



Management of SMEs in Global Era: Challenges, Opportunities & Perspective – A Lesson from SMEs of Gujarat

KEYWORDS

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Introduction:

Indian has the second largest number of SMEs at 48 million after China with 50 million. The small and medium enterprises sector is considered to be backbone of Indian economy and play pivot role in growth of economy as whole. The Indian SME sector employs around 40% of workforce and contributes 45% to India's manufacturing output, 40% to total exports and creates around 1.3 million jobs every year, and producing more than 8000 quality products for India and international market. The regional development cannot be achieved without building strong SME sector across the country. It plays a significant role in development of entrepreneurial skills as well as hiring low level skilled employees at a regional level and contributing towards balanced growth in India.

All above facts and figures seems to be very good but actually they are not good! SME employs 40% of workforce but contributes only 17% to Indian GDP. This is because so many small firms prefer to stay unregistering to avoid taxes and regulations. Indian SMEs today operate in very challenging atmosphere. According to World Bank, Indian has slipped 3 ranks in its Ease of Doing Business Index. SMEs are considered to be the engine of Indian economy but however no much actions or initiatives are taken for healthy growth and development. The global era needs SMEs to use ultra modern technologies, wide distribution network, and competitive price, innovative, inventive and international outlook to their business.

Indian Economy:

India's diverse economy includes traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and multitude of services. Indian economy is the fourth largest economy in the world in the base of Purchasing Power Parity (PPP). As per recent PwC report, India has potential to achieve 9% growth rate and become \$10 trillion economy by 2034, on the back of connected efforts by the corporate sector and constructive role played by the Government of India. Furthermore the report said that each of the key areas education, healthcare, agriculture, retail, power, manufacturing, financial services, urbanization, and the enabling sector such as India's digital and physical connectivity – face challenges and their resolution will need new scalable solutions that are resource efficient and environmentally sustainable. The Total Factor productivity has increased significantly since last two decades. The future for India's long term growth is positive due to a young population and corresponding low dependency ratio, healthy savings, and investment rates, and increasing integration into the global economy. However, Indian economy needs to address so many issues like infrastructure, healthcare facility to largely populated citizens, education, removing poverty and none the less environmental and issues related to climate change.

Small & Medium Enterprise Sector in India:

Indian SMEs represent the model of socio-economic policies of Government, which emphasis job creation at all levels of income stratum and controlling economic power in the hands of few and hence discouraging monopolistic practices of production and marketing. Indian SMEs also play very important role in national development through regionally balanced development. SMEs have been established in almost all major sectors in India such as

- Food Processing
- Agriculture
- Chemical and Pharmaceutical
- Engineering, Electrical and Electronics
- Textile and Garments
- Leather and Leather Goods
- Bio Engineering
- Sports Goods
- Plastic Products
- Computer and Software etc.

The SME sector has demonstrated true Indian entrepreneurship and some of the biggest name in India Inc have their roots in the sector.

Definition of SME in India:

The Indian government passed the Micro Small and Medium Enterprises Development Act, 2006 to address policy issues affecting SMEs and to extend coverage and investment ceiling to the sector. The enactment of this act is considered to be landmark initiative by Government of India to encourage and motivate the growth of this sector in global era. The act classifies enterprises broadly into two categories viz, (i) Manufacturing Enterprises and service Enterprises. The act further classifies these enterprises into micro, small and medium enterprises based on their investment in plant and machinery or equipments. The following is the current ceiling for enterprises to be classified as micro, small and medium enterprises.

Description	Investment in Plant & Machinery	Investment in Equipments
Micro Enterprises	Upto Rs. 25 lac	Upto Rs. 10 lac
Small Enterprises	above Rs.25 lac and upto Rs. 5 crore	above Rs. 10 lac and upto Rs. 2 crore
Medium Enterprises	above Rs. 5 crore and up to Rs. 10 crore	above Rs. 2 crore and upto Rs. 5 crore

(Source: SME Business Development Chamber of India)

The contribution of SME sector to India's GDP, employment generation and exports is fairly important. This sector provides maximum opportunity for self employment. The following table shows the percentage of products manufactured by SMEs.

