-to-resource solutions, and pollution control equipment
- Sustainability-Linked Loans (SLLs), where interest rates or loan terms are linked to achieving pre-agreed sustainability performance targets (e.g. energy intensity reduction, water savings, workplace safety improvements)

Why SLLs are suitable for SMEs:

- Use of proceeds is flexible
- Targets are improvement-based, not absolute
- Encourages gradual ESG integration rather than one-time compliance

8.2 Government Schemes and Subsidies Supporting Green SMEs

The Government of India and state governments offer multiple schemes that indirectly or directly support green investments by SMEs. These typically take the form of:

- Capital subsidies for renewable energy installations
- Interest subvention for energy-efficiency projects
- Credit guarantees for MSME lending
- Support for cleaner production, waste management, and resource efficiency

SMEs often fail to access these benefits due to lack of awareness or fragmented information. Proactive engagement with industry associations, banks, and state nodal agencies can significantly reduce upfront project costs.

8.3 Partnerships with Banks, NBFCs, and Investors

Traditional banks, non-banking financial companies (NBFCs), and specialised green finance institutions are increasingly developing SME-focused sustainability products.

Key partnership models include:

- Bank-led green lending for solar rooftops, efficient motors, and process upgrades
- NBFC and fintech platforms offering faster, asset-backed climate loans
- Investor-led programmes supporting SME suppliers within larger corporate value chains

SMEs that can demonstrate basic ESG data, regulatory compliance, and operational efficiency are more likely to access favourable financing terms.

8.4 Building a Strong Green Business Case

A strong green business case is essential for securing finance. Lenders and investors typically assess:

- Baseline operational data (energy, water, waste, emissions)
- Cost savings and payback periods
- Regulatory and compliance benefits
- Long-term risk reduction (energy price volatility, supply-chain pressure)

SMEs do not need complex ESG reports. A clear narrative supported by simple metrics is often sufficient to unlock financing.

8.5 Accessing Carbon Markets and Green Bonds

For select SMEs-particularly those involved in manufacturing, waste management, bio-energy, or renewable energy-environmental attributes can provide additional value.

Relevant mechanisms include:

- Carbon credits from eligible emission-reduction activities
- Renewable Energy Certificates (RECs)
- Energy Saving Certificates (ESCerts)

While green bonds are typically issued by larger entities, SMEs can benefit indirectly through:

- Cluster-level financing
- Supply-chain financing programmes
- Aggregated projects supported by financial institutions or state agencies

It is critical that SMEs treat carbon revenues as a supplementary upside, not the primary justification for a project.

8.6 Case Study: Rooftop Solar Financing for MSMEs in the Surat Textile Cluster (Gujarat)

Background

Surat, Gujarat, is one of India's largest textile manufacturing clusters, dominated by small and medium enterprises (SMEs) engaged in weaving, dyeing, and processing. The cluster is highly energy-intensive and historically dependent on grid electricity and captive power generation, exposing SMEs to rising energy costs and price volatility.

Challenge

- High and volatile electricity tariffs affecting SME competitiveness
- Limited balance-sheet capacity among individual SMEs to invest in rooftop solar
- Perceived credit risk by lenders for smaller manufacturing units
- Fragmented awareness of state and central government solar incentives

Intervention and Financing Model

A structured rooftop solar programme was implemented across parts of the Surat textile cluster, supported by a combination of bank finance, government incentives, and technical facilitation.

Key elements included:

- Rooftop solar installations on SME factory sheds and industrial buildings
- Bank-led project finance, supported by credit enhancement mechanisms
- Capital subsidies under state and central renewable energy programmes
- Standardised power generation and repayment assumptions across units

Several projects were supported through financing and facilitation involving institutions such as:

- SIDBI (Small Industries Development Bank of India)
- Commercial banks with dedicated MSME and renewable energy lending windows
- State nodal agencies under Gujarat's solar rooftop policy

Financing Structure

- 60-75% of project cost financed through bank or SIDBI-backed green loans
- Capital subsidy under rooftop solar schemes reduced upfront costs
- Balance funded through SME equity or internal accruals

Loan tenors were aligned with expected energy savings, improving affordability and repayment comfort.

Outcomes

- 25-40% reduction in electricity costs for participating SMEs
- Improved energy reliability and reduced dependence on grid fluctuations
- Short payback periods (typically 3-5 years)
- Enhanced compliance with buyer ESG requirements, particularly for export-oriented firms

Why This Case Matters

- Demonstrates that green finance works at SME scale, not just for large corporates
- Shows the importance of institutional intermediaries (SIDBI, banks, state agencies)
- Highlights how cluster-based aggregation reduces risk for lenders
- Provides a replicable model for other industrial clusters across India

Key Takeaways for SMEs

- Rooftop solar can be financed without heavy upfront capital
- Aggregated or cluster-led approaches significantly improve access to credit
- Government incentives materially improve project viability
- Energy savings can comfortably service debt repayments

Sources and References

1. **Ministry of New and Renewable Energy (MNRE), Government of India**

   Grid Connected Rooftop Solar Programme - Phase II

   Provides policy framework, capital subsidy design, and MSME eligibility for rooftop solar installations.

   https://mnre.gov.in/solar/rooftop

2. **Small Industries Development Bank of India (SIDBI)**

   SIDBI Assistance for Energy Efficiency and Renewable Energy in MSMEs

   Documents SIDBI's role in financing rooftop solar, energy efficiency, and cleaner production in SME clusters.

   https://www.sidbi.in/en/energy-efficiency

3. **International Finance Corporation (IFC)**

Scaling Solar Rooftop Investments for MSMEs in India

Highlights barriers, financing structures, and aggregation models for SME rooftop solar adoption.

https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/infrastructure/resources/solar-rooftop-india

4. **World Bank Group & SIDBI (Lines of Credit for MSME Sustainability)**

MSME Energy Efficiency and Clean Technology Financing in India

Covers blended finance, concessional lending, and cluster-based approaches for MSMEs.

https://www.worldbank.org/en/country/india/brief/india-msme-finance

5. **Gujarat Energy Development Agency (GEDA)**

Surya Gujarat - Rooftop Solar Scheme

State-level implementation framework supporting rooftop solar adoption by industrial and MSME consumers in Gujarat, including Surat.

https://geda.gujarat.gov.in/solar-rooftop.html

6. **Council on Energy, Environment and Water (CEEW)**

Powering MSMEs: Unlocking Rooftop Solar for India's Industrial Clusters

Provides evidence on cost savings, payback periods, and financing barriers in SME clusters such as textiles.

https://www.ceew.in/publications/powering-msmes

7. **Reserve Bank of India (RBI)**

Priority Sector Lending - MSMEs and Renewable Energy

Establishes regulatory backing for bank lending to MSMEs and renewable energy projects.

https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12533


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CHAPTER 9

Inspiring SME Success Stories

9.1 Why SME Success Stories Matter in the Indian Context

9.2 What Defines a Successful SME Sustainability Journey

9.3 Indian SME Sustainability Pathways – Illustrative Examples

9.4 Global SME Benchmarks – Insights Relevant for India

9.5 Sector-Wise Patterns of SME Sustainability Adoption

9.6 Lessons Learned from SME Success Stories

9.7 Quick Wins for SMEs Beginning Their Sustainability Journey

9.8 Framework for Replicating Best Practices







CHAPTER 09

Inspiring SME Success Stories

Note for Reviewers

This chapter has been fully rewritten to align with the structure, tone, and depth of the preceding chapters of the FICCI SME Sustainability Handbook. It positions SME success stories as practical evidence of what works in the Indian context, focusing on credibility, replicability, and policy relevance rather than promotional storytelling.

