

GROWTH DRIVERS FOR

CONSUMER CONNECT INITIATIVE

40 MILLION UNITS AND GROWING STRONG

MICRO AND MACRO DEVELOPMENTS WILL HELP SMES TO EXPAND

Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades



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SMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost but also help in industrialization of rural areas. The sector consisting of 40 million units,

as of today, provides employment to over 1 billion people and contributes about 8 per cent to GDP, besides 45 per cent to the total manufacturing output and 40 per cent to the exports from the country. The SME sector has the potential to spread industrial growth across the country and can be the major partner in the process of inclusive growth. Indian SMEs are always ready to accept and acquire new technologies, new business ideas and automation in industrial and allied sectors.

OPPORTUNITIES AND CHALLENGES

SMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing

rapidly and entrepreneurs are making remarkable progress in various industries like Manufacturing, Precision Engineering Design, Agro & Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, and Service sector.

With globalization, there is an urgent need of a dynamic and self-sustaining culture of innovation and cluster-based approach for the development of MSMEs. Today's world economy has been characterized as a "Knowledge-Based Economy" with knowledge being the most important resource and learning being the most important process. Competitive advantage is less derived from access to physical resources and more from the ability of organisations and societies to generate ideas and to translate them into economic and social value. In the fast moving global order, knowledge and intel-

lectual skills are critical to create and improve products and services, develop more efficient distribution and marketing methods and ensure customer satisfaction. New ways of information management and application are used to improve competitiveness. A knowledge economy is not about accumulating information, but using knowledge to improve performance. And that performance can be enhanced with innovation, which is regarded as one of the most important factors

AS PER THE FOURTH ALL INDIA
2006-07

- Total number of Enterprises of
- Total Employment in MSME:
- Total output of the MSME:
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- Number of Micro Enterprises:
- Number of Small Enterprises:
- Number of Medium Enterprises:

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OPPORTUNITIES IN 'MAKE-IN-INDIA'

India will achieve 8.1 per cent economic growth in the current financial year, encouraged by strong consumer spending, low inflation, infrastructure projects and government's reform measures. Investment is also expected to rebound, although unevenly, given the still low capacity-utilisation rate at about 70 per cent. The 'Make in India' initiative was launched in September 2014 to promote India as a global manufacturing hub. The success of the scheme would require broad policy actions in enhancing capital, access to inputs and finance and better connectivity.

FINANCE AND SUBSIDY ISSUES

Despite availability of credit from banks as well as FIs, overall financing to the SME sector has been inadequate and difficult because of lack of awareness about the products and proce

- > THE MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) SECTOR CONTRIBUTES AROUND 9% OF GDP
- > IT ACCOUNTS FOR AROUND 30% OF THE TOTAL EXPORTS AND AROUND 45% OF THE MANUFACTURING OUTPUT

ILLUSTRATION: SACHIN VARADKAR



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AS PER THE FOURTH ALL INDIA CENSUS OF THE MICRO, SMALL AND MEDIUM ENTERPRISES, 2006-07

• Total number of Enterprises of the MSME:	361.76 Lakh
• Total Employment in MSME:	805.24 Lakh
• Total output of the MSME:	Rs 1077212.86 crores*
• Total investment in the Plant and Machinery:	Rs 199664.21 crores*
• Number of the Registered Enterprises:	15.64 Lakh
• Number of the Unregistered Enterprises:	346.12 Lakh
• Number of Micro Enterprises:	14.85 Lakh (94.94%)
• Number of Small Enterprises:	0.77 Lakh (4.89%)
• Number of Medium Enterprises:	0.03 Lakh (0.17%)

(*Excludes activities under wholesale/retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage)

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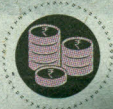
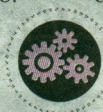
FINANCE AND SUBSIDY ISSUES

Despite availability of credit from banks as well as FIs, overall financing to the SME sector has been inadequate and difficult because of lack of awareness about the products and proce-

dures. As a result, the unregulated lenders have catered to this mismatch, obviously at higher costs of credit. In this scenario, what SMEs as borrowers require is rates that are more remunerative than those in the industrial sector but competitive compared with those in the unorganized sector. A two-sided approach involving innovative lending from the financial sector and better corporate governance systems in the SME sector can lead to a growing flow of finances to SMEs.

Besides the financial challenges in raising capital, SMEs in India have long suffered the absence of a suitable platform to hedge the risk associated with exchange rate volatility. As many of them are export oriented, they are automatically exposed to high forex risk. Owing to limited size of their international business, SMEs usually do not get a fair deal from banks if they want to enter into currency forward trade to hedge their risk.

Government should create more awareness about various incentivises, subsidies and schemes to support and encourage the SME Sector to avail of these facilities.



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The Indian by over e 2020. If largest in United States by ter China and the However, industr would be difficult participation of t At present, SF 8 to 9 per cent to touch a figure years. The centr also set up Natio Competitiveness enhance compete ing sector. The g nounced a Nation (NMP) that aims at acturing to 25 per