



Business Potential and Market Prospects for SMEs: The Indian Perspective

SME'S – DIFFERENT DEFINITIONS

UK

- **Turnover** *Not more than £6.5 million*
- **Employees** *Not more than 50*

France

- **Turnover** *Not more than €40 million*
- **Employees** *Not more than 250*

Germany

- **Turnover** *Not more than €10 million*
- **Employees** *Not more than 50*

South Africa

- **Turnover** *Not more than €4million*
- **Employees** *Not more than 200*

India

- **Investment in plant and machinery** is *Not more than Rs. 5 crore / 1 million US\$ (For manufacturing SMEs)*

SME SECTOR IN INDIA : AN OVERVIEW

Employs 73 million people

Contributes 45% of manufacturing output

Accounts for more than 8% of India's GDP (Gross Domestic Product)

Accounts for 40% of India's Exports

Around 26 million enterprises

SME SECTOR IN INDIA : AN OVERVIEW

Produces more than 6000 products ranging from traditional to hitech items

Consistently registered higher growth rate than the rest of the industrial sector

Provides good opportunities for both self employment and wage employment

CONTRIBUTION OF MSME'S IN INDIA'S INDUSTRIAL PRODUCTION & GDP

Year	Contribution of MSMEs(%) at 1999-2000 in	
	Total Industrial Production	Gross Domestic Product
2004-2005	38.62	5.84
2005-2006	38.56	5.83
2006-2007	45.62	7.2
2007-2008	45.24	8
2009-2009	44.86	8.72

Source: Annual Report 2011-12, Ministry of Micro, Small and Medium Enterprises, Government of India

MAJOR PRODUCTS OF MSMEs ARE

- ❑ Food products & beverages (14.26%)
- ❑ Wearing Apparel (13.67%)
- ❑ Fabricated metal products (8.96%)
- ❑ Repair & maintenance of personal and household goods, retail trade (8.46%)
- ❑ Textiles (6.78%)
- ❑ Furniture (6.36%)
- ❑ Machinery and Equipments (4.66%)
- ❑ Other non-metallic mineral products (3.77%)
- ❑ Repair & maintenance of motor vehicles , retail sale of automotive fuel (3.72%)
- ❑ Wood and wood products (3.53%)
- ❑ Others (25.82%)

MAJOR SME CLUSTERS IN INDIA

Hyderabad – Machineries, pharmaceuticals & bulk drugs, foundry

Delhi – Castings & metal fabrication, auto components, engineering equipments

Surat – Diamond processing, textile machinery, wooden furniture

Bangalore – Readymade garments, light engineering, leather products

MAJOR SME CLUSTERS IN INDIA

Mumbai – Plastic toys, hosiery, packaging materials, readymade garments

Jalandhar – Rubber goods, surgical instruments, handtools, wooden furniture

Coimbatore – Diesel engines, hosiery, machine tools, casting & forging, hosiery

Jaipur – Gems & Jewelry, ball bearing, electrical engg equipment, garments

IMPERATIVES FOR SMES

- ❑ Easy Access to Credit & Finance
- ❑ Technology Up-gradation
- ❑ Availability of Skilled Manpower & HR Practices
- ❑ Marketing Avenues
- ❑ Uptake for Govt. Schemes & Programmes
- ❑ Synergy in MSME Clusters
- ❑ Mentoring & Handholding

POLICY INITIATIVES OF THE GOVERNMENT OF INDIA FOR SME SECTOR

- Prime Minister's Task Force on MSME (Micro, Small & Medium Enterprises) covering:
 - Credit
 - Marketing
 - Labor
 - Rehabilitation and exit policy
 - Infrastructure
 - Technology & Skill development

POLICY INITIATIVES OF THE GOVERNMENT OF INDIA FOR SME SECTOR

- ❑ Provision for sourcing from SME sector in recently announced FDI in multi brand retail sector
- ❑ The government has allowed 51 per cent foreign direct investment (FDI) in the multi-brand retail sector. In order to protect the interest of small enterprises, the Cabinet has said that the global retailers will have to procure 30 per cent of their requirement from small units.

POLICY INITIATIVES OF THE GOVERNMENT OF INDIA FOR SME SECTOR

- ❑ Reservation/De-reservation of products for manufacture

At present, only 20 items are reserved for exclusive manufacture in micro and small enterprise sector

POLICY INITIATIVES OF THE GOVERNMENT OF INDIA FOR SME SECTOR

□ National Manufacturing Competitiveness Programme (NMCP)

Some of the components of NMCP are

- Marketing support and Technology upgradation
- Incubator
- Setting up of Mini Tool Room & Training Centers
- Building awareness on Intellectual Property Rights (IPR)
- Enabling competitiveness through Quality Management Standards and Quality Technology Tools
- Promotion of ICT in manufacturing

SUCCESS STORIES

- ❑ In India, we have many examples such as, Bharti Airtel & Hero Group that started as SME and then expanded to become large conglomerates

WHY SHOULD SMES BE PROMOTED?

Critical part of supply chain, sub-assemblies and services to larger companies

More flexible

Can perform activities that are not economically viable for large enterprises

WHY SHOULD SMES BE PROMOTED?

Job creation: More suited to developing countries like India as we have vast pool of labor but limited capital

More SMEs mean greater equality in distribution of income

THANK YOU