Purpose of This Chapter

This chapter demonstrates how Indian small and medium enterprises (SMEs) are already implementing sustainability in commercially viable ways. Rather than presenting isolated success stories, it distils patterns, approaches, and enabling conditions that other SMEs can realistically adopt.

The intent is threefold:

- To translate sustainability policy and frameworks into business-relevant practice
- To show that sustainability adoption is feasible under typical SME constraints
- To provide a structured pathway for replication across sectors and regions

9.1 Why SME Success Stories Matter in the Indian Context

For many SMEs, sustainability discussions remain abstract when framed only through regulations, ESG standards, or international commitments. Practical examples from peer enterprises operating in similar regulatory, financial, and market environments provide greater credibility and confidence.

SME success stories are critical because they:

- Demonstrate tangible business benefits such as cost savings, risk reduction, and market access

- Enable peer-to-peer learning, which SMEs consistently trust more than top-down guidance
- Illustrate phased adoption pathways rather than "all-at-once" transformation
- Reinforce alignment with India's national priorities including Net Zero 2070, Atmanirbhar Bharat, Make in India, and MSME competitiveness

Recent data reinforces this readiness. The Sustainability Perception Index (Green Plus Indicator) released by Dun & Bradstreet and SIDBI shows that MSME sustainability sentiment increased by 20 percent year-on-year to 65 in the April-June 2025 quarter. While implementation remains uneven, willingness to act has continued to rise, indicating a shift from awareness to intent.

9.2 What Defines a Successful SME Sustainability Journey

Analysis across Indian and international SME experiences highlights that successful sustainability adoption is rarely driven by standalone ESG initiatives. Instead, it is characterised by:

- Integration with core operations and cost structures
- Clear business rationale rather than compliance alone
- Incremental implementation with measurable outcomes
- Use of existing policy incentives, schemes, and partnerships

Successful SMEs typically begin with efficiency-driven interventions (energy, water, waste), then gradually expand into supply-chain engagement, workforce practices, and governance improvements.

9.3 Indian SME Sustainability Pathways - Illustrative Examples

Indian SMEs are adopting sustainability through diverse pathways depending on sector, scale, and market exposure. Common approaches include:

- Resource efficiency improvements aligned with productivity gains
- Circular economy models converting waste into value
- Sustainability-led product and service differentiation
- Compliance-driven upgrades that strengthen market access

Examples span sanitation solutions, e-waste recycling, sustainable consumer products, agro-processing, and materials innovation. While sectors differ, the underlying logic of aligning sustainability with operational and commercial objectives remains consistent.

9.4 Global SME Benchmarks - Insights Relevant for India

Global SME experiences provide useful signals for Indian enterprises, particularly those connected to export markets and global supply chains. However, direct replication is rarely appropriate.

Key insights from international SME benchmarks include:

- EU SMEs responding to buyer-driven ESG and regulatory pressures through energy efficiency and basic data readiness
- ASEAN SMEs leveraging green finance, cluster-based upgrades, and public-private partnerships
- Japanese and Korean SMEs focusing on lean manufacturing combined with incremental sustainability improvements

For Indian SMEs, the most transferable elements are early-stage efficiency measures, buyer-aligned compliance, and gradual data capability building rather than complex reporting systems.

9.5 Sector-Wise Patterns of SME Sustainability Adoption

Manufacturing

- Energy efficiency and PAT-aligned upgrades
- Cleaner production and pollution control compliance
- Supplier ESG readiness for large buyers

Agriculture and Allied Activities

- Water efficiency and soil health practices
- Sustainable agro-processing and waste utilisation
- Farmer-SME collaboration models

Textiles and Apparel

- Cleaner dyeing and chemical management
- Zero Liquid Discharge systems where viable
- Certification-driven access to global markets

Services (IT, Logistics, Hospitality, MSME Services)

- Digital optimisation and energy management
- Waste and water efficiency
- Sustainability as a differentiation and client-retention strategy

9.6 Lessons Learned from SME Success Stories

Across sectors, several consistent lessons emerge:

- Sustainability adoption is most effective when linked to cost and efficiency
- Starting small reduces risk and builds internal confidence

- Government schemes and incentives significantly lower adoption barriers
- Partnerships with financiers, technology providers, and industry bodies accelerate progress

SMEs that embed sustainability into decision-making processes rather than treating it as a parallel activity show stronger long-term outcomes.

9.7 Quick Wins for SMEs Beginning Their Sustainability Journey

SMEs can begin sustainability adoption through low-risk, low-capex actions such as:

- LED retrofits and basic energy audits
- Waste segregation and material recovery
- Water efficiency measures
- Simple governance and documentation practices

These actions often deliver payback periods of less than twelve months and build momentum for more advanced initiatives.

9.8 Framework for Replicating Best Practices

The SME Replication Framework provides a structured pathway:

1. Diagnose - establish a baseline and identify key pain points
2. Prioritise - assess actions based on cost, risk, compliance, and market access
3. Enable - leverage policy support, finance, incentives, and partnerships
4. Implement - roll out phased and measurable actions
5. Monitor and Communicate - track outcomes using simple KPIs

This framework allows SMEs to scale sustainability efforts progressively without disrupting core business operations.

