Literature Review:

Willam Stoever (2002)

The author states that, India has always strategized foreign investment policies with the motive of being self reliant. India has always targeted to import only those items and goods that are not available in the domestic market.

Roopa Kudva (2011)

The Managing Director of CRISIL says it is not easy to attract MSME’s to do a credit rating, however it is important to have the credit rating done if the MSME’s wants to position itself in the international market as well as there is a rebate from the bankers in the lending terms. Unfortunately the 75% subsidy is available only for the first time/year the MSME gets its rating done subsequently they have to bear the entire cost next year which is a strain on the purse strings. Producing a new framework for rating SMEs is important, because most would receive low ratings on traditional scales solely because of their small size. The benchmarks used for large corporations have to be abandoned.

India Juris- The International Law Firm (2006)

This firm has published an e-book on the foreign investment in India talks about the transition of the foreign policy from FERA to FEMA. The FERA was the law to control the foreign investments while FEMA is the one to regulate them. FEMA has been liberal on the laws and helped to reduce the rigors of the foreign exchange by removing the stringent provisos.

Krishna Kumar (2003)

He views that in India foreign collaborations have generally been to have the technological transfer which involves high cost. It is important to understand the MSME’s single handedly cannot afford this cost, however if a group of MSME’s of similar nature of work come together the burden of the foreign collaborations can be shared effectively.
C.B.Bhave (2010)

In his opinion the MSME’s are a catalyst in most of the economies and constitute a major part of the industrial activity. MSME’s generally face financial crisis. He foresees that the SME Stock Exchange will be a great boon to this sector as it will provide a wide pool of capital, increased status and credibility and other benefits.

Sangeeta Baksi (2010)

TIFAC is of the opinion that, there are few programs which are of utmost importance in the MSME-led technology development efforts, which promote the public private partnership. More so the technological development has never been a straight forwards process. Technological innovations have been the key to the survival of the MSMEs. Four decades of planned development have elevated India to a stage, where the country demonstrates some remarkable strength in modern technologies for achieving development goals.

Y. Srinivas (2005)

MSMEs play a very significant role in the economy in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. However, despite their importance to the economy, most SMEs are not able to stand up to the challenges of globalisation, mainly because of difficulties in the area of financing. With the opening up of the Indian economy, it has become necessary to consider measures for smoothening the flow of credit to this sector. Small and Medium Enterprises (SMEs) play a very significant role in the economy in terms of balanced and sustainable growth, employment generation, development of entrepreneurial skills and contribution to export earnings. However, despite their importance to the economy, most SMEs are not able to stand up to the challenges of globalisation, mainly because of difficulties in the area of financing.

Keshab Das (2007)

Despite an elaborate and dynamic policy framework, the progress of Indian MSMEs
continues to be hindered by some of the basic constraints as poor credit availability, low levels of technology (hence, low product quality and limited exportability) and inadequate or no basic infrastructure, both physical and economic. It is too early to assess the impact and effectiveness of a plethora of new policy measures, announced very recently. He says that much of the potential of small firms to grow and nurture innovativeness is shaped by the kind of infrastructure, both physical and economic, available and can be accessed at reasonable costs. The MSMED ACT attaches importance to networking with stakeholders both upstream and downstream in the entire global value chain, from raw material procurement to processing/manufacturing to marketing to customer services.

**Bhatendra Kumar Gupta (2008)**

In India, the MSME sector is the second largest employer after agriculture. With the growth in the Indian Economy it is of need for the MSME to raise capital is becoming increasingly critical. He says that there is a need for the dedicated STOCK Exchange for the MSME sector to cater to their needs better which are different from the large industries.

**Tarak Shah (2011)**

The major problem of inadequate financing to SMEs needs an urgent attention amongst the others such as adequate credit delivery to SMEs, better risk management, technological upgradation of Banks esp. Public Sector Banks, attitudinal change in Bankers. The SMEs sector is considered to be an untapped market for financial institutions in India. The only way out of the mire is that the Indian manufacturing sector could be strengthened by the existing rural systems and making them self-sufficient. This could take place only by helping Small and Medium Enterprises and the rural artisans (people with innate skills and talents) in becoming effective and competitive enough to face the future. A number of issues and business practices of global players and markets can be observed, learnt and adapted for ensuring competitiveness of Indian SMEs.