Product	Percentage
Rubber and Plastic	6
Electrical & Machinery parts	6
Metal Products	8
Basic Metal Industry	10
Chemical and Chemical Products	12
Food Products	22
others	36

Globalisation and SME:

Liberalisation, globalisation, disinvestment, privatization, removal of trade barriers, ease foreign trades have thrown several challenges and opportunities for SME sector in India. The globalisation is boon as well as curse for Indian SMEs. Globalisation has forced SMEs to focus on new manufacturing and marketing strategy. Due to globalisation the Indian SME sector requires to be more innovative to manufacture the products at a lesser cost and they are forced use Information technology as well as automated manufacturing instead of manual manufacturing. The enterprises are part of supply chain and hence they work with each other, and it requires high level of coordination in order to survive in the global competitive market. As per the survey only 5% of Indian SMEs have their websites. To be in global era SMEs must acquaint itself with advance technologies to reach global firms. The SMEs must focus on speed, quality, innovation and cost competitiveness to attract the foreign firms. Thus, for some couple of years globalisation will be threat to small business in India but actually it will make our SMEs more powerful than ever in long run.

Issues and Challenges of SMEs in India:

Despite the enthusiasm and all other efforts from the side of entrepreneur and government, SMEs face lots of challenges like lack of adequate finance, lack of infrastructure facility, obsolete technology, strict rules and regulations and many more. The following are the basic challenges faced by SMEs in India.

- Lack of Finance or Factoring Services
- Lack of Infrastructure Facility
- Outdated Technology
- Problem of Underutilized Capacity
- Poor Project Planning
- Ineffective Marketing Strategy
- Safeguarding Intellectual Property
- Enhancing Access to Capital Market
- Limited Knowledge
- Shortage of Man Power
- New Product Development and Innovation
- Opportunities for SMEs in India:

The global era provides tremendous opportunities to SMEs to be global. With ease in entry norms, licensing, finance from special banks, support from government, the Indian SMEs will expose great opportunities in near future. The SMEs may explore more because of following opportunities in India.

- Increased in Purchasing Power
- Support for Government
- Encouraged Exports
- Growing recognition of 'Made in India'
- Easy rules and regulations
- Availability of Information Technology
- India as a tourism hub encourages hospitality services

SMEs in Gujarat:

Gujarat, since many years, has been known as land of entrepreneurs. It is the entrepreneurial spirit that ushered the process of emergence of a sector characterized by many small and medium enterprises in the state. Small scale industries are the major contributor to development of economy in any region. They provide wide scope of employment opportunity by making investment and employing technology and hence help to eradicate the problem of unemployment in the country.

With 5% of population and 6% of geographical area of the country Gujarat contributes 21% of country's export and 6.42% of the national GDP at constant price. The industrial growth of 8.52% is quite ahead of any other state as well as countries like Singapore, Malaysia and Korea. The SME closure rate is 9% in Gujarat against the 22% of national average. The following table shows the year wise registered SMEs in Gujarat.

Year	No of Units
2006-07	4131
2007-08	13186
2008-09	17867
2009-10	19993
2010-11	27940
2011-12	51781
2012-13	68235
2013-14	58627
Total	261760

Lessons from Gujarat for SMEs:

As the Gujarat is one of the fastest growing state of India and MSME in the state has compete globally, let's take lessons from Gujarat. Let us look at what Gujarat does for SME.

1. The Essentials for SME Development
2. Government Initiatives/Scheme/Policies
3. 4P model for Infrastructure Project
4. Cluster Development
5. Summit & Conferences
6. Brand Gujarat - Projection of Above All
7. Now let us take lessons from each of the above points.
8. The Essentials for SME Development:

The state attracts SMEs by providing following three key essentials across the state to achieve the desired growth of the sector.

Peace and Stability:

The key essential for any business is peace in area in which the business is operating. The entrepreneurs, especially foreign investors will never prefer the location tag with war, riots, crime etc. The most preferred investment destination will be the place where there is stability in policies and hence the stability of Government.

Business Environment:

The success story of SMEs depend on the ability of government to implement sound and attractive economic policies, positive aptitude of citizens towards business and skill of entrepreneurs to effectively implement business as par plan. And Gujarat is by tradition a land of business. There should be access to transportation, electricity and water across all the regions.

Participation of Stakeholders:

It is very much essential to have participation of private sector, public sector and civil society for establishment of various types of manufacturing and service units. The state has been successful in encouraging the participation from Non Government Organization to promote entrepreneurship amongst the women which helps in removing poverty.

