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Interview:

Articles:

Classroom Konnect

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Growing Legacies

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IMI Konnect is an open access Scholarly Management Magazine published from International Management Institute Kolkata. It started its journey in December, 2012 and publishes original research articles by scholars in the field of management and firsthand perspectives from business thinkers and practitioners on contemporary issues. *IMI Konnect* provides an intellectual platform for the national and international scholars and the industry experts to discuss and debate their opinions and thus contribute to the knowledge of management. It also publishes interviews with eminent personalities in the field of business.

Students/scholars pursuing Masters, M.Phil or Ph.D. are also encouraged to send articles on the aforementioned areas. The articles will go through a review process before publication. The issues are themed on Marketing, Finance, Organisational Behaviour & Human Resources (OB & HR), Information Technology & Operations (IT & Operations), Strategy, Economics and Management. The publication caters to academicians and practitioners in corporate and government organizations and departments.

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Manuscript Submission Guidelines

The article should be non-technical and should be within 1600 words. It should be typed in MS Word in Times New Roman 12 with paragraph spacing 1.5. Figures and simple, small tables can be incorporated. There should not be any notation or equation. Full forms of each abbreviation should be mentioned at first instance. Upto eight references can be included in the article. Limited number of short footnotes may also be included if necessary. Send your manuscript along with your name, designation, institutional affiliation, email ID and contact number to the editorial office at imikonnect@imi-k.edu.in mentioning the area viz. Marketing, Finance, OB & HR, Economics, Strategy, IT & Operations, Management Education and Others.

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A Walk through the Challenges of the MSME Sector*

Amit Behera
Managing Director
Oripol Industries Limited

Specialising in nonwoven textiles, Oripol Industries have been engaged in manufacturing activity since 1986. Products manufactured strictly adhere to quality standards set by customers. Commitment delivery for customer satisfaction and a diverse range of eco-friendly, recyclable products are key drivers of Oripol's existence over the past three decades.

IMI Konnect: *What is your opinion about 'ease of doing business' (EODB) in Eastern India?*

AB: I believe that EODB has been comparatively poor in the eastern states, because of the lack of enterprising skills in these states coupled with their bureaucratic attitude. Based on my interactions with entrepreneurs from West Bengal, Jharkhand and Odisha, it seems that it has been comparatively easier to do business in Odisha. With the support from the Department for International Development (DFID), Odisha had pioneered an initiative during 2010 for bringing about regulatory reforms to create a conducive environment for doing business. The reforms undertaken back then were not quite effective. The scenario took a turn during 2016 when the National Institution for Transforming India also known as NITI-Aayog, sponsored the ranking of states by their EODB index. Odisha started off well, with several changes in regulatory procedures, which has yet to get down the ranks in all the concerned departments. However, with an institutional mechanism for annual ranking of states, the governments of all the eastern states fall under the pressure to improve their ranking. As part of a pressure group, we are doing our bit to sensitize the government about the measures that need to be taken for improving the EODB in Odisha.

IMI Konnect: *Do firms in your industry receive adequate financial assistance? What are the loopholes in the credit-lending schemes?*

AB: Personally, I believe that lack of access to adequate finance is the greatest bottleneck faced by enterprises, especially in the MSME sector. The first generation entrepreneurs in particular find it really tough to raise adequate funding for their venture, for the insistence of banks and financial institutions on collaterals, in spite of the Credit Guarantee Trust Fund for SME (CGTSME) coverage for loans up to INR 2 crores. The banks are reluctant to use the CGTSME coverage due to the complexity in the settlement of claims. Even

*Views and opinions are personal

the Small Industries Development Bank of India (SIDBI), which you may consider as the mother of all banks for MSME funding, insists on collaterals for lending.

The current law and the guidelines laid out for handling Non-performing Assets (NPAs) and bad debts are the root cause of this malady. Unless bankers are empowered to take liberal decisions on SME financing and given more flexibility for resolving NPAs liberally, the SMEs shall continue to suffer due to the lack of adequate financial assistance. The Reserve Bank of India and the Ministry of Finance need to recognise that bad debt is an inherent risk of lending and enterprises may fail in spite of the most prudent decision taken by a banker. A comprehensive policy has to be formulated with the consultation of the stakeholders to overcome the present negative environment. Some money may have to be sacrificed to stimulate entrepreneurship and enterprise in the country. After all, the surviving enterprises would only be able create employment and wealth for the nation.