**SME Chamber of India (2011)**

SMEs are now exposed to greater opportunities than ever for expansion and
diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

**Risk And Capital Management in MSME’s- by SIDBI (2010)**

The advent of globalization offers both challenges and opportunity to MSMEs. The challenge for them is to remain competitive and consistently deliver value to customers. The opportunities available include tapping the global markets and growth in scale by forging strategic partnerships. Internationally, Risk Capital forms the basis of entrepreneurial ecosystem. Risk Capital is an important instrument for not only start-ups and innovative / fast growing companies but is also critical to those looking at growth. However the sources of risk capital are limited in developing countries. It is encouraging to note that with global integration of economy, emerging markets like India are sought after destinations for successful Private Equity (PE) funds. However, the PE Funds continue to focus on larger investments and bigger corporatised units though there are more success stories of software and other new economy enterprises in the medium sector being assisted by Venture Capital [VC] Funds. Majority of the MSMEs are owner driven with lesser inclination towards formal organizational structures. The non corporate structure and small size of the majority of MSMEs in India makes the venture capitalists and other risk capital providers reluctant to investing in them due to higher transaction costs and difficulties in exits out of such investments. Thus, it is critical to have appropriate risk capital products and focused funds for MSMEs of different size and constitution.


Governments in both industrialized and developing countries provide a wide variety of programs to assist small- and medium-scale enterprises (SMEs). Despite the success of SME strategies in a few countries, the majority of developing countries have found that the impact of their SME development programs on enterprise performance has been less than satisfactory? This paper investigates the economic rationale for intervention in support of small- and medium-scale enterprises, on both theoretical and empirical
grounds. It also suggests a framework for SME intervention to help the Bank Group's client countries design SME strategies, gauge the effectiveness of assistance programs, and achieve the objective of raising SME competitiveness.


The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 per cent of MSMEs are unregistered, with a large number established in the informal or unorganized sector. Besides the growth potential of the sector and its critical role in the manufacturing and value chains, the heterogeneity and the unorganized nature of the Indian MSMEs are important aspects that need to be factored into policy making and programme implementation.

**Sickness and Rehabilitation of MSMEs in India (2005)**

The author feels that the SMEs will fail in a sector for a variety of reasons. Global competitiveness has strained India’s already weak infrastructure, which severely hinders the production of small scale industries. There are a multitude of reasons for failure, however, not all of them related to competition. Lack of knowledge, available capital, qualified workers or even motivation on the part of the owner are all viable reasons for business failure. Whatever the reason for failure, the business must have some sort of recourse to ‘declare’ its sickness. In India, what constitutes this mechanism is relatively unclear, and despite current progress, has left much inefficiency.

**RBI’s Report of Working Group on Rehabilitation of Sick SME’s (2008)**

A Working Group was constituted under the chairmanship of Dr. K. C. Chakrabarty, Chairman and Managing Director, Punjab National Bank to suggest measures for improving credit flow to the SME sector as well as measures for early implementation of rehabilitation/nursing of sick SME units by examining feasibility of bringing in additional capital through alternative routes, such as, equity participation, venture financing, etc. As an incentive for proper restructuring package at the time of rehabilitation, necessary
support for business restructuring, modernization, expansion, diversification and technological upgradation as may be felt necessary by the lenders may also be encouraged. Support schemes like Credit Linked Capital Subsidy Scheme in case of units in other (than rural) areas, KVIC Margin Money Scheme (for units in rural areas) may be extended for rehabilitation packages also. Many other recommendations have also been given.

Vijay Kumar (2011)

Talking about a few basic issues being faced by the MSMEs sector is lack of awareness, investment and resource, "Zero wastage and continuous design improvement hold the key to survival and growth of MSMEs."

Rajesh Dubey (2010)

The author says Actually, Private Equity and Venture Capitalists firms would be interested in investing in a listed company. Credit ratings would help an entity to get an exposure. First of all, the fear is that the MSME may not get a good rating. Second is probably the financial statements that they have prepared to get rated do not reflect their true and fair picture of their performance. And, the rating agencies will not look beyond that. These could be the two main reasons why SMEs may not be interested while going for a rating. We need to look at what is their management and how sound a promoter is, or how resilient the SME has been and their overall performance.

Madhu Bala (2007)

The Government has recognized its importance for the economy and its intention towards promotion of SSIs is reflected in various Industrial policy Resolutions right from the year 1948. The primary objective of the Small Scale Industrial Policy during the nineties was to impart more vitality and growth-impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports. The sector has been substantially delicensed. Further efforts would be made to deregulate and debureaucratise the sector with a view to remove all fetters on its growth potential, reposing greater faith in small and young entrepreneurs. All statutes, regulations and procedures were reviewed and modified, wherever necessary, to ensure that their
operations did not militate against the interests of the small and village enterprises.

Shamika Ravi (2009)

The MSME sector has often been termed the ‘engine of growth’ for developing economies. We begin with an overview of this sector in India and look at some recent trends which highlight the development and significance of this sector vis-à-vis the Indian economy. Over the last few years, there have been major policy changes at the federal and state level aimed at consolidating and developing this sector. The MSME Development Act of 2006 is perhaps the most crucial of these recent policy changes.

Porter M. E (2010)

The author says the major objectives of the new industrial policy package should be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness.

