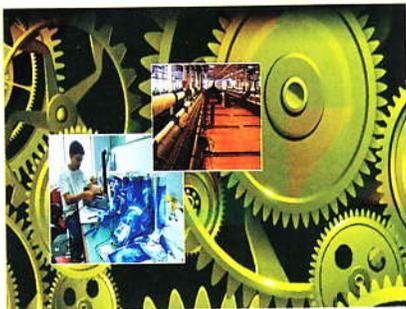


Challenges and Opportunities for MSMEs

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The founding fathers of the Republic of India visualized a comprehensive nation-building role for the country's small enterprises.

Over time, this sector has grown into a highly diversified base of the country's manufacturing system. While the global economy changes rapidly, with the hegemonic role of disruptive technologies, the MSME role in India needs a more broad based and realistic understanding. This is because, MSMEs constitute the basic form of entrepreneurship. Entrepreneurship often sprouts at the grass root level, as a realization of the employment aspirations of the people. It is important to understand scientifically, such aspirations, and to nurture such grass root level impulses. Therefore, a discussion on MSMEs need to be part and parcel of the agenda of economic growth in general, and of employment promotion in specific.

Global Investment and Enterprise Scene Today

Public policy, in any country, is influenced by global developments, so are public public programmes. An understanding of this emerging scene is critical for policy making in India today. A dynamic mix of re-shoring, intra-regional trade and Hubanomics, form

the emerging global business model today. Large knowledge companies like Google, Apple, Facebook and Amazon have created a technology wave and competitive landscape, which forms the next evolution of the Industrial Revolution.

The experience as we have in 2017, is one where every business has a tendency of operation based on a hub, which produces the latest concept of 'Hubanomics'.

India's industrialization perspective, since Independence, has been focused on a two-pronged approach: 1) providing employment opportunities; and 2) taking such opportunities, to the extent possible, to the villages, as a regional development tool. This kind of an approach has significantly contributed to the growth of a large number of semi-urban centres that provides a significant space for MSMEs in the country. The urban space is inhabited by both the rich and the poor, having their specific approaches and perspectives on income opportunities. The self employed have a potential for contributing to the local economy incrementally. Public policy should be capable of ensuring connectivity between the urban and rural areas.

'Make in India' is a highly visible

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national campaign- mode initiative which needs to be translated into action at two levels: First, there is need for attracting large foreign and domestic investments. Secondly, these large enterprises also need MSMEs for subcontracting linkages and service delivery. It is important to have a prior knowledge of the MSMEs and their capabilities, in order to foster such linkages.

Challenges and Opportunities

Since Independence, under the Planning era, several experiments were initiated to lay down the building blocks of a strategy as indicated above. However, under Planning, it was necessary to set up centralized institutional structures and policy instruments, even in areas where decisions affecting the local economy were to be taken. It is this rationale that forms the co-existence of Departments that cater to modern small-scale industries, on the one hand, and others catering to village enterprises (eg: consider the various Departments under Ministries of MSME and Textiles). There have been constant attempts to ensure a synergic co-existence of the two, but such attempts have often not yielded the desired results. This demands the need for a fresh look into the relevance of the various public programmes, relating to their impact on the local people and their livelihoods.

There are both vertical and horizontal problems. On the one hand, the aspirations of the people at the

local level is a mix of co-operation and conflict. While some of the aspirations such as local infrastructure, are less prone to conflicts, in the case of most of the goods and services produced, there is a conflict of interests. Therefore, the term 'development' in the local context, cannot be a 'one- stitch- for all'. This demands a new approach to defining and practicing 'development'. The purpose of 'development' is to ensure and maximize human welfare. Even the concept of 'welfare' is not a uniform pack. Therefore, it is necessary to have concrete steps on the following lines : 1) Placing man at the centre stage of 'development'; and 2) Defining 'welfare' in relation to some bottom- line criteria.

Human welfare has three ingredients : a) economic; b) social; c) environmental. A Local Economic Development policy should translate the three into economic activities in a participative manner. It is important that any such policy that may be articulated, should ensure an economic bottom-line that satisfies the majority of the local population. It is also important to ensure that this bottom- line does not conflict with some of the accepted social parameters. Besides, there need to be a focus on environment, in such a way that the initiatives of local economic development are sustainable, and are acceptable to a future generation. However, development strategists and governments often take the short-cut of dividing the human ecosystem into arbitrary criteria and components, such as rural- urban ,women- men,



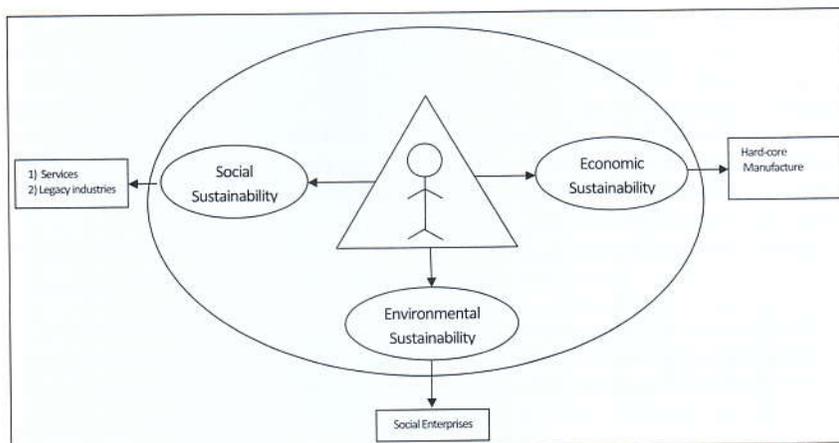
young-old etc.