IMI Konnect: *What are the issues that SMEs have to deal with while handling the pressure coming from substitute goods?*

AB: Product lifecycle assessment is becoming increasingly difficult in view of the speed of innovation and technology upgradation. SMEs need to think ahead and have to bring about improvisations in their products and process from time to time to be able to deal with the competition coming from substitute goods. However, the pace of technology innovation has become so rapid that it becomes difficult to predict the lifecycle of any product in today's market. For instance, no one could see through time until TESLA woke up the global auto giants by introducing the electric car that could challenge the conventional automobile industry. Now with electric vehicles appearing to be in a position that would replace the entire fossil fuel powered automobiles by 2025, a whole sector of the industry fuelled by crude oil could become either obsolete or redundant. Challenges of this kind could pose a grave threat to the SMEs due to the constraint on resources required for switching over. Investment in R&D and access to technology and information are issues that need to be brought to the fore by SMEs in order to deal with such a threat.

IMI Konnect: *With intense competition and stringent legislations for pollution control, what are the measures to be taken by an SME to thrive in the industry?*

AB: Manufacturing enterprises of all shapes and sizes need to recognise the importance of sustainability and compliance, to be at par with the stringent legislations for pollution control and climate change. SMEs may find it easier to handle the changing need as they require only a small investment to remain compliant. Every industry today is facing global competition. Therefore, constant endeavours undertaken for process and cost optimisation through R&D can keep SMEs ahead of the competition.

IMI Konnect: *What are the major market challenges any manufacturing enterprise faces during an economic crisis?*

AB: Any economic crisis results in the loss of demand. Therefore, every manufacturing enterprise has to deal with fierce competition for chasing the few buyers that remain, bargaining hard to buy products at a cheaper price. In such a case, the most competitive enterprise would survive the economic crisis.

IMI Konnect: *With majority of the capital being directed towards operations, is it possible for an SME to divert its capital towards facility expansions, upgrades, etc.?*

AB: Apart from sustaining the growing operations, a prudent entrepreneur has to prioritise and allocate available funds to facility upgradation and R&D. I would rather like to ask that considering the challenge of technology obsolescence and fierce global competition, how can any enterprise overlook the need for directing a portion of available capital for new product and process development for cost optimisation?

IMI Konnect: *How has GST impacted SMEs in your industry?*

AB: The GST regime in India has unified the markets providing a level playing field for industries to sell anywhere in the country. It has positively impacted all industry segments providing an opportunity to sell products across the country. Hopefully the GST would eliminate unscrupulous players in the market and tax evasions and encourage honest, compliant enterprises.

IMI Konnect: *With the lack of adequate skilled labour, what are the measures taken to facilitate training of the workforce in order to make them efficient at meeting the functional requirements of an SME?*

AB: Typically SMEs recruit freshers and train them on the job. Once trained, many employees tend to leave for better opportunities in larger enterprises. SMEs provide scope to the freshers for their skill development and hence, act as facilitators by providing them with hands-on experience. However, in today's competitive environment, many SMEs are now recruiting experienced and skilled workforce, especially for critical functions. A growing number of SMEs are organising regular training and development programs for their employees.

IMI Konnect: *What kind of power and infrastructure related challenges does your industry face in your region?*

AB: The lack of good roads and steady power supply continue to persist and this becomes a challenge for any industry. Industries could benefit by certain infrastructural reforms in the form of container freight stations, customer friendly rail cargo booking systems, better logistics infrastructure for competitive road freight, tool rooms, maintenance facilities, raw material banks, hostel facilities for workers in the industrial growth centres.

IMI Konnect: *In what ways has E-commerce proved to be a rewarding platform for the kind of business model your enterprise has adopted?*

AB: E-Commerce is an emerging marketing tool for every enterprise. It provides a cost-effective platform for branding and product promotion and has the potential to reach a large number of target audience within a short span of time. We have adopted digital marketing and E-Commerce as our primary tools for brand building and business promotion and managed to achieve a considerable amount of success in selling our product across the country and abroad. We conceived the idea of digital marketing two years back, but it took us over a year to be able to fully implement the same. Initially we were doubtful about its effectiveness for our non-woven textiles across the B2B space, with most of our buyers in micro enterprises. But much to our surprise, our buyers seemed to be quite technologically adaptive.