Key Takeaways for Indian SMEs

- Sustainability success is practical and achievable
- Indian SMEs are already demonstrating leadership across sectors
- Replication is easier when aligned with policy and finance
- Early movers are more resilient to regulatory, market, and climate risks

References and Further Reading

- Ministry of MSME - Sustainability and Competitiveness Initiatives
- SIDBI & Dun & Bradstreet - Sustainability Perception Index
- Central Pollution Control Board - E-Waste Management Rules
- UNDP and World Bank - SME sustainability programmes

Case Study - Indian SME Sustainability in Practice

Case Study: Eco Recycling Ltd (Ecoreco) - Building a Formal Circular Economy for E-Waste

Sector: Recycling and Waste Management

Location: Mumbai, India

SME Profile: Listed on the BSE SME platform; authorised e-waste recycler

Context and Sustainability Challenge

India is one of the world's largest generators of electronic waste, producing over three million tonnes annually. A significant share of this waste is handled by the informal sector, resulting in environmental contamination, unsafe working conditions, and loss of valuable materials. At the same time, producers face increasing regulatory pressure under India's E-Waste Management Rules and Extended Producer Responsibility (EPR) obligations.

Approach and Action Taken

Eco Recycling Ltd (Ecoreco) established formal, authorised e-waste recycling operations compliant with Central Pollution Control Board (CPCB) requirements. The company invested in:

- Environmentally safe dismantling and recycling processes
- Material recovery systems for metals and components
- Worker health, safety, and training protocols
- Traceability and documentation systems to support producer EPR compliance

Ecoreco actively partnered with electronics manufacturers, bulk consumers, and producer responsibility organisations to integrate recycling into formal supply chains.

Outcomes and Impact

- Recovery of valuable secondary raw materials, reducing reliance on virgin resources
- Improved environmental and occupational safety outcomes compared to informal recycling
- Long-term commercial contracts with electronics producers for EPR compliance
- Demonstration that circular economy models can be financially viable for Indian SMEs

Enablers of Success

- Clear regulatory framework under India's E-Waste Management Rules
- Growing corporate demand for compliant EPR solutions
- Investment in process integrity and compliance credibility

Key Lessons for Indian SMEs

- Regulation, when anticipated early, can become a competitive advantage
- Sustainability investments aligned with mandatory compliance can unlock stable revenue streams
- Formalisation and transparency are critical for scaling circular economy models

Replicability Potential

This model is replicable across waste streams such as plastics, batteries, tyres, and construction waste, particularly where regulation and producer responsibility frameworks are emerging.

General Sources & References

- Ministry of Micro, Small and Medium Enterprises (MSME), Government of India - https://msme.gov.in
- Small Industries Development Bank of India (SIDBI) - https://www.sidbi.in
- Dun & Bradstreet India - Sustainability Perception Index - https://www.dnb.co.in
- NITI Aayog - Circular Economy and Resource Efficiency - https://www.niti.gov.in/circular-economy
- Central Pollution Control Board (CPCB) - Environmental Regulations - https://cpcb.nic.in
- Ministry of Environment, Forest and Climate Change (MoEFCC) - https://moef.gov.in
- Bureau of Energy Efficiency (BEE) - PAT Scheme and SME programmes - https://beeindia.gov.in
- UNDP India - MSME Sustainability and Circular Economy - https://www.undp.org/india
- World Bank - SME Sustainability and Competitiveness - https://www.worldbank.org
- OECD - SMEs and Sustainable Development - https://www.oecd.org/sme
- European Commission - SME Sustainability - https://finance.ec.europa.eu/publications/commission-presents-voluntary-sustainability-reporting-standard-ease-burden-smes_en
- Federation of Indian Chambers of Commerce & Industry (FICCI) - https://www.ficci.in

CHAPTER 10

SME Action Plan for Viksit Bharat

10.1 Setting realistic goals

10.2 Prioritising actions: short, medium, long term

10.3 Monitoring and tracking

10.4 Stakeholder engagement

10.5 Action Plan Template and Example







CHAPTER 10

SME Action Plan for Viksit Bharat

From Commitment to Action

For Indian SMEs, sustainability is no longer about long-term ambition alone. It is about practical execution—reducing costs, meeting buyer expectations, accessing finance, complying with regulations, and remaining competitive in a rapidly transforming economy.

This chapter provides a step-by-step action framework that helps SMEs translate sustainability intent into clear, phased, and achievable actions, aligned with India's Viksit Bharat vision of inclusive, resilient, and globally competitive growth.

10.1 Setting Realistic Sustainability Goals

Effective action plans begin with realistic and measurable goals, not aspirational statements. SMEs should prioritise goals that are within their operational control, supported by existing data, and aligned with immediate business priorities.

Data driver targets : Aligning SME growth targets with Indian's 2047 goals for manufacturing for example such as steel capacity and digital adoption

Sector sector specific benchmarking: establishing milestones based on sub sector capabilities to ensure achievable growth

Key Principles for SME Goal Setting

- Start with baselines, not targets
- Focus on efficiency and compliance first, transformation later
- Align sustainability goals with cost savings, risk reduction, and market access
- Avoid overcommitting to complex metrics in the early stages

Practical Goal Areas for Indian SMEs

- Energy consumption and electricity costs
- Water usage and discharge compliance

- Waste reduction and material efficiency
- Workforce safety and skill development
- Regulatory and buyer-driven ESG requirements

Example: Realistic vs Overambitious Goals

Area	Realistic SME Goal	Overambitious Goal
Energy	Reduce electricity use by 10% in 12 months	Achieve net-zero in 2 years
Water	Install basic water meters	Full water neutrality certification
ESG	Track 10–12 core indicators	Full global ESG reporting suite

Short-Term Actions (1-3 years) Foundation Phase

Focus: digital onboarding, enhancing compliance (GST/ tax) low-cost, high-impact, compliance-ready actions and improving access to credit for immediate sustainability.

- Establish energy, water, and waste baselines
- Ensure compliance with environmental and labour regulations
- Assign internal responsibility for sustainability actions
- Improve housekeeping, preventive maintenance, and safety practices
- Engage suppliers and buyers on basic sustainability expectations

Medium-Term Actions (3-7 years): Integration Phase

Focus should be on shifting to automated manufacturing, adopting green technologies, for example low-carbon, renewable energy and also expanding supply chain integration. Delivering Efficiency, transparent reporting, and finance readiness

- Implement energy and water efficiency measures
- Introduce internal tracking and simple ESG reporting
- Align operations with buyer sustainability requirements
- Engage with banks on green finance or sustainability-linked loans
- Train staff and supervisors on sustainability practices

Long-Term Actions (7+ years) Transformation Phase

Focus is o achieving global and national and regional level Competitiveness along with high tech innovation, and becoming integral parts of national, and global value chains simultaneously enhancing market leadership

- Adopt renewable energy or low-carbon technologies
- Strengthen supply-chain sustainability practices
- Pursue relevant certifications or eco-labels
- Integrate sustainability into business strategy and expansion plans

10.3 Monitoring and tracking

Monitoring does not need to be complex. SMEs should focus on a minimum viable set of indicators that are easy to measure, useful for decision-making, and acceptable to banks, buyers, and regulators.

