AN EMPIRICAL STUDY ON CHANGING FACE OF MSME TOWARDS EMERGING ECONOMIES IN INDIA

PROF. DR. S.K. BARAL, Director
Kushagra Institute of Information & Management Science (KIIMS)
Pira Bazar, Infront of Sadar PS
Cuttack-753 011, Odisha, India

ABSTRACT

In India, MSMEs have a pivotal role to play in the overall growth of industrial economy. In recent years, the MSME sector has consistently registered higher growth rate compared to the overall industrial sector. In India MSMEs contribute nearly 45% to manufacturing and about 40% to the Indian export sector. Their contribution to the Indian GDP is 8% and the sector has registered growth rate of 10.8%. Indian MSMEs have moved up the value chain from manufacture of simple goods to manufacture of sophisticated products. In line with the overall growth in Indian economy, SMEs have entered the services sector as well. Associated with this high growth rates, MSMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic and global competition, fund shortages, change in manufacturing strategies and turbulent and uncertain market scenario. To survive with such issues and compete with large and global enterprises, MSMEs need to adopt innovative
approaches in their working. Innovation could be on multiple parameters like business processes, product/service development, technology, handling external environment to compete with large enterprises globally. Clustering and networking approach adopted by Government of India and State Governments for development of MSMEs has helped these enterprises in boosting their competitiveness. Indian SMEs are also implementing new and innovative information and communication technologies on a large scale like Software as a Service (SaaS) and Infrastructure as a Service (IaaS). This paper focuses on changing face of MSME in India and the opportunity that offers in the context to industrial growth.

**Key words**: Innovation, Economic Slow Down, ICT, MSME, Industrial Growth.

**INTRODUCTION**

With its growth rate of above 8%, India is expected to be the second largest economy in the world by 2013. Not only has its share in global merchandise exports increased from less than 0.6% in 2000 to 1.6% in 2010, it is also emerging as an important investor in other countries in the manufacturing as well as services sectors. For instance, more than 100 Indian firms have already marked their presence in Africa. However, India’s incredible growth story also contains certain confounding facts. With so much going for the country, it still ranks poorly on many global dimensions. For instance, on the Human Development Index, it ranks 132 out of 179 countries, on the Transparency Index it ranks 85 out of 180 countries, on the Prosperity Index it ranks 70 out of 104, on the Education Index 142 out of 176, and on the Global Hunger Index 66 out of 88.1 With high GDP growth existing alongside poor performance in many metrics, India has graduated to a new problem – growing economic disparity.
The solution to India’s challenges lies in providing answers to the question on poverty, from eliminating it to fostering the creation of wealth by many across the nation. A holistic and strategic approach to developing India’s micro, small and medium enterprises (MSMEs) is the most effective approach to addressing disparity. In India, small business entities are next only to agriculture. With micro businesses traditionally known as village and cottage industries, Indian MSMEs boast of ancient heritage. Today, India’s small sector consists of (i) micro enterprises (village and cottage industrial units) (ii) small enterprises and (iii) medium enterprises. In accordance with the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the micro, small and medium enterprises (MSMEs) has been classified into two categories, i.e. manufacturing enterprises and service enterprises.

**Manufacturing Enterprises:** These are the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation Act, 1951). Manufacturing enterprises are defined in terms of investment in plant and machinery.

**Service Enterprises:** These are the enterprises engaged in the provision of services and are defined in terms of investment in equipment. The limit for investment in plant and machinery, equipment for manufacturing, service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006 are as under the following:

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing Sector</th>
<th>Services Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprises</td>
<td>Investment in plant and machinery</td>
<td>Enterprises</td>
</tr>
<tr>
<td>Micro</td>
<td>Does not exceed Rs 25 Lakh</td>
<td>Micro</td>
</tr>
<tr>
<td>Small</td>
<td>More than Rs. 25 lakh but does not exceed Rs. 5 crore</td>
<td>Small</td>
</tr>
</tbody>
</table>
PERFORMANCE OF MSME

Small scale enterprises play an important role in the country like India. Their contribution can be easily measured through the employment generating ability, growth of SMEs, Distribution of income level. The following data can give a quick glance on the contribution of MSME. MSME sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value the sector accounts for about 45% of the manufacturing output and 40% of the total exports country. The sector is estimated to employ about 59 million persons in over 26 million units throughout the country. Further this sector has consistently registered a higher growth rate than the rest of the industrial sector. These are over 6000 products ranging from traditional to high tech items which are being manufactured by MSME in India.