Business Environment of MSMEs in India

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Introduction

The Micro, Small and Medium Enterprises (MSMEs) plays a crucial role in providing large employment opportunities at comparatively lower capital cost than large industries. MSMEs are complementary to large industries as anciliary units and therefore also contribute to the socio-economic development of the country. Performance of the MSME sector is assessed mainly by studying the report of the Economic Census conducted by the Central Statistics Office and by collecting the number of Entrepreneur Memorandum Part –II filled at District Industries and Centers (DICs) which has now been replaced with the Udyog adhar online filing system since September 2015.

Schemes Enforced for the Growth of MSMEs in India

The Government of India is implementing various schemes for the growth of this sector. ASPIRE (A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship) was launched on March 18, 2015 to accelerate entrepreneurship and promote start-ups for innovation and entrepreneurship in agro-industry. Under the Performance and Credit Rating Scheme being implemented through National Small Industries Corporation Limited (NSIC), the Micro and Small enterprises are subsidised by the Government to the extent of 75 percent (upto a maximum of INR 40000) for getting themselves rated for performance as well as credit-worthiness by one of the empanelled accredited credit rating agency. Under the Marketing Assistance Scheme (MAS), MSMEs are provided support to market their products in the domestic as well as international markets by way of organising or participating in various domestic and international exhibitions or trade fairs, buyer seller meets, intensive campaigns and other marketing events. Upgradation of database assists in collection of statistics and information through annual surveys and quinquennial census, in respect of number of units, employment, rate of growth, share of GDP or value of production, extent of sickness or closure and exports of micro, small and medium enterprises. Under the Scheme, data on women owned and or managed enterprises will also be collected.

Issues and Challenges brought to the Fore

Although the MSME sector is a big contributor of employment, a real challenge confronting this sector is to enable them to not just start up but also continue to grow thereby creating a source of sustainable job and value creation. An underlying reason for this is that too many firms stay small, unregistered, unincorporated and largely informal so as to avoid regulations and taxes. These firms have little incentive to invest in upgrading skills of its contract workers or investing in capital equipment that could bring them into the tax net, so their productivity stays low. Low productivity gives them little incentive to grow thus completing the vicious cycle.

The regulatory environment consisting of a number of procedures and clearances required in starting a business, running and growing a business, exiting a business plays an important role in the lifecycle of MSMEs. Further, access to quality physical infrastructure like roads, energy, utilities, land acquisition etc., are very vital for the growth of MSMEs. The absence of quality infrastructure in terms of roads, utilities, real estate, logistics etc., increases transaction costs disproportionately for MSMEs which typically cannot create customized alternatives such as access roads and captive power plants which larger firms can. The MSME ecosystem also needs an easier process of exit where the claims of workers and financiers are quickly resolved and the assets of firms are put to better use.Banks and other financial institutions are skeptical of lending to MSMEs because they lack adequate credit histories or collateral. A cluster-centric approach is one way of addressing this because it reduces transactions costs for the lender, while repeated interactions for a lender with cluster members increases the scope for building trust. While there have been efforts to facilitate these, their coverage is still small.

Suggestive Measures

There are several regulatory changes that can be made to improve the business climate for MSMEs. There are a vast number of business regulations that often overlap and sometimes contradict each other. A common policy and an institutional architecture overseeing all business regulations can help consolidate and enact changes. Independent facilitation and coordination agencies as Public-Private Partnership (PPP) service companies may be established with mandate from the state government, staffed with specialists and responsible for getting work done through various departments for starting up and running of businesses. These agencies will also help arrange services such as financing, finding raw material suppliers, and marketing products. A one-stop online registration system for time-bound registrations for starting a business should be created to simplify registrations for starting up . Compliance ratings of MSMEs (through ISO-like common standards) should be enabled. The difficult process of exit for unsuccessful companies needs to be made simpler, faster, and cheaper.

Ease of Doing Business and the Energy Sector in Odisha*

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NOCCi

The article is based on the conversation with Mr. Devashish Mahanti and Mr. C.P. Bhartia, Board of Directors, NOCCi . They are candid about the state of the business environment of MSMEs in energy sector .

Ease of Doing Business

While we appreciate the overall steps taken by the state government for improving the ease of doing business (EODB) in the state of Odisha, all departments have not yet got off the ground and continue to provide painful experience to investors and entrepreneurs. We bring the Department of Energy, under our scrutiny this time, to find the ground reality to be still grim. Underdeveloped states like Odisha, for instance, is exhibiting a paradoxical picture of power surplus on one hand and routine power cuts on the other. Though many large industries and smaller industries on dedicated feeder lines are less susceptible to power cuts, large number of MSMEs scattered all over and the people of the power surplus Odisha are facing power cuts from time to time.

