Introduction

India has been a developing country and in the course of its development, it is said that small sized enterprises constitute the major segment of the Indian economy contributing to country’s industrial production, employment generation and exports. This has been evident from the statistics available. The sector comprises -

- 40% of India’s total manufactured exports
- 45% of India’s industrial production
- 26 million enterprises comprising nearly 95% of all industrial units in India
- Contribution of 8% of the country’s GDP
- Employment to nearly 60 million persons
- Producing over six thousand products

Despite the above, much remains to be done for this sector.

On one hand, India has the village and rural industries including Khadi industry. Locationally, they are primarily in the rural landscape and provide an important ingredient of the local economic eco-system. In a significant number, they also are inter-related and inter-dependent on the agricultural/horticultural/other forest and non-forest produce. It adds wealth to the local economy and at the same time provides major employment and in the long run acts, as a bulwark against rural to urban migration. The challenge here is to provide grass-root and affordable technologies and ensure, at least primary processing at the village/cluster level to add value and reduce the costs of logistics.

With the increase of educated youth power at the village level, the second challenge is to train them to set up their own rural level enterprises and encourage them through policy as well as fiscal instruments. Diverting unproductive labour forces from agriculture sector to productive enterprises would add to rural economy and simultaneously reduce the disguised unemployment in agricultural sector.
On the other hand, in extreme contrast and the opposite side of the spectrum are the Micro, Small and Medium Enterprises who are producing an extremely wide ranging variety of goods which are exported as well as have to reach out to the domestic consumers, withstanding the removal of protectionist measures such as reservation for small scale as well as lowering of entry barriers for imported goods due to the WTO regime in place.

Withstanding such internal (from big domestic industries) and external competitions (imports) requires and necessitates them to be innately competitive whether in terms of design, manufacturing competence, marketing or market access.

A non-level playing field for MSME Sector, facing the odds like reluctance of banks/financial institutions for providing credit to MSMEs, lack of access to technology, inadequate marketing capabilities, etc., has pushed them towards the edge. Their threshold tolerance level to vicissitudes of markets and vagaries of banking system is so small that any adverse environment can have serious consequences leading to sickness or even closure.

The sector has a wide range of stakeholders including the regulators, facilitators and the beneficiaries. These stakeholders are listed below:

(i) MSMEs (both existing and prospective) and their Associations;
(ii) Large enterprises including multinationals (as procurer of goods and services);
(iii) State/UT Governments;
(iv) Central Ministries/Departments;
(v) Banks/Financial Institutions;
(vi) Entrepreneurship and Skill Development Institutions, both in the public and private sector;
(vii) Research and Development Institutions;
(viii) Educational Institutions;
(ix) Organisations under administrative control of the Ministry.
The role of the most major stakeholder i.e. MSME is obvious as they are The Client Group. But they have to be helped in gaining a momentum of their own after which they would become a juggernaut. The other stakeholders which are in the Government space, through various policies can make life difficult and may hinder in letting the MSME gain this critical mass and momentum. A small Notification permitting the import of a specific item, ostensibly under WTO regime can give a problem to the entire sub-sector. Therefore, the need is to be extra-cautious.

The potential strategies would mainly rest on five pillars, as it were, concurrently. They are (not in order of priority):

i) Skill development
ii) Markets
iii) Technology
iv) Infrastructure
v) Credit availability

The development of SME sector is not uniform due to various reasons:

a) Un-organised sector
b) Lack of data on these enterprises has resulted in the government not being able to come with focused efforts for planned development of this sector
c) Various problems faced by this sector due to its size and dispersed and separate existence.

Though Indian MSMEs are a diverse and heterogeneous group, they face common problems such as:

(i) Lack of availability of adequate and timely credit.
(ii) High cost of credit  
(iii) Limited access to equity capital  
(iv) Procurement of raw materials at a competitive cost.  
(v) Lack of skilled manpower  
(vi) Problems of storage, designing, packaging and product display  
(vii) Inadequate infrastructure facilities  
(viii) Lack of access to global markets  
(ix) Overall domestic and global growth  
(x) Multiplicity of labour laws  
(xi) Complexity of tax laws, both direct and indirect taxes.

Though the government had accepted the concept of small and medium enterprises as early as in 2003, it took more than three years to table an enactment which was more focused and was based on enterprise component rather than on industry component. Thus the Micro, Small & Medium Enterprises Development Bill, 2006 was passed as an enactment, after taking into considerations objections and suggestions from the SSI sector also.