What SMEs Should Track

- Monthly electricity and fuel consumption
- Water intake and wastewater discharge
- Waste generated and recycled
- Workplace safety incidents
- Training hours and workforce stability

Tracking Frequency

- **Monthly:** Energy, water, waste
- **Quarterly:** Safety, workforce indicators
- **Annually:** Overall performance review and target reset

10.4 Stakeholder Engagement

Sustainability succeeds when it is understood and supported by stakeholders, not imposed.

Key Stakeholder Groups

- **Internal:** Owners, managers, workers, supervisors
- **External:** Buyers, banks, regulators, suppliers, local communities

Practical Engagement Approaches

- Communicate goals clearly to workers and supervisors
- Share progress updates during regular staff meetings
- Respond proactively to buyer and lender sustainability queries
- Engage local communities on safety, water, and environmental issues

Stakeholder engagement should be proportionate, focused, and linked to business priorities.

10.5 SME Sustainability Action Plan - Template and Example

Action plan template

Focus Area	Action	Timeline	Responsibility	Indicator
Energy	Install energy meters	3 months	Operations Head	Monthly kWh data
Water	Fix leaks and monitor usage	6 months	Maintenance Team	m^3/month
Safety	Conduct safety training	6 months	HR / Admin	Training records
ESG	Prepare basic ESG summary	12 months	Management	Report shared

Case Study 1: Worked Example (Illustrative)

SME Type: Medium-sized manufacturing unit

Primary Objective: Reduce operating costs and meet buyer ESG expectations

Focus Area	Action	Timeline	Responsibility	Indicator
Energy	Replace inefficient lighting	6 months	Plant Manager	12% energy reduction
Water	Install flow meters	6 months	Maintenance	Monthly usage data
Safety	PPE and safety drills	3 months	HR	Zero incidents
Reporting	Annual sustainability summary	12 months	Management	Shared with buyers

Case Study 2: Putting the SME Sustainability Action Plan into Practice

An Illustrative Indian SME Journey

Sector: Light manufacturing

Location: Tier-2 industrial cluster

Size: ~90 employees

Market: Domestic + export-oriented buyers

Starting Point

The enterprise faced:

- Rising electricity and water costs
- Increasing sustainability queries from buyers
- No formal ESG reporting or sustainability team
- Limited capital for large technology upgrades

Management recognised sustainability as a cost and competitiveness issue, not a branding exercise.

Phase 1: Foundation (0–6 months)

Key actions

- Collected baseline data on electricity, water, and waste
- Conducted basic compliance and safety checks
- Assigned sustainability responsibility to the operations head
- Implemented no-cost and low-cost efficiency measures

Outcome

- Clear visibility on resource consumption
- Immediate operational improvements
- Improved internal accountability

Phase 2: Integration (6–18 months)

Key actions

- Replaced inefficient lighting and motors
- Introduced monthly tracking of core indicators
- Conducted basic workforce safety and skills training
- Prepared a short sustainability summary for buyers and banks

Outcome

- Reduction in energy intensity
- Improved engagement with key buyers
- Stronger case for accessing bank finance

Phase 3: Consolidation (18–36 months)

Key actions

- Installed rooftop solar for partial energy needs
- Strengthened supplier engagement on quality and compliance

- Embedded sustainability targets into annual planning
- Formalised internal review and reporting processes

Outcome

- Lower operating costs and reduced energy risk
- Increased buyer confidence and longer-term contracts
- Stronger internal management systems

Key Takeaways for SME Leaders

- Sustainability action should be phased, practical, and business-driven
- Start small, build systems, then scale ambition
- Focus on what can be measured, managed, and improved
- Align sustainability actions with cost savings, compliance, and competitiveness
- A clear action plan turns sustainability from a burden into a strategic advantage

References & Sources

Government of India & Public Institutions

- Ministry of Micro, Small and Medium Enterprises (MSME), Government of India
  MSME schemes, cluster development, sustainability and competitiveness initiatives
  https://msme.gov.in
- NITI Aayog – India's Long-Term Low Emissions Development Strategy
  National transition pathways and sectoral priorities
  https://www.niti.gov.in
- Bureau of Energy Efficiency (BEE), Government of India
  Energy efficiency guidance, PAT Scheme, and SME-focused resources
  https://beeindia.gov.in
- Central Pollution Control Board (CPCB)
  Environmental compliance requirements for industrial units
  https://cpcb.nic.in