Issues Faced by SMEs in the Context of Power

To start with, the system of application and sanction of power for an industry is still too circuitous and lengthy. It takes several weeks and months to obtain the estimates done for the initial connection and the engineers use discretions for sanctioning the power. Once power is sanctioned and the required or prescribed infrastructure is created, the statutory electrical inspection is required to be carried out by a state electrical inspector. There are so many vacancies in the state electrical inspection department that sometimes they take months to depute an electrical inspector for certifying the installation fit for energisation. Needless to mention, corruption is a great part in the procedural delay. Power supply monopolies take their own time to sanction and provide a power connection to new industry. Quality of power supply remains a far cry with unexplained power cuts and interruptions. The single window mechanism still does not result in one stop destination for all the clearances. Statutory agencies still work with the old typical mindset of inspection raj era.

*Views and opinions are personal

The electrical inspection fee is framed based on the number of motors and junction boxes etc., irrespective of their size or capacity. As a result, a micro enterprise with many fractional HP motors may have to pay more inspection fee than a large industry deploying one large motor. One wonders whether the purpose of electrical inspection is for safety or for revenue generation. When the government is failing to provide quality and adequate power, one finds it difficult to fathom the reasons for charging Electricity Duty (ED) on standby generating sets.

Odisha's power surplus claim is beaten hollow by the numerous power restrictions and outages a day. One can only imagine the plight of the peripheral districts when the capital city of Bhubaneswar itself gets several interruptions a day. While the cause of such interruptions can be rooted to the lack of transmission and distribution lines, the poor quality of spares (particularly insulators) and lackadaisical maintenance are some other major factors.

Measures to Overcome the Problems with the System

The Orissa Electricity Regulatory Commission (OERC) or the energy department should ask all DISCOMS to adopt a standard estimate for power supply in industrial estates, and penalise them for missing the prescribed time line to sanction power to a new applicant. Inspection of electrical installations should be allowed to be done by chartered engineers too in order to relieve pressure on the government machinery. Standby electricity generating sets should be exempt from electricity duty, irrespective of capacity, as the generation cost is already prohibitive. Safety audit of electrical installations are now doubly checked by the electrical inspector as well as the factory inspector. The fatal accident rate in Indian factories has reduced considerably in the last decade. Available data shows that cause for accidental deaths attributable to factories and the mining sector is limited to less than 0.5 percent. Odisha has achieved a much better safety standard in factories with only 55 deaths in 2015, and further improving.

The Plight of Factory Units

Enterprises still have to survive the tyranny of several departments to stay afloat. One such department is the Directorate of Factory and Boilers which holds the responsibility to issue factory license to manufacturing units, approve their building and machine layout plans and enforce workplace safety, etc. They conduct an annual inspection of all licensed establishments for ensuring safe working conditions. They collect an annual fee which is regressive for growing small industry sector. They make every establishment to run several times to their offices for plan approval and annual renewal exercise which is totally redundant, in view of their annual inspection procedure. They have an archaic law, i.e., the Factories Act, 1948, which is often misinterpreted by them to cause further harassment to establishments. They keep asking for documents already in their possession and do not read the applications for years. For approving boiler plans and installations, the harassment gets compounded several times. After all these paraphernalia and in spite of all the compliances in place, the entrepreneurs and occupiers are given a raw deal, in case of any inadvertent accident.

Policy Recommendations

It would take a small effort by the Government to bring about changes in this department through measures like setting a timeline to issue license and allow charter engineers to conduct safety inspections and audits, an annual renewal exercise can be done away with so far as annual inspection is concerned and the department should work more in awareness creation and conduct safety drills.

Conclusion

All states are in a competitive spree to improve their ranking in 'Ease of Doing Business' or EODB. Eastern India has done fairly well in the race by bringing in many changes in the system and showing signs of a hassle free climate for enterprise. But all is not well in the ground, as the experience has not been meeting the expectations. The institutional mechanism has somehow failed to bring all the agencies aligned with the government's desire and objective. Unless addressed in time, the EODB would turn to another damp squib, instead of the intended panacea for taking Odisha fast track for investment promotion and job creation.