B. Yerram Raju (2011)

The problem which continues to be a big hurdle for the development of the sector is lack of access to timely and adequate credit. The Abid Hussain Committee on SSIs (1997) examined the problems of the SSI sector and recommended a package of policies to restructure the industry in the context of current global economic changes. The Expert Committee was of the view that the existing institutional structure for delivering credit to SSEs needs a thorough overhaul. It endorsed the recommendations of the Nayak Committee and urged the RBI to implement the same. The Committee recommended restructuring of financial support through SFCs and SIDCs, tapping of other sources of funding for SSEs, extending credit rating services to small units, and addressing the credit needs of tiny units to ensure that they are not bypassed by the commercial banking system.

Krishna Tanuku (2009)

India can achieve its socio-economic objectives by focusing on gainful employment for millions of educated youth and by helping millions of others transition from an overburdened agricultural sector to the small-scale manufacturing and service sectors
Sankar De (2009)

This article portrays the enormity of the challenge and outlines a possible partial remedy. SME’s in India face may challenges, but perhaps none are as difficult as the challenge of financing, both short term and long term. Poor profitability and lack of access to formal capital markets and institutions result in heavy dependence on alternative financing challenges which is generally more costly than funding from normal sources and creates a vicious cycle in the pattern of funding.

Krishna B Kumar (2009)

The author says that the challenge is to enhance economic participation among those at the bottom rungs and facilitate the climb, without tripping up those who are at higher rungs and encouraging entrepreneurship is one way of address this dilemma.

Ramesh V Penumaka (2009)

It reflects that while the government can be a facilitator of growth and promoter of equity, the role of the large enterprises is also critical. The MSME could be the steroid the Indian economy needs at this juncture. The SME provides not only the much needed boost for growth, employment and exports but more significantly, contributes to geographical and social equity.

Ravi Jagannathan, Mudit Kapoor, Ernst Schaumburg (2009)

The author says, the global economy is in recession and unemployment rates are soaring, but the financial crisis is a mere symptom and not the disease itself. The fundamental cause of the crisis is the labour supply shock and not the glut in liquidity which is often blamed. A higher savings rate in the debt laden developed nation and greater capital flows to the developing nation will correct the structural imbalances in global capital flows.

Krishnamurthy Subramanian (2009)

This article deals with some factors critical to the success of the mergers and acquisitions
based on the comparisons between failed and successful deals. A merger / acquisitions would make sense only if it leads to certain operational and/or financial advantages that the individual entities could harness by themselves thereby creating value for shareholders of both protagonist firms.

**Raja, SME Times (2010)**

The challenges that the SMEs face today seem to be primarily in the area of ICT and to quote specifically, ERP. The SMEs lament that whenever they approached the usual ERP firms, the first question they were faced with was that of their turn-over as they are quoted based on their turnover. The question that arises is does the Indian SME presents an opportunity for Technology Startups to deliver smaller and much palatable solutions, which fit both the pocket and the background of the SMEs

**Mehul Kapadia (2011)**

Every bit of capital investment is crucial for an SME. Seasonal peaks are one of the greatest reasons for companies under-provisioning or over-provisioning. This can later result in a heavy loss and idle resources. All businesses undergo a transition at various points. Whether you run a full-fledged enterprise, a medium-sized business venture or even a smaller, relatively newer business, updating business IT processes is a critical step in your enterprise life cycle. In fact, some businesses even have to undergo multiple transformation phases. Large enterprises have the capability and the resources to execute such transformations smoothly, but SMEs face a significant challenge in doing so, given their limited resources and capital.

**India Microfinance Editorial Board (2009)**

Every crisis throws up an opportunity. And the global economic meltdown is no exception. The recession threw up a few such opportunities for passionate entrepreneurs who, undeterred by the turmoil outside their offices, built their businesses while many others were either collapsing or struggling to survive. “*A few passionate entrepreneurs are making the best out of recession*”

**Govind Sharma(2011)**
Do SME’s Need to Strategize? Business Strategy Series, Vol 12, Issue 4,
The author says that SME’s need to strategize and a model should be created which will assist the top management and a low cost ERP model should be designed keeping in the need of the SME. The practical implications are for the labour intensive countries which are not capital intensive but generate create employment


The author says In terms of relevance, latest and timeliness, Indian and international automotive components manufacturers pay little credence to the knowledge available through government institutions and industry associations. Industry associations and governments need to have a re-appraisal of their practices and make their working more useful, fast and updated

Seema Sharma & Milind Sharma (2010)

The purpose of this paper is to examine the relative production efficiency of state-wise clusters in the registered small-scale sector in India. The author says that, most of the states are found to be operating at decreasing returns to scale, which signifies the scope for investment and further employment generation.

Parijat Upadhyay, Saeed Jahanvan, Pranab K. Dan(2011)

The paper attempts to assess empirically the four factors like project execution competency; product and vendor perspective; organizational climate; and technical perspective which are most critical in the ERP implementation process from the perspective of the Indian MSMEs.