**TABLE 1: PRODUCT-WISE PERFORMANCE OF MSME**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Products</td>
<td>22</td>
</tr>
<tr>
<td>Rubber &amp; Plastic</td>
<td>6</td>
</tr>
<tr>
<td>Electricity &amp; Machinery</td>
<td>6</td>
</tr>
<tr>
<td>Metal Products</td>
<td>8</td>
</tr>
<tr>
<td>Basic Metal Industry</td>
<td>10</td>
</tr>
<tr>
<td>Chemical &amp; Chemical Products</td>
<td>12</td>
</tr>
</tbody>
</table>

**Source:** Annual Report, 2009-10, Ministry of Micro, Small and Medium Enterprises, www.msme.gov.in

MSMEs lead to entrepreneurial development and the diversification of the industrial sector. They also provide depth to the industrial base of the economy. Employment opportunities are generated and the capital cost per employee is low. With the services sector dominating the MSME, and MNCs outsourcing their requirements to Indian service
providers, the scope for MSME finance has increased. There is also a more favorable environment now with the government committed to give impetus to this sector through infrastructure development, skill set development, entrepreneurship development, technology upgradation, etc.

Considering the importance of the sector in the overall growth of the economy, the Indian prime minister announced the task force on MSMEs in August 2009. Accordingly, it was set up in September 2009 under the chairmanship of the principal secretary to the prime minister to look into the issues and concerns of the sector in a holistic manner. The task force’s recommendations are now being implemented in the approach to the 12th Five Year plan of India. They address the critical issues that organizations in this sector face—credit, skill improvement, access to markets and raw materials, and coping with a multiplicity of regulations. High-level committees have also been set up to monitor the progress of these recommendations.

**SUMMARY OF RECOMMENDATIONS OF THE PRIME MINISTER’S TASK FORCE ON MSMES**

<table>
<thead>
<tr>
<th>Measure that need immediate action</th>
<th>A standing rector committee to</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strict adhar once to stipulated or credit targets by commercial banks for the major enterprises.</td>
<td>• A standing review committee to monitor the flow of credit to the MSME sector.</td>
</tr>
<tr>
<td>• A separate fund with Small Industrial Development Bank of India (SIDBI) using the shortfalls against the MSME credit targets set for commercial</td>
<td>• Micro-finance institutions (MFIs) to finance mater to enterprises</td>
</tr>
<tr>
<td>• A public procurement policy for MSME’s as contsaged in the Micro, Small and Medium Enterprises Development Act, 2006.</td>
<td>• District industries centres (DICs) to be strengthened</td>
</tr>
<tr>
<td>• Of set policy of the government should give priority to MSME’s. This does not make sense rewrite please.</td>
<td><strong>Legal and Regulatory Structures</strong></td>
</tr>
<tr>
<td>• Additional public spending to the ture of Rs. 5,000 crore to 5,500 crore over the</td>
<td>• The establishment of SME exchange</td>
</tr>
<tr>
<td></td>
<td>• Legal option of scarifisation trade credit recordable of the promotion of factoring services</td>
</tr>
<tr>
<td></td>
<td>• Winder adoption of the new format like limited liability of partnerships and single person companies</td>
</tr>
<tr>
<td></td>
<td>• Comprehensive review of the insoburent</td>
</tr>
</tbody>
</table>
next three to five years to specifically target deficiencies in the existing infrastructure and institutional set-up.

**Medium Term Institutional Measures**
- Improvement of the instrumental set-up at the national level for the promotion and development of MSMEs.
- Legislation
  - Simplification of the labourer laws, especially those applicable to the MSME sector.

---

**GROWTH OF MSMEs IN NUMBERS**

If one can consider the following data table it shows a clear picture about the total no of MSMEs those who are operating in India. The MSMEs were 123.42 lakhs in the Year 2005-06 but in the year 2009-10 it has touched around 298.08 lakhs which is more than doubled. So it is clear from the data that in India there is lots more scope for entrepreneurship development. In a country like India which is developing but the population has touched the mark of 1 billion MSMEs play an important role by giving self employment and by generating employment opportunities for the people.

![Fig 1: MSME Units in Lakhs](http://www.mospi.gov.in)

Source-M/O Statistics&PI - http://www.mospi.gov.in

**FIG 1: MSME UNITS IN LACKS**
EMPLOYMENT OPPORTUNITY

The following figure gives information related to employment from 2005-06 to 2009-10.