Micro, Small and Medium Enterprises*

How do you Define MSMEs?

According to the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 enacted by the Government of India, the definition of micro, small and medium enterprises falls under two divisions:

a) for a manufacturing enterprise -MSMEs are defined as enterprises engaged in the manufacture or production, processing or preservation of goods. By the given definition, the investment limit in plant and machinery of a micro enterprise does not exceed INR 25 lakh. For a small enterprise, the investment in plant and machinery is more than INR 25 lakh and does not exceed INR 5 crore. Similarly, the investment in plant and machinery for a medium enterprise is more than INR 5 crore but does not exceed INR 10 crore, b) for a service enterprise – MSMEs are defined as enterprises engaged in providing or rendering of services whose investment in equipment related to the service rendered does not exceed INR 10 lakh for a micro enterprise, more than INR 10 lakh and not exceeding INR 2 crore for a small enterprise and the investment in equipment for a medium enterprise is more than INR 2 crore but does not exceed INR 5 crore.[1]

The investment in plant and machinery of a manufacturing enterprise and the investment in equipment for a service enterprise includes the original cost of machinery, plant or equipment used in the manufacture of goods and rendering of services only and not the land, building, furniture, fittings and other such items specified by the Ministry of Small Scale Industries.

How have the MSMEs Performed in the Export Sector?

The role of MSME's in the export performance of the nation has been quite significant. MSME's contribute to about 45-50 percent to Indian exports. About 35 percent of the total exports come from MSME's through their direct exports transactions and about 15 percent of total exports comes indirectly from large trading houses or third parties. The performance has been commendable particularly in sectors like leather goods, handicrafts, textiles and ready-made garments, sports goods. Their contribution has also been substantial in the industrial goods segment in the engineering, rubber, plastic and electrical sectors.

Were there any Specific Targeted Schemes to incentivise the MSME Growth in Different Ddimensions?

Export promotion from the small scale sector has been accorded high priority owing to its increasing contribution to the total national exports. A few incentives like preferential treatment in the market development funds, procedural simplification, motivation to go for higher export production, simplification in the duty drawback rules and the like have been included in India's export promotion strategy and offered to the MSMEs . A number of schemes are being implemented as part of the Export Promotion Measures[2] such as the Training and Manpower Development Scheme which consists of four components, viz. a) Participation in International Exhibitions or Fairs free of cost in order to provide exposure to the products of

[1]http://msme.gov.in/know-about-msme
[2]http://www.dcmsme.gov.in/sido/export.htm

MSMEs which are not in a position to participate in such exhibitions otherwise, at their own cost, b) Training Programmes on Packaging for Exports to educate entrepreneurs about the latest packaging techniques and designs and generate consciousness about the packaging problems that emerge in case of MSME export products, c) Marketing Development Assistance Scheme for MSME Exporters and d) National Award for Quality Products which encourages SME manufacturers to produce products which conform to international standards and create a sense of trust about small industry products in the minds of domestic consumers and enhance the image of domestic enterprises in the export market.

How has the Implementation of GST Impacted MSMEs?

The Goods and Services Tax is essentially a destination-based excise tax which is imposed at the various stages of production and distribution of goods and services. Tax reforms give equal rights to large and small businesses and taxpayers as products and services are equalised and taxed at a fixed rate under the GST regime until the customers access it within the supply chain. As primary growth drivers of the Indian economy, SMEs have been largely impacted by this revolutionary tax reform. GST has offered a level playing field to the MSMEs by making them a part of organised commerce through a simplified tax structure and a unified market.[3]

The MSME sector constitutes a majority of private cooperatives, self-help groups, self-funded proprietary firms, khadi and village industries and the like. GST has boosted the cost competitiveness of these sectors in particular through benefits like lowered freight costs, reduced cost of raw materials and a lesser tax burden. Interstate transactions have smoothened owing to the elimination of tax burden on interstate sales. Therefore, MSMEs will be in a better position to implement their plans for expansion beyond borders.[4] The MSMEs enjoy ease of doing business as the registration complexities have come down. All formalities such as input tax credit and tax liability adjustments, returns, refunds and payments have started taking place electronically ensuring transparency in compliance thereby reducing compliance cost. The cost of doing business has come down comparatively. GST has standardised the process of registration of new enterprises thereby making it easier to start businesses. Logistical costs have come down for manufacturing enterprises producing bulk goods which is crucial to the survival of MSMEs. One more benefit that can be derived under GST is that the entire amount of input tax credit against the purchase of capital goods can be availed in the year of purchase itself.