Government Initiatives/Schemes/Policies:

The following initiatives have been taken by government to for the development of SME sector in Gujarat.

Sr. No	Name of Scheme	Motive
1	Shree Vajpayee Bankable Yojana	Self employment opportunity to educated unemployed and artisan
2	Jyoti Gram Vikas Yojana	24 hour 3 phase quality power supply to rural areas
3	Manav Kalyan Yojana	Provides tools/equipments to socially backward class community
4	Carpet Industry Programme	Provides training for carpet weaving
5	Village Tanner and Flaying Center	To promote Leather Industry
6	Gramodoyg Vikas Kendra	Provides infrastructure facility to artisans at village level
7	Package Yojana	Financial assistance to industrial co operatives
8	Cluster Development Scheme	For the development of artisans in Handloom and Handicraft sector
9	Handloom's Scheme	Publicity and propaganda scheme for Handloom apex institution Mill Gate Price 10% Special Rebate Scheme Improved handloom to individual weavers
10	Cottage Industries Training Centers	Training for one year in traditional and modern trades
11	Intensive Handloom Development Programme	Training & Modernisation To provide yarn for employment generation Design development Publicity & Propaganda Marketing promotion by procurement of finished goods. Integrated handloom technology center

Apart from the above schemes, Gujarat has implement scheme of Industrial Park which provides basic facility for the business in particular locations, development of region by special economic zone, special investment regions etc.

People, Public Private Partnership for Infrastructure Project:

The government introduced public private partnership model for the development of port, Transport, Railways, Road, Water, Bus Rapid Transit System, convention centre, etc which requires minimum financial obligation on the part of government.

Cluster Development:

The development of small and medium enterprises has taken place in form of different industrial cluster. There are 83 industrial clusters for different industry cluster have been identified in the state, developed at a number of different locations. The approach of cluster-based development has helped in improving cost competitiveness of the industries by way of creating common facilities, developing market centers and brand names, promotion of skill. Under the scheme, currently 26 clusters have been taken up for further development through various institutions as per the following details.

Sr. No.	Cluster	Location	Institution
1	Ceramics	Morvi & Thangadh	CGCRI
2	Powerloom	Ahmedabad	ATIRA
3	Submersible Pump Industry	Ahmedabad & Mehsana	ERDA
4	Ceramics	Himatnagar & Ahmedabad	CGCRI
5	Brass Parts	Jamnagar	EDI
6	Jewellery	Ahmedabad	NIFT
7	Garment	Ahmedabad	NIFT
8	Salt Industry in LRK	Surendranagar	CSMCRI & SEWA
9	Fish Processing	Veraval	CEPT
10	Re-rolling Mill Industry	Bhavnagar	GITCO
11	Chalk Industry	Porbandar	GITCO
12	Ginning Industry	Ahmedabad	ATIRA
13	Gold and Jewellery	Rajkot	NIFT
14	Dyes & Dyes Intermediate	Naroda, Ahmedabad	GCPC
15	Pharmaceuticals	Ahmedabad	PERD
16	Plastic Processing Trainings		CIPET
17	Foundry	Ahmedabad	GITCO
18	Salt Industry	Rajkot	CSMCRI ANANDI
19	Common Facility Centre for Diesel Engine Research	Rajkot	EDI
20	Engineering at Makarpura	Vadodra	EDI
21	Facilitating survival and growth of existing enterprises in the textile accessories and machinery	Ahmedabad, Surat and Surendranagar	EDI
22	Utensils	Dabhoi Vadodra	Shree Ram Vasan Industries Cluster Association Dabhoi
23	Pharma Machinery Mfg Cluster	Ahmedabad	EDII
24	Dairy & Food processing Machinery Cluster	Anand	EDII
25	Gold Jewellery Mfg Cluster	Rajkot	EDII
26	Founder Engineering Cluster	Vadodara	EDII

Summit & Conferences:

The state has been very much successful in organizing different summits, conferences, trade fairs etc to motivate the entrepreneurs for investing in Gujarat. One of the most success creator summit Vibrant Gujarat has created history for the development of SME sector in Gujarat. The state has taken an initiative to invite entrepreneurs from India as well as foreign delegates by organizing various summits.

Apart from this Gujarat is first state which gave commercial look to its traditional festivals like kite flying day, Navratri and encouraging tourism industry in Gujarat under the advertisement campaign 