![Employment in Lakhs](image)

**Source:** M/O Statistics&PI - [http://www.mospi.gov.in](http://www.mospi.gov.in)

**FIG 2:** EMPLOYMENT THOUGH MSME IN LACKS

The following table indicates the types of organization constituted in India under MSME.

**TABLE 2: DISTRIBUTION TYPE OF ORGANIZATION**

<table>
<thead>
<tr>
<th>Constitution</th>
<th>In Lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary</td>
<td>14.09</td>
</tr>
<tr>
<td>Partnership</td>
<td>0.63</td>
</tr>
<tr>
<td>Private companies</td>
<td>0.43</td>
</tr>
<tr>
<td>Public company</td>
<td>0.08</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>0.05</td>
</tr>
<tr>
<td>Others</td>
<td>0.36</td>
</tr>
</tbody>
</table>

**Source:** Annual Report, 2009-10, Ministry of Micro, Small and Medium Enterprises, [www.msme.gov.in](http://www.msme.gov.in)

INNOVATIONS IN MSME

The sustainability of India’s growth momentum is under threat due to the dualistic development that has created the urban-rural divide as well as the looming environmental
threats leading to water and energy shortages. A holistic and integrated focus on building a nationwide entrepreneurial ecosystem can reshape India’s socio-economic landscape in the next decade and enhance its socio-economic dimensions of growth. Nationwide entrepreneurship development with appropriate scale scope and innovation will make all the difference. Statistics are already emerging on the increasing importance of innovation and it scale and scope among the country’s firms today. A National Knowledge Commission of India study reveals that 42% of large firms and 17% of MSMEs have introduced ‘new to the world’ innovations during the course of their business. Seventeen per cent of the large companies rank innovation as the top strategic priority and 75% rank it among the top three priorities.

According to a World Bank report focused on enhancing the innovation capacities of India’s enterprises to unleash its innovation potential, India needs to develop a strategy that does the following:

- Focuses on increasing competition as part of improving its investment climate, supported by stronger skills, better information infrastructure, and more finance—public and private.
- Strengthens its efforts to create and commercialize knowledge, as well as better diffuse existing global and local knowledge and increase the capacity of smaller enterprises to absorb it. If all enterprises could achieve national best practices based on knowledge already used in India, the output of the economy could increase more than five-fold.
- Fosters more inclusive innovation, by promoting formal R&D efforts for poor people and more creative grassroots efforts by them, and by improving the ability of informal enterprises to exploit existing knowledge. The following table explains the improving the investment climate, especially sharpening competition.
### TABLE 3: INCREASED PRODUCTIVITY AND WELFARE THROUGH BROADLY BASED INNOVATION

<table>
<thead>
<tr>
<th>Knowledge Creation and Commercialization</th>
<th>Inclusive Innovation</th>
<th>Knowledge Diffusion and Absorption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing private R &amp; D offers</td>
<td>Harnessing formal creation activities for poor</td>
<td>Spurring enhanced global knowledge flows</td>
</tr>
<tr>
<td>Improving the allocation and efficiency of public R&amp;D</td>
<td>Promoting and diffusing indigenous grassroots innovation</td>
<td>Improving the quality, diffusion and absorption of metrology standards, testing and quality services</td>
</tr>
<tr>
<td>Strengthening the commercialization of knowledge</td>
<td>Helping the thermal sector better absorb costing knowledge</td>
<td>Strengthening the absorption capacity of micro, small and medium enterprises (MSMEs)</td>
</tr>
</tbody>
</table>

#### Support Mechanisms

<table>
<thead>
<tr>
<th>Skill and Education</th>
<th>Information Infrastructure</th>
<th>Innovation Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addressing basis skills (improving primary and secondary education and informal sector skills)</td>
<td>Expanding ICT infrastructure in rural and urban areas</td>
<td>Providing financial support for early-stage technology development</td>
</tr>
<tr>
<td>Building worker and manager skills</td>
<td>Developing ICT infrastructure for high-and research institution and other applications</td>
<td>Developing early stage venture capital</td>
</tr>
<tr>
<td>Increasing the number of highly skilled engineers and researchers (improving India’s university systems)</td>
<td></td>
<td>Strengthening financial for technology absorption by MSMEs</td>
</tr>
</tbody>
</table>