While the national interests and goals are as above, globally, capital has vertical interests. Therefore, shaping a development agenda, at the regional level is a hard choice. Without a proper evidence-base, India cannot pull on with its present day programmes for MSME development.

Need for an Integrated Development Approach

Considering the emerging complexities of the economy, there is need for an integrated development approach on MSMEs. The various opportunities and critical constraints need to be pin-pointed. New research and evidences should lead to a review and restatement of existing policies, with a thrust on the following :

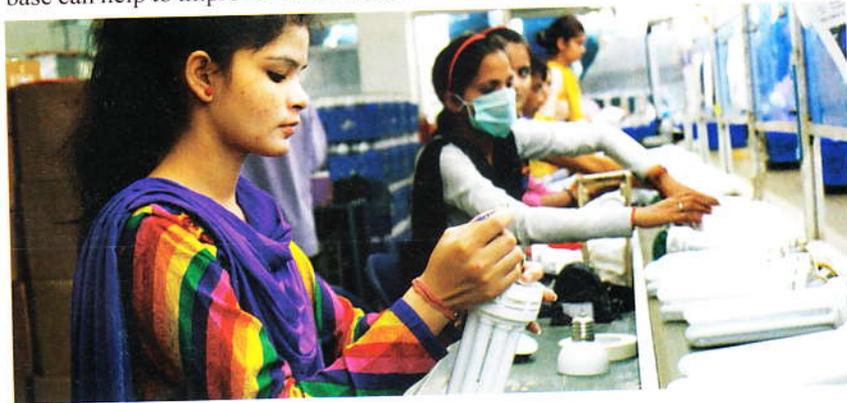
Political and Administrative Powers : Under the 56th Amendment of the Constitution, village and small scale industries is a subject of the Local Governments. In India's bottom-heavy industrial structure, a large number of small and tiny enterprises, often located in small towns and villages, contribute to the small enterprise output of the country. This also implies that the breeding of entrepreneurship and shaping of entrepreneurship resources in the country is a local phenomenon. However, paradoxical enough, the local governments are either ignorant, or are reluctant to exercise their powers; or that these powers are usurped by the higher tiers of the government. Even in some of the States, where particular panchayats are show-cased as "success stories", it would be instructive to analyze the success factors. "Success" is often explained in terms of implementation of popular and politically sensitive



National and State level programs, such as sanitation, water supply, elementary health services, primary schooling etc. People's participation in programme design and implementation, is often negligible.

Capabilities: It is also important to understand, whether these lower tiers of government, and their administrative machinery are objectively, capable of exercising such powers. In the case of local economic development programs, and especially enterprise development programs, the current state of these capabilities need to be examined. The component that is often missing is advisory services at various stages of planning and execution of an entrepreneurial activity (which is today lacking both at the local and State level.). By the term 'capability', the priority should go to such services, rather than the array of administrative tiers from the district down to the panchayat level. In fact, it is necessary to have a coordinating and hand holding mechanism at the level of local governments. However, beyond the so called "administration", the focus needs to be on specific functional areas as follows: a.) Identification of project ideas and business opportunities; b.) Provision of general information and guidance; c.) Onward support services; and d.) Documentation, net working and creating ground for synergies. These functions can best be performed by competent BDS providers.

Governments will have to increasingly play a catalytic role in helping SMEs to tap the emerging benefits of the 'new economy'. Strengthening business development services, and creation of a social capital base can help to improve the situation.



On the side of threats, knowledge remains too difficult to be accessed by the SMEs. Technologies become increasingly disruptive so that, by the time a new technology is adapted it becomes obsolete.

Resources: Under the existing formula of resource sharing between the State governments and the Local governments, the necessary resources for coordinating several of the base level promotion activities relating to enterprise development are available with the local governments. While some of the promotional activities being performed by the District industries Centers today can be handed over to the Local governments, the corresponding funds also should flow along with that. This will also help to equip the local governments with the necessary financial resources.

Development of Synergies: Enterprise development is a subject area where synergies and networking are critical. Today, these synergies need to be ensured, primarily between the Center and the State, on the one hand, and the State and the District Administration, on the other. In fact, it is the Office of the District Collector

that ensures such synergies through the mechanism of various Committees, of course, with the lead role of the line Department. This implies a limit to professionalism.