However, sectors like leather and footwear continue to face stiff competition from foreign goods and are not likely to benefit from the lower freight costs and tax rates under GST. MSMEs lack the much needed specialised manpower, access to facilitation services and managerial bandwidth. Hence, there is a need to train MSME staff to be able to use a technology enabled platform like GST. In the previous central excise law, the duty threshold stood at INR 1.5 crore. The GST Council has reduced this threshold to INR 20 lakhs and INR 10 lakhs for North eastern states which implies that any manufacturer, service provider or retailer

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[3] 'GST:MSMEs to gain via better competitiveness', September 15, 2017, The Hindu, http://www.thehindu.com/todays-paper/tp-business/gst-msmes-to-gain-via-better-competitiveness/article19749504.ece

[4] 'Impact of GST on MSMEs', Confederation of Indian Industry, http://www.dcmsme.gov.in/CII.pdf

will be subject to tax levy. One of the major concerns here is that with the reduction in duty threshold, most MSMEs will have to direct a chunk of their working capital towards paying tax in future. For MSMEs competing against larger business, the tax neutrality will emerge as a problem as it will not differentiate luxury items and normal goods. Previously the luxury goods were subject to a higher tax levy. This will lead to the rich becoming richer and the poor becoming poorer.

Another scheme offered under the GST regime was the Composition Levy Scheme. Any SME with a turnover of less than INR 75 lakh for special category states such as Uttarakhand and north-eastern states of India and INR 1 crore for the rest of India may voluntarily register under this scheme which makes them eligible to pay a lower tax rate compared to dealers who are liable to register. The manufacturers enjoy a tax rate of 2 percent whereas the tax rates remain fixed at 1 percent and 5 percent for traders and small restaurants supplying food and drinks for consumption, respectively. Under this scheme, SMEs will be engaged in lesser compliance activity as they will be required to file 1 quarterly return every three months and 1 annual return instead of 3 monthly returns needed to filed by registered dealers. This way a composite dealer will enjoy higher liquidity compared to a registered dealer who is a normal taxpayer as a chunk of working capital for a registered dealer is blocked in Input Tax Credit and he can only avail this amount once his supplier files the return. But a composite dealer will be paying taxes at a nominal rate as he is free from the worries of waiting for his supplier to file returns in order to be able to avail the credit.

Proactive corrective measures adopted by the Government from time to time will ease out the complexities faced by MSMEs on account of GST over due course of time.

What are the Grounds of International Comparison of Indian MSMEs?

Most countries include major parameters in the definition of SMEs such as capital investment in plant and machinery, number of workers employed and volume of production or turnover of business.[5] Table 1 reflects an international comparison of the definition of SMEs:

Table 1: Definition of SMEs across Countries

Country	Ceiling on No. of Employees	Ceiling on Turnover (US $ million)	Ceiling on Investment (US $ million)
India	-	-	2.00
Mexico	250	3.5	-
Brazil	250	-	-
Jamaica	50	1.73	-

[5] Strategic Development of MSMEs: Comparison of Policy Framework and Institutional Support Systems in India and Other Countries, March 2012, https://www.eximbankindia.in/Assets/Dynamic/PDF/Publication-Resources/ResearchPapers/Hindi/19file.pdf

Country	Ceiling on No. of Employees	Ceiling on Turnover (US $ million)	Ceiling on Investment (US $ million)
Laos PDR	99	0.25	0.15
South Africa	200	6.67	2.50
Kenya	100	9.65	-
China	2000	47.67	63.56
Taiwan	200	-	2.70
Japan	300	-	3.62
Vietnam	300	-	0.50
Indonesia	100	-	-
Pakistan	250	2.75	0.30
South Korea	300	-	8.00
Malaysia	150	8.20	
Philippines	200	-	2.30
Thailand	200	-	6.48
Singapore	200	-	12.00
Israel	100	-	-
Bangladesh	99	-	1.22
UAE	250	68.00	-
EU	250	66.76	57.40
MIGA	300	15	15
OECD	250	66.76	57.0