Innovation under local conditions is a critical element to help MSMEs, both new and existing, to address India’s mega challenges. First and foremost, any innovation must think about the concept of scale in the Indian context, the target customer size, reach, price points, and how to leverage local resources given all attendant cultural and regional insensitivities. To address this, the country should have its own indigenous pervasive models. To emulate established global models, India needs to re-assess the applicability of these models in the Indian context.
India has always seen abundant localized creativity, or jugaad. This literally means working around a lack of resources by making best use of available resources and coming up with a quick-fix solution. The problem however, has always been the institutionalization of this innovation. Many Indian MSMEs innovate and offer new products and services that address a multitude of problems. But this innovation fails to sustain. Few companies go beyond the one innovative product or service. So, even while new technology start-ups can embark on breakthrough innovations for building knowledge-intensive businesses, MSMEs should look at incremental innovation to ensure competitiveness.

Recognizing the importance of generating, commercializing and absorbing R&D, in recent years, the government has created a number of support programmes, which could of course be more effective. Public programmes supporting innovation have achieved significant successes. Still, their outcomes have not been commensurate with the needs of the Indian economy or the resources invested in them.

a) Technology Transfer

In a knowledge society, technology innovation is regarded as an important factor that drives national and corporate competitiveness alike. While innovation is the key word for every economy, India’s challenge is to make innovation work for the masses and create sustainable businesses. The principal sources of technological innovations are the academia, R&D organizations, individual innovators, etc. The key challenge, however, is technology transfer. Notably, a few laudable initiatives from various government agencies, e.g DSIR, DBT, etc, foster innovation, technology entrepreneurship and above all, opportunities to SMEs to attempt high-risk pre-proof-of-concept R&D. Certain academic and technical institutions show that world-class innovation can take place in an environment where academia and business collaborate. A strong culture of
communication between universities and industry helps bridge the gap between science and economy and becomes a critical component in unleashing a country’s innovation potential. Some institutional set-ups of significance towards the management of knowledge for creating economic value include S&T parks, technology and business incubators and academic technology licensing offices.

Globally, many organizations are successfully linking academic institutions with the industry. In India, the Foundation for Innovation and Technology Transfer (FITT) (est. 1992) has been a pioneering industry-interface organization. Over the years, FITT has gained the confidence of both the academic community as well as the industry by providing a flexible and facilitating work ethos. Fortunately, in India, we are seeing an institutional policy shift towards attuning research establishments to market needs. This includes identifying areas of collaboration, bankable projects, addressing IPR issues and involving industry and financial experts in the process of economic value addition to the knowledge generated through research and development.

b) The Cluster Approach

Applying the cluster approach has proven useful as the point of departure for the design of innovation policies to support SMEs in Asian countries. In contrast to other more atomistic approaches working with the same variables but in isolation, the cluster approach considers the links and dependencies of different institutions and organizations. Thinking ‘systemic’ allows selective interventions in the weakest as well as the most critical nodes in the system. Selectivity is crucial for developing countries where financial resources are scarce. This in turn can help policymakers avoid policy interventions focusing on just one variable of the system leading to decreasing returns unless supported by complementary investments.
KEY CHALLENGES

MSMEs face certain distinct challenges because of their very nature. One of the biggest is the stiff competition from two sources - bigger and established players in the market and imports. These make it necessary for MSMEs to innovate and either introduce a product or a service to fill the void created by bigger players, or reduce costs and streamline processes to enable them to be on a more level playing field against bigger players.

However, MSMEs’ ability to innovate is usually restricted by two types of challenges—strategic and operational.

a) Strategic
   - Intellectual Property Rights (IPR)
   - High Cost of Credit

b) Operational
   - Lower Technology Levels
   - Insufficient Infrastructure
   - Lack of Skilled Manpower
   - Problems of Storage, Designing, Packaging and Product Display
   - Delays in Settlement

OPPORTUNITIES FOR MSMEs

The MSME segment has been in the focus from several government institutions, corporate bodies and banks. Apart from the policy focus and the government’s thrust on promoting
this segment, globalization and India’s robust economic growth have opened several latent business opportunities for it.

**Food Processing**

MSMEs bridge the gap between the agriculture and industrial segments in India. The Indian food processing industry is estimated to cross the $300 billion mark by 2015. MSMEs currently contribute 90% of the industrial units and 40% of the revenue to the sector. With the current policy of small-scale industries (SSI) reservations, this sector has seen the predominant growth of regional enterprises. With their innovative concoctions and confections, MSMEs in the food processing industry are now moving away from low-income groups and catering to the export demands of the premium segment.