Making synergies for enterprise development, demands both vertical and horizontal strengthening of the constituency of 'enterprise' is vital. Horizontally, there is need for an understanding of enterprise as a specialised subject, across the various line departments. This necessitates an Enterprise Resource Policy. The existence of clarity and strengthening of the constituency, would imply that, every tier of government, from the Union, down to the Local government, are clear about their relative roles and functions, and are able to function responsibly. In the absence of such a perspective, each tier of government will identify some program and scheme of their imagination, and will try to thrust them upon the lower tier of government. This leads to a wide gulf between schemes and people's needs and aspirations.

Recent Initiatives

The Government of India, since 2014, has taken several steps to deal with the related aspects of skills, entrepreneurship development, and promotion of manufacturing. This integrated approach gets reflected in two major forms : 1) development of a policy framework; and 2) introduction of specially structured programmes that deal with these related aspects. For transforming India into manufacturing hub, 'Make in India' was announced as a flagship programme. As a corollary of this major programme, several other programmes were announced.

Skill India was announced in order to mitigate the critical problem of skill gap. The question of skills was again defined in terms of both technical and managerial skills. It was visualized that, such an integrated approach to skills will, on the one hand, meet the needs of the corporate sector, and will arrest rural-urban migration on the other. Thus, skills were identified as the nutrient for entrepreneurship development.

In order to have a proper integration of the skilling agenda, with that of entrepreneurship promotion, a separate programme called 'Start-up India' was announced. This programme visualizes and tries to take advantage of India's opportunities relating to the 'new economy'.

It is natural that, with a major focus on large programmes, the likely benefits are concentrated in a few beneficiaries. In order to address the problem of social exclusion and its reflections on the investment front, a specialized programme called 'Stand-up India' was announced. This programme has a dual approach of reducing exclusion, and to ensure the resources of the banking sector in an equitable manner.

The introduction of MUDRA as a specialised window, meant for targeting micro enterprises, can be described as a major intervention for broad basing finance. MUDRA loans today can be considered as a significantly broad based financial structure, with a stronger "bottom of the pyramid".

Promotion of ancillarisation is a major initiative, and also a remarkable achievement. This is clear in the case of defense equipments sector. However,

at the subsectoral level, lot more need to be done in order to use MSMEs as a powerful handmaid of manufacture in the country.

Policy Initiatives: Implications

Against the background of the above discussion, there is need for a critical examination of the recent policy initiatives of the Government of India, in relation to their impact on MSMEs. The Government of India has, through the above various programmes, given a direction and way forward for the MSME sector. Informalism is a major characteristic of the MSME sector of the country. In this context there is a critical policy question regarding the further course of action. Should the MSME sector of the country remain largely informal as in the past, or should we move forward with careful strategies towards formalization. The term formalization involves a variety of steps including infusion of better technology, better organization, better managerial practices and more advanced development programmes. The Government of India has chosen the path of accelerating innovation in the MSME sector.

Having chosen a path of innovation, it is necessary to consider the short term and long term implications of such a change. MSMEs have a dual character of significant vulnerability on the one hand, and the substantial inherent strength which can be used to reduce the pains of a radical change. The results of a group of major policy initiatives, including GST, demonetization etc. have been widely debated. In most countries of the world, such radical policy decisions have contributed to short term shocks in the

economy. While we wish the long term benefits to offset the short term shocks, public policy cannot remain passive. There is need for a Special Package for MSMEs in order to supplement the formalization attempts that are in progress.

While the total effect of all the measures taken by the Government is enhanced formalization of the enterprise system, the next step should be a five pronged strategy for sustaining such results. There is need for a three pronged approach : 1) Detailed **Subsectoral understanding of MSME** dominant sub sectors; 2) A re interpretation of the functioning of the economy on the basis of clear functional criteria, rather than on the basis of old criteria such as, rural-urban, male-female etc; 3) A rationalization of the role of institutions, on the basis of detailed studies; 4) A re interpretation of the role of finance, and a restructuring of the relationship between finance and the real sector; 5) Planning for Entrepreneurship as a critical resource.

Conclusion

The importance of SMEs in local economic development, as also the need for local economic development, are indisputable today. However, the policy perception and the details of a strategic approach needs much more clarity. However, while shaping a new approach in this area, it can, by no means, be a partial approach. It is important to focus on the macroeconomic policy in general, as also an understanding of the context in which regional diversity of the country is treated as a potential setting for enterprise development. □

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CARA Launches Monthly "Jan Sampark" Program to Facilitate Adoption

The Central Adoption Resource Authority (CARA) of the Ministry of Women & Child Development has started a monthly "Jan Sampark" program to enable the public to have interaction with its officials and staff for seeking information related to Adoption as well as flagging their concerns. The first of its kind programme was held in New Delhi recently. Nearly 150 Prospective Adoptive Parents (PAPs), Adoptive Parents and representatives of agencies participated in the session, which lasted for more than four hours.

Details pertaining to Immediate Placement and Special Needs Adoption Module of Child Adoption Resource Information & Guidance System (CARINGS) as well as the newly launched Grievance/Query portal were shared with all the stakeholders. Also many of the PAPs were counselled and motivated to go for adopting older children. The event will now be a regular feature every month apart from the quarterly Facebook live chat by CEO CARA.