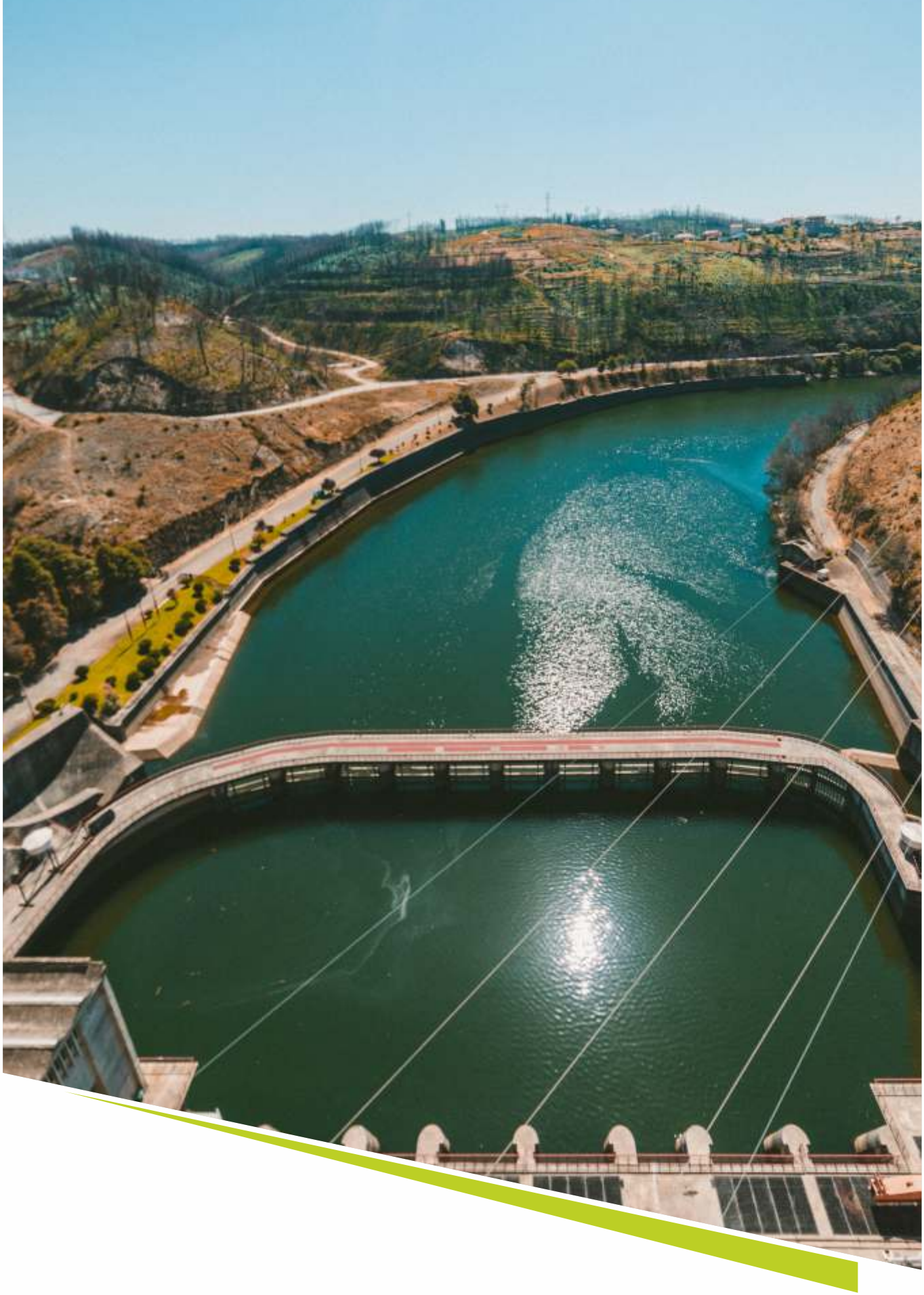
Finance, Banking & SME Credit

- Reserve Bank of India (RBI) – Sustainable Finance & Priority Sector Lending
  Policy signals relevant to SME financing and ESG integration
  https://www.rbi.org.in
- SIDBI – Sustainable Finance and MSME Support Programmes
  Credit, capacity building, and green finance initiatives for SMEs
  https://www.sidbi.in

- Indian Banks' Association (IBA)
  Banking sector guidance relevant to MSME lending practices
  https://www.iba.org.in

International Frameworks (Used Selectively)

- International Labour Organization (ILO) – SME and Decent Work Guidance
  Workforce safety, skills, and labour practices
  https://www.ilo.org
- International Finance Corporation (IFC) – SME Sustainability & ESG Guidance
  Practical ESG integration for small and medium enterprises
  https://www.ifc.org



CHAPTER 11

Future Trends & Opportunities for Green SMEs

11.1 Digitalization for sustainability (AI, IoT, blockchain in supply chains)

11.2 Emerging green sectors: hydrogen, EV value chain, circular economy start-ups

11.3 Export opportunities in green products and services

11.4 Preparing for global trade requirements (EU CBAM, carbon labelling)

11.5 Role of innovation and R&D incentives for SMEs







CHAPTER 11

Future Trends & Opportunities for Green SMEs

Indian SME's are facing a transformative era especially driven by urgent climate imperatives, evolving regulatory landscapes and increasing demand for sustainable products. Current key trends indicate a shift from voluntary, long-term sustainability goals to urgent , actionable, and data driver strategies that integrates Artificial Intelligence, circular economy principles and green finance concepts.

Some of the most noticeable trends currently popular ear e:

- AI powered sustainability & Automation
- Circular economy adoption
- ESG reporting
- supply chain decarbonization

11.1 Digitalization for sustainability (AI, IoT, blockchain in supply chains)

Digital technologies are rapidly becoming central to how SMEs manage resources, reduce emissions, and demonstrate sustainability performance.

Key technologies and applications

- **Artificial Intelligence (AI):** Energy optimisation, demand forecasting, predictive maintenance, and ESG data analytics.
- **Internet of Things (IoT):** Smart meters and sensors for tracking energy, water use, emissions, and waste in real time.
- **Blockchain and Distributed Ledger Technologies:** Supply chain traceability, product provenance, and verification of carbon and sustainability claims.

Why this matters for SMEs

- Lower operational costs through efficiency gains

- Improved data readiness for customers, financiers, and regulators
- Enhanced credibility in sustainability claims

SME adoption pathway SMEs need not invest in complex bespoke systems. Cloud-based platforms, SaaS ESG tools, and pilot projects allow gradual adoption with limited upfront cost.

11.2 Emerging Green Growth Sectors for Indian SMEs

India's green transition is creating new markets where SMEs can play critical enabling roles.

High-potential sectors

- Green hydrogen ecosystem: Equipment manufacturing, storage solutions, logistics, maintenance services, and digital monitoring
- Electric vehicle (EV) value chain: Auto components, charging infrastructure, battery management systems, recycling, and software services
- Circular economy ventures: Waste-to-value businesses, recycling, repair and refurbishment models, and sustainable packaging
- Climate and nature services: Carbon accounting, sustainability audits, eco-design, and environmental monitoring

Policy alignment These opportunities are reinforced by national missions on green hydrogen, electric mobility, circular economy initiatives, and climate action plans.

11.3Export Opportunities in Green Products and Services

Global demand for sustainable products and services is accelerating, creating export opportunities for Indian SMEs.

Products with export potential

- Sustainable textiles and apparel
- Eco-packaging and biodegradable materials
- Renewable energy components and clean-tech parts
- Low-carbon chemicals and construction materials

Service exports

- ESG reporting and advisory services
- Lifecycle assessment and sustainability consulting
- Digital solutions for carbon and supply chain reporting

Positioning sustainability as part of the “Made in India + Green” value proposition can strengthen competitiveness in international markets.

11.4 Preparing for Global Trade and Compliance Requirements

Sustainability-related trade measures are becoming a defining feature of global commerce.

Key developments

- Carbon Border Adjustment Mechanisms (CBAM)
- Product carbon footprint and carbon labelling requirements
- Enhanced supplier disclosure and traceability expectations

What SMEs should focus on now

- Understanding exposure through supply chains, even if not direct exporters
- Establishing basic emissions and resource-use data systems
- Maintaining documentation and audit trails

CBAM readiness snapshot for SMEs

Focus area	What SMEs should do now
Product scope	Identify whether products or inputs fall under CBAM sectors
Emissions data	Start basic Scope 1 and Scope 2 tracking
Supplier data	Engage key suppliers on emissions and materials
Documentation	Maintain auditable records and calculations

Early preparation can turn compliance into a competitive advantage rather than a cost burden.

11.5 Innovation, R&D, and the SME Opportunity

Innovation is a cornerstone of sustainable competitiveness.

Key enablers

- Government R&D incentives and innovation grants
- Incubators, accelerators, and green innovation clusters
- Industry–academia partnerships
- Corporate pilot programmes and co-development projects

SMEs that invest in innovation, intellectual property, and partnerships are better positioned to scale solutions and access new markets.