Innovation can also help the industry overcome storage and transport constraints which currently limit market access to MSMEs. With new technological developments in cold storage and increasing distribution networks through internet connectivity, MSMEs can further advance into geographical areas and new product markets.

**Biotech and Pharma**

The Indian pharmaceutical market is the fourth largest in the world in terms of volume and the 14th largest in terms of value. This market was US$ 12 billion in 2010 and is expected to grow at a CAGR of 17 to 20% over the next few years and reach around US$ 50 billion to 74 billion by 2020. India is expected to be one of the top 10 markets by 2020.

India’s Patent Act of 1970 provided protection just for product patents and not processes. Indian pharmaceutical companies developed domain expertise in process innovation and
have achieved significant successes in low-cost manufacturing. The country has also developed strong expertise in quality systems associated with pharma manufacturing like WHO Good Manufacturing Practices (GMP) and today, has over 150 plants certified by the US Food and Drug Administration (FDA), the largest number in any country outside the US. Many SME units set up in the 70s and 80s have become mid- or large-sized companies today.

Defense and Homeland Security

Globally, MSMEs play a vital role in supporting public sector enterprises and bigger integrators within the supply chain of defense and aerospace. They benefit from having a lean structure, agility, lower cost of setting up business, highly skilled labor and cost competitiveness in terms of production of smaller systems and subsystems. India’s first defense production policy aimed to enhance the capabilities and growth trajectory of SMEs in the security domain. Also, the Defense Ministry is looking to achieve 70% indigenization and 30% imports in defense acquisition. This accelerated growth of the domestic industry was essential to meet the requirements of the armed forces and the paramilitary.

Clean-tech or Green Technology

The area of clean energy production or clean-tech, as the industry is now popularly known as, is at the forefront of innovation. The driver of innovation here is the high cost of traditional fuels like coal, petroleum and derived products. Most enterprises in this sector are also driven by the harmful environmental effects caused by traditional fossil fuels and strive to make an impact larger than the economics of their business. This has led to a surge in companies looking to tap into the easily available raw materials to produce energy. The one innovation everybody in the cleantech business was chasing a decade ago was
converting bio-diesel into a mass fuel. Jatropha-based fuels, which took off successfully then, are still being considered an alternative to traditional jet fuels worldwide. However, India did not benefit from it as, contrary to initial research, Jatropha did require irrigation and fertilisers to maintain good yields of oil. However, the basis of the cleantech industry is innovation. Small entrepreneurs with an idea have tried to make their mark on this industry.

GOVERNMENT INITIATIVES AND POLICIES

The Indian government has announced policy measures for easy and adequate availability of credit for the MSME sector. In addition to the policy packages, the Indian government has also introduced schemes like the credit guarantee scheme and the performance and credit rating scheme to ensure better availability of credit to MSMEs.

Finance

In recent years, India has witnessed an increased flow of capital in the form of primary and secondary securities markets, venture capital, private equity, external commercial borrowings, factoring services and others.

RBI initiatives

The RBI has taken several measures to make credit available to the employment-intensive sector of MSMEs. In June 2011, the RBI asked banks to ensure that lending to SMEs grows at a decent pace. According to the data provided by the RBI, bank credit to SMEs grew by 13% in May, as compared to 14.8% growth recorded in the same month last year. Banks were given instructions to step up credit to micro and small units to 55% of the total SME
financing by 2012 and 60% by 2013. Also, the number of accounts needed to grow by 10% every year.

**Procurement**

The Micro, Small and Medium Enterprises Development Act, 2006, stipulate that for facilitating the promotion and development of this sector, the central and state governments should give preference to policies with respect to the procurement of goods and services produced and provided by MSMEs. The proposed public procurement policy seeks a mandatory 20% share for MSMEs in all government and public sector unit purchases over a period of three years. The Department of Expenditure (DOE) and Chief Vigilance Commission (CVC) have replaced the procurement mode of all public sector units from paper-based to the electronic one. This has benefited MSMEs by reducing costs and enhancing efficiency.