Source: Exim Research; India: Ministry of MSME; Companion note for MSME Country Indicators, IFC and World Bank for the countries : China, Philippines, Vietnam, Singapore, Brazil, Laos PDR, Kenya; Japan: SME Agency, METI, Japan; Malaysia: SME Corp. Malaysia; Pakistan: Small and Medium Enterprises Development Authority; South Korea: Small and Medium Business Administration, South Korea; Taiwan: Small and Medium Enterprise Administration (SMEA) of the Ministry of Economic Affairs; Jamaica: Ministry of Industry, Investment and Commerce (MIIC); Mexico: SMEs in Mexico, OECD; UAE: Mohammed Bin Rashid Establishment for SME development; Thailand: Ministry of Industry, Thailand; South Africa: Annual Review of Small Business in South Africa, Department of Trade and Industry; Bangladesh: National Manufacturing Policy 2010; EU: European Commission; MIGA: World Bank; OECD: OECD

Technological development of India SMEs through various support services will help them move up the value chain to become more internationally competitive. This need is catered to by the Export Import Bank of India. Agreements have been made with the **EXIM Bank of USA**, the **European Investment Bank,** the **Japan Bank for International Cooperation** and the **Asian Development Bank** to facilitate the import of technology and equipment, establishing import lines of credit and to avail medium and long term loan facilities to export oriented SMEs in the underdeveloped and developing states of India.

Ceiling on Investment Limit

There is a need to raise ceiling on investment limit for medium enterprises in India, particularly in capital intensive sectors to bring them at par with the ceiling on investment adopted by other nations like **China, Singapore, Thailand** and member nations of the **European Union**. The ceiling on investment for medium enterprises of these countries is kept at a higher level thereby encouraging capital intensiveness, export orientation, employment generation, technology upgradation and improvement in quality.

Institutional Programmes for Technology Development

In order to identify the key areas for research, new applications of technology, handholding of MSMEs in their Research and Development initiatives and avenues for commercialisation of R&D, a dedicated focused institution is needed for coordinating R&D activities of the MSME sector in India. In this context, the **Government of Japan** provides financial support for commercialisation of R&D under the Small Business Innovation Research System (SBIR). Similarly, the **Government of Korea** has adopted an SME Technology Innovation Programme for promoting technological innovation of SMEs by partially funding the technology development expenses. About 30 percent contribution will be given to the SMEs by the Government in the form of technology fees upon the successful development of products. For successful technology innovation in 'villages and towns' enterprises, the **Government of China** has introduced the 'Spark Programme' focusing on SMEs closely related to people's livelihood. To strengthen and enhance the technology infrastructure for product and process innovation in SMEs, the **Government of Singapore** has instituted a Technology Innovation Programme which supports the set up of Centres of Innovation in industrial clusters and co-funds the technology development projects taken up by SMEs.

Access to Alternate Sources of Capital

Angel funds and risk capital are lacking and inaccessible to the Indian MSMEs. The flow of equity capital in SMEs is negligible. SME exchange platforms have been set up by the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) to provide focused cost effective services to the SME sector enabling them to raise funds at cheaper rates. Many countries have adopted measures in the form of policies and programmes to encourage the flow of equity capital in the MSME sector. For instance, tax incentives are provided by the **Australian Government** to Venture Capital Limited Partnerships (VCLPs) and Pooled Development Funds (PDFs) to provide equity capital to stimulate growth of SMEs in the Australia. To facilitate equity financing and enhance access to capital by smaller companies, **Thailand** has instituted a Market for Alternative Investment (MIA).

Skill Development and Promotion of Entrepreneurship

Multinational companies sourcing their requirements from SMEs need to take initiative by conducting management development programmes, skill upgradation and enterprise education. All organisations extending beyond the public sector, such as academic institutes, non-governmental organisations and private sector need to be brought into the purview in order to shift focus to skill development and promotion of entrepreneurship in India. The **Government of Malaysia** has been instrumental in generating economic value creation through several institutional networks focused on improving management and business practices in SMEs. To enhance skill development of workers at technical, supervisory and managerial levels of SMEs, Malaysia has established SME Corp to implement and finance the necessary training programmes. **Singapore** has undertaken various programmes in this context such as the Local Enterprise Association Development Programme, the Capability Development Programme, International Business Fellowship programme, etc.

In order to promote synergy, there is a need to achieve integration with the institutions and programmes meant for SME development. A decentralised arrangement, more often than not, results in duplication of existing delivery mechanism and institutional support system which needs to be eliminated.

**Prepared by Editorial Team, IMI Konnect*

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