Key Takeaways and Actionable Steps for SMEs

- View sustainability as a growth and innovation strategy, not only compliance
- Start building digital capabilities for data, efficiency, and transparency
- Track emerging green sectors aligned with national priorities
- Prepare early for global trade and disclosure requirements
- Leverage innovation ecosystems, incentives, and partnerships

References and Further Reading

Government and Policy Sources

- Ministry of New and Renewable Energy (MNRE), Government of India – National Green Hydrogen Mission
- NITI Aayog – Circular Economy Action Plans
- Ministry of Heavy Industries – National Electric Mobility Mission and FAME schemes
- Ministry of MSME – Innovation, incubation, and technology upgradation schemes

Trade and Compliance

- European Commission – Carbon Border Adjustment Mechanism (CBAM) guidance
- ISO standards on carbon footprinting and lifecycle assessment
- World Trade Organization – Trade and Environment resources

Digitalisation and Sustainability

- International Energy Agency – Digitalisation and Energy Efficiency
- World Economic Forum – Blockchain and supply chain transparency

CHAPTER 12

Collaborations, Networks & Partnerships

12.1 Working with industry associations, chambers, and clusters

12.2 Partnering with large corporates for supply chain greening

12.3 Accessing international SME networks and funding platforms

12.4 Government-industry-academia collaborations

12.5 Leveraging NGO and development partner programs

12.6 Directory of Collaboration Platforms







CHAPTER 12

Collaborations, Networks & Partnerships

Why Collaboration Matters for Indian SMEs

No SME can deliver sustainability alone. Collaboration reduces cost, accelerates learning, improves credibility, and opens doors to finance, technology, and markets. For Indian SMEs in particular, partnerships help bridge gaps in capital, technical capacity, data, and market access-especially as sustainability expectations rise across supply chains.

This chapter shows how SMEs can plug into the right ecosystems rather than trying to build everything in-house.

12.1 Working with Industry Associations, Chambers, and Clusters

Industry bodies are often the first and easiest entry point for SMEs starting their sustainability journey.

What they offer:

- Shared sustainability guidelines and toolkits
- Collective training programs (energy, waste, ESG reporting)
- Policy advocacy and regulatory updates
- Peer learning and benchmarking
- Pilot programs at cluster or sector level

Typical examples (India context):

- Sector associations (manufacturing, textiles, food processing)
- Regional MSME clusters (industrial estates, export zones)
- Chambers of commerce and trade bodies

How SMEs should engage:

- Join sustainability or ESG working groups
- Participate in cluster-level audits or energy programs

- Use association platforms to access consultants at reduced cost
- Contribute data to sector benchmarking initiatives

Quick win: Cluster-level solar procurement, waste management, or common effluent treatment projects significantly reduce per-unit costs.

12.2 Partnering with Large Corporates for Supply Chain Greening

Large corporates are under pressure from:

- BRSR Core
- EU CBAM
- Net-zero and Scope 3 targets
- Investor and customer scrutiny

This makes SMEs critical partners, not just vendors.

What corporates typically support:

- Energy efficiency upgrades
- Renewable energy adoption
- ESG data systems and reporting
- Supplier training and audits
- Access to green finance or guarantees

Common partnership models:

- Preferred sustainable supplier programs
- Co-funded decarbonisation pilots
- Long-term offtake or procurement contracts
- Technical assistance + financing bundles

How SMEs can position themselves:

- Demonstrate readiness (basic ESG metrics, energy data)
- Align sustainability actions with buyer priorities
- Ask for capacity-building support, not just compliance demands

Reality check: Buyers increasingly reward suppliers who show intent and transparency-not perfection.

12.3 Accessing International SME Networks & Funding Platforms

Global networks help SMEs:

- Learn from international best practices
- Access climate finance, grants, and blended finance
- Improve export readiness and compliance

Types of platforms available:

- SME sustainability accelerators
- Climate innovation and transition finance platforms
- Export-linked sustainability programs
- Digital ESG and carbon disclosure platforms

What SMEs gain:

- Exposure to global buyers and investors
- Technical assistance and mentoring
- Pilot funding or concessional finance
- Recognition and credibility

How to engage effectively:

- Start with pilot or cohort-based programs
- Prepare basic documentation (energy use, emissions, ESG actions)
- Treat participation as a learning investment, not just funding

12.4 Government-Industry-Academia Collaborations

This "triple-helix" model is increasingly important for:

- Technology development
- Skills and workforce transition
- Industrial decarbonisation
- Data, MRV, and innovation pilots

Government role:

- Policy support and incentives
- Pilot funding and subsidies
- Infrastructure and enabling regulations

Academia role:

- R&D and technology testing
- Impact assessment and data validation
- Skills development and training

Industry role:

- Real-world deployment
- Market feedback
- Scaling solutions

SME opportunities:

- Participate in pilot projects
- Access subsidised testing or advisory services
- Collaborate on innovation challenges

Example use cases: low-cost energy efficiency technologies, waste-to-value solutions, green materials, digital MRV tools.

12.5 Leveraging NGO and Development Partner Programs

NGOs and development agencies play a bridging role-especially for smaller and informal SMEs.

What they typically provide:

- Capacity building and training
- Climate adaptation and resilience support
- Access to concessional finance or grants
- Community and gender-focused programs
- Monitoring and impact measurement

Why this matters:

- Lower entry barriers
- Focus on inclusion and just transition
- Strong implementation support

How SMEs should engage:

- Look for programs aligned with sector or geography
- Be open to data sharing and monitoring
- Use pilots to build track record

12.6 Directory of Collaboration Platforms (Framework)

Below is a recommended structure for a practical directory (we can later populate with India-specific and global examples):

A. Industry & Trade Platforms

- Sector associations
- MSME clusters
- Chambers of commerce

B. Corporate Supply Chain Programs

- Supplier sustainability initiatives
- Scope 3 engagement platforms
- Buyer-led decarbonisation programs

C. Government & Public Programs

- MSME sustainability schemes
- Energy efficiency and renewable programs
- Innovation and skilling missions

D. International Networks & Finance Platforms

- SME climate finance platforms
- Export sustainability initiatives
- Global ESG and carbon reporting platforms

E. NGO & Development Partner Initiatives

- Climate resilience programs
- Inclusive growth and gender initiatives
- Technical assistance and grants

Each directory entry can include:

- Purpose and focus area
- Eligibility criteria
- Type of support offered
- SME effort required
- Expected outcomes

Key Takeaways for SMEs

- Collaboration reduces cost, risk, and learning time
- Sustainability partnerships are increasingly market-driven, not voluntary

- SMEs that engage early gain competitive advantage
- Start small, learn fast, scale through partnerships