**Manpower**

The government has realized the importance of vocational education and skill upgradation of the existing workforce. So, it has taken initiatives to upgrade nearly 1,390 industrial training institutes (ITIs) in public private partnership mode across the nation. The scheme support for entrepreneurial and managerial development of MSMEs through incubators aims to nurture innovative business ideas, which can be commercialized in a year. Under the scheme, various institutions like engineering colleges, research labs, etc. are provided with funds up to Rs 6.25 lakh for handholding each new idea or entrepreneur. The incubators provide technology guidance, workshops, lab support and linkages to other agencies for the successful launch of business. Further, they also guide the entrepreneur in
establishing the enterprise. Under the scheme, 25 institutions have been approved for nurturing innovative business ideas near the commercialization stage.

**Intellectual Property**

The scheme for building IPR awareness was launched to enable Indian MSMEs gain a global leadership position. It was to empower them to use the tools of IPR effectively for innovative projects. The Ministry of MSME has set up an intellectual property cell which provides a range of IP related services such as prior art-search, validity search, patent landscape, studies on technology development, etc. The implementation of proper intellectual rights regime will help SMEs gain access to newer markets, avoid wasteful investment in R&D and marketing, negotiate licensing, franchising or other IP-based contractual agreements and increasing market value to lead to other potential benefits.

**Information Availability**

‘Udyami helpline’, the call centre of the Ministry of MSME, has been created as a single-point facility for a wide spectrum of information and accessibility to banks and other MSME-related organizations. Udyami provides information to first-generation entrepreneurs regarding project profiles available on the website of the ministry, the Khadi and Village Industries Commission (KVIC) and other ministries. It also gives information on the other formalities required in setting up an enterprise, for getting loans from banks, the availability of subsidy under various schemes of the ministry, etc.
FINANCING OPTIONS

Finance is the lifeline of any enterprise. India has one of most extensive banking infrastructures in the world. Yet, even though there has been rapid expansion of the banking infrastructure in recent years, the provision of finance to grass-root level businesses, spread across the length and breadth of the country, still remains an enormous challenge. Also, Indian MSMEs have limited access to finance. A number of MSMEs run on the promoter’s investment which severely limits their growth. The non-availability of institutional finance at affordable terms is also hindering innovation in the Indian MSMEs. In India, the preferred mode of finance is either self or other sources. This further complicates the situation. Faced with increased competition, on account of globalization, MSMEs are beginning to opt for other specialized financial services and options.

Financial institutions, such as SIDBI, IDBI, ICICI and IFCI are providing financial assistance for supporting innovation and commercialization of indigenously developed technologies. They also assist in the adoption of imported technologies for wider domestic applications through venture capital in the country. Some examples of innovation in MSME financing include the following:

- Factoring Services
- Risk-sharing Facility
- Micro Credit
- Financing through Banks
- Venture Capital and Private Equity
- Angel Investors
- Risk Capital
CONCLUSION

One of the key driving forces for industrial augmentation is the growth of MSMEs because it helps create employment. However, several factors like credit policies and innovation barriers restrain the profitability of this sector. Poor infrastructure, especially power, is a major hindrance when it comes to being competitive, especially for SMEs who cannot afford to build their own infrastructure. SMEs form the foundation of the manufacturing sector in all large manufacturing countries. They generate employment within the manufacturing sector, and contribute to the country’s exports. SMEs adopt newer technologies and improve their productivity most effectively within industrial clusters around larger enterprises preferably linked with technology institutes. To help the growth of innovative and competitive manufacturing enterprises, both small and large, India must stimulate the growth of dynamic clusters. Difficulties faced while acquiring land and poor infrastructure are major handicaps for Indian manufacturing enterprises. The clustering of enterprises, along transport corridors and adjacent to ports, also enables the provision of good infrastructure to them. The Indian government realizes the role played by MSMEs in the economic and social development of the country because employment potential and the overall growth in the MSME sector are much higher than in the large industries. MSME is considered as the core segment of every economy as it has to its credit of generating the highest rate of employment growth contributes a major share in industrial production and exports and most of all nurturing innovative entrepreneurial talent. Further, it ensures
creation and growth of money supply in urban as well as rural areas, thereby improving the purchasing power and per-capital income of the people. Hence, proper measures should be taken to safeguard MSME’s from any financial sickness, adverse variations in operational activity and hostile takeovers on account of plunge in overall demand. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession. A growing recognition has been felt throughout the world such that SMEs have a vital role to play in the present context given their greater resource-use efficiency, capacity for employment generation, technological innovations for economic growth of any country across the globe.

REFERENCES