References & Further Reading - Collaborations, Networks & Partnerships

Industry Associations, Chambers & SME Clusters

- Federation of Indian Chambers of Commerce and Industry - SME sustainability initiatives, industry working groups
- Confederation of Indian Industry - GreenCo, industrial decarbonisation and cluster programs
- PHD Chamber of Commerce and Industry - MSME capacity-building and policy engagement
- MSME Development Institutes - Cluster development and enterprise support programs

Corporate Supply Chain & Responsible Business Platforms

- UN Global Compact - SME engagement and supply-chain sustainability guidance
- World Business Council for Sustainable Development - Supplier engagement and Scope 3 collaboration tools
- Supplier Leadership on Climate Transition - Corporate-supplier climate collaboration frameworks

Government & Public Institutions

- Ministry of Micro, Small and Medium Enterprises - MSME schemes, cluster development, and sustainability support
- Bureau of Energy Efficiency - Industry, MSME, and cluster-level efficiency programs
- NITI Aayog - Industry-academia-government collaboration and sustainability policy

International SME Networks & Multilateral Platforms

- World Bank Group - SME competitiveness and green transition programs
- International Finance Corporation - SME sustainability and supply-chain finance initiatives
- Asian Development Bank - SME transition finance and capacity-building programs
- OECD - SME policy, innovation networks, and responsible business conduct

NGOs & Development Partners

- GIZ - SME sustainability, climate, and skills partnerships
- UN Industrial Development Organization - SME industrial decarbonisation and innovation programs
- International Labour Organization - SME-focused social sustainability and supply-chain programs

Cross-Cutting Guidance on Collaboration & Partnerships

- United Nations Sustainable Development Goals - Partnerships for sustainable development (SDG 17)
- International Trade Centre - SME networks, export readiness, and sustainability compliance





CHAPTER 13

Resources & Annexures

13.1 How to Use This Chapter

13.2 Toolkits, Templates, and Checklists

13.3 Links to Indian Training Programmes and Support Bodies

13.4 Glossary of Terms (SME-Friendly)

13.5 Annex with references and further reading

13.5 Suggested Visuals







CHAPTER 13

Resources & Annexures

This chapter brings together practical tools, India-specific institutions, reference material, and supporting resources to help Indian MSMEs implement sustainability in a structured and phased manner. It is designed as a reference chapter and may be consulted at different stages of an enterprise's sustainability journey.

13.1 How to Use This Chapter

This chapter is intended to support Indian MSMEs that are beginning, deepening, or formalising their sustainability and ESG practices.

Unlike earlier chapters, which explain concepts and implementation approaches, Chapter 13 functions as a navigation and reference guide. MSMEs are not expected to use every tool or engage with every institution listed. Instead, businesses should select resources relevant to their size, sector, and level of readiness.

MSMEs are encouraged to:

- Use this chapter alongside the readiness assessment in Chapter 3
- Prioritise high-impact and low-cost actions first
- Engage with Indian government programmes, financial institutions, and industry bodies highlighted in this chapter
- Treat sustainability as a phased and evolving process, rather than a one-time compliance exercise

The tools, templates, and references provided here are indicative and should be adapted to individual business contexts. Regulatory and policy frameworks in India continue to evolve; therefore, this chapter should be treated as a living reference.

13.2 Toolkits, Templates, and Checklists

This section consolidates the key practical tools referenced throughout the handbook. These tools are designed to be simple, modular, and SME-friendly, and can be used independently or in combination.

Core Sustainability Tools for MSMEs

- **ESG Readiness Self-Assessment Checklist**

  Helps MSMEs identify priority environmental, social, and governance issues relevant to their operations.

  (Linked to Chapter 3)

- **Environmental Performance Checklist**

  Covers energy use, water management, waste, emissions, and basic compliance considerations.

  (Linked to Chapter 4)

- **Social & Workforce KPI Tracker**

  Supports monitoring of health and safety, labour practices, skills development, and inclusion.

  (Linked to Chapter 5)

- **Governance & Ethics Starter Checklist**

  Assists MSMEs in strengthening basic governance structures, ethics policies, and risk management.

  (Linked to Chapter 6)

- **SME Sustainability Action Plan Template**

  Translates assessment outcomes into a 12-24 month action plan with clear responsibilities.

  (Linked to Chapter 10)

Finance and Market Access Tools

- Green finance readiness checklist
- Sustainability-linked loan KPI selection guide
- Carbon market participation decision support (offsets, insetting, efficiency-first approach)

These tools help MSMEs engage more confidently with banks, investors, customers, and supply-chain partners.

13.3 Links to Indian Training Programmes and Support Bodies

India offers a growing ecosystem of public, financial, and industry-led support for MSMEs on sustainability, efficiency, and capacity building.

Government and Public Institutions

- Central ministries and departments supporting MSMEs, environment, energy, and climate action
- Regulatory authorities providing compliance guidance

- National productivity and efficiency institutions
- State-level MSME development agencies and industrial clusters

These institutions support MSMEs through policy guidance, technical assistance, incentives, and advisory programmes.

Financial Institutions and Development Support

- Development finance institutions supporting green and energy-efficiency investments
- Public sector banks and credit guarantee mechanisms
- Rural and agriculture-focused institutions supporting climate-resilient livelihoods

MSMEs should engage early with financial institutions to understand eligibility requirements and sustainability-linked financing opportunities.

Industry Bodies and Business Associations

- National and sectoral industry associations
- Cluster-based platforms supporting MSMEs
- Export promotion councils and supply-chain networks

Industry bodies play a critical role in knowledge-sharing, peer learning, and collective action, particularly for smaller enterprises.

Training, Skilling, and Capacity Building

- National skilling missions and sector skill councils
- Academic and executive education programmes focused on sustainability, energy, and operations
- Public and private platforms offering SME-focused learning modules

Capacity building is essential for embedding sustainability into day-to-day business decisions.

13.4 Glossary of Terms (SME-Friendly)

This glossary provides plain-language explanations of commonly used sustainability and ESG terms encountered by Indian MSMEs.

Indicative terms include:

- ESG (Environmental, Social, Governance)
- Carbon Footprint
- Scope 1, Scope 2, Scope 3 Emissions
- Circular Economy
- Net Zero (India's Net Zero 2070 commitment)
- Green Finance

- Sustainability-Linked Loans
- Carbon Credits
- BRSR / BRSR Core
- Extended Producer Responsibility (EPR)
- Cluster-Based Approach

The glossary is intended to demystify terminology, not to provide legal definitions.

13.5 Annexures: References and Further Reading

This annex consolidates India-relevant reference material for MSMEs seeking deeper understanding or official guidance.

Annex A: Policy and Regulatory References

- Key national policies and schemes relevant to MSMEs
- Responsible ministries or authorities
- Applicability (mandatory, voluntary, or emerging)

Annex B: Frameworks and Standards Commonly Encountered in India

- National frameworks
- Voluntary standards and certifications used by Indian businesses
- High-level references for alignment purposes

Annex C: Further Reading and Digital Resources

- Government portals and official guidance notes
- Research and policy institutions
- Industry guidance documents and toolkits

These references are provided for additional learning and context, not as compliance requirements.

13.6 Suggested Visuals (Indicative - Based on Indian Policy Sources)

The visuals suggested below are intended to support comprehension and navigation for MSMEs. They may be developed using data and guidance from official Indian government sources, industry bodies, and public institutions referenced in this handbook.

A. MSME Sustainability Journey Roadmap

Purpose:

To illustrate a phased sustainability pathway for MSMEs, from basic compliance to advanced practices.

Indicative content sources:

- Ministry of Micro, Small and Medium Enterprises - MSME development frameworks and schemes
  https://msme.gov.in
- NITI Aayog - SDG and long-term transition pathways
  https://www.niti.gov.in
- Bureau of Energy Efficiency - Energy efficiency progression for enterprises[kl1.1]
  https://beeindia.gov.in

B. India Policy & Institutional Landscape Map

Purpose:

To visually map key ministries, regulators, financial institutions, and industry bodies relevant to MSMEs.

Indicative content sources:

- Ministry of Environment, Forest and Climate Change - Environmental and climate policy
  https://moefcc.gov.in
- Securities and Exchange Board of India - BRSR and ESG-related disclosures
  https://www.sebi.gov.in
- Ministry of New and Renewable Energy - Renewable energy programmes
  https://mnre.gov.in

C. Green Finance & Incentive Pathways Flowchart

Purpose:

To show how MSMEs can progress from internal efficiency improvements to external green finance.

Indicative content sources:

- Small Industries Development Bank of India - MSME and green finance products
  https://www.sidbi.in
- National Bank for Agriculture and Rural Development - Climate and sustainability-linked finance
  https://www.nabard.org
- Reserve Bank of India - Priority sector lending and sustainable finance guidance
  https://www.rbi.org.in

D. "Where Do I Start?" Decision Tree for MSMEs

Purpose:

To help MSMEs identify their first sustainability action based on size, sector, and regulatory exposure.

Indicative content sources:

- National Productivity Council - Productivity and operational improvement frameworks
  https://www.npcindia.gov.in
- FICCI - SME sustainability programmes and policy engagement
  https://www.ficci.in

The visuals listed above are indicative and may be developed or adapted by the design team using publicly available guidance from Indian government portals, regulators, financial institutions, and industry bodies. They are intended to support understanding and decision-making, not to replace official guidance.

Annexures

Annex A: India Policy & Regulatory Reference Table (MSME-Relevant)

Policy / Regulation / Scheme	Lead Authority	Applicability to MSMEs	Nature	Direct Source
MSME Development Act, 2006	Ministry of Micro, Small and Medium Enterprises	All MSMEs	Mandatory	https://msme.gov.in
National Action Plan on Climate Change (NAPCC)	Ministry of Environment, Forest and Climate Change	Indirect / enabling	Policy	https://moefcc.gov.in
Extended Producer Responsibility (EPR) Rules (Plastic, E-waste, Batteries)	Central Pollution Control Board	Sector-specific MSMEs	Mandatory	https://cpcb.nic.in
Perform, Achieve & Trade (PAT) Scheme	Bureau of Energy Efficiency	Energy-intensive MSMEs	Mandatory (threshold-based)	https://beeindia.gov.in
National Renewable Energy Policy & Rooftop Solar Schemes	Ministry of New and Renewable Energy	Voluntary	Incentive-based	https://mnre.gov.in
BRSR / BRSR Core (Supply Chain relevance)	Securities and Exchange Board of India	Indirect (via customers)	Mandatory for listed entities	https://www.sebi.gov.in
Credit Guarantee Fund Trust for MSMEs (CGTMSE)	Ministry of Micro, Small and Medium Enterprises	MSMEs	Voluntary	https://www.cgtmse.in

Annex B: Indian Institutions & Support Ecosystem for MSMEs

B1. Government & Public Institutions

- Ministry of Micro, Small and Medium Enterprises – MSME schemes, clusters, technology support
  https://msme.gov.in
- Ministry of Environment, Forest and Climate Change – Environmental regulation, climate policy
  https://moef.gov.in/
- NITI Aayog – SDGs, long-term transition pathways
  https://www.niti.gov.in

B2. Energy, Environment & Resource Efficiency

- Bureau of Energy Efficiency – Energy audits, PAT, SME efficiency
  https://beeindia.gov.in
- Energy Efficiency Services Limited – Energy-as-a-service models
  https://eeslindia.org
- The Energy and Resources Institute – Cleaner production, sustainability research
  https://www.teriin.org

B3. Finance & Development Institutions

- Small Industries Development Bank of India – Green finance, MSME lending
  https://www.sidbi.in
- National Bank for Agriculture and Rural Development – Climate-resilient agriculture & rural MSMEs
  https://www.nabard.org
- Reserve Bank of India – Priority sector & sustainable finance guidance
  https://www.rbi.org.in

B4. Training & Capacity Building

- National Skill Development Corporation – Green skills, MSME training
  https://www.nsdcindia.org
- National Productivity Council – Productivity, efficiency, MSME advisory
  https://www.npcindia.gov.in

Annex C: Standards, Certifications & Voluntary Frameworks (India-Relevant)

C1. Indian Standards & Labels

- Bureau of Indian Standards – National standards and quality benchmarks
  https://www.bis.gov.in
- BEE Star Labelling
  https://beeindia.gov.in

C2. Frameworks Commonly Encountered by Indian MSMEs

(Reference only – not mandatory)

- ISO 14001 – Environmental Management
- ISO 50001 – Energy Management
- GHG Protocol – Carbon accounting (used by Indian corporates)

(Referenced through Indian users, regulators, and industry adoption)

Annex D: Further Reading & Official Portals (India Only)

Government & Regulators

- MSME Portal – https://msme.gov.in
- MoEFCC – https://moefcc.gov.in
- SEBI – https://www.sebi.gov.in

Policy & Research

- NITI Aayog – https://www.niti.gov.in
- CEEW – https://www.ceew.in
- TERI – https://www.teriin.org

Finance & Banking

- SIDBI – https://www.sidbi.in
- NABARD – https://www.nabard.org
- RBI – https://www.rbi.org.in

The annexes above consolidate publicly available, India-specific resources for MSMEs. Inclusion does not imply endorsement. MSMEs should consult official portals and competent authorities for the most recent guidance.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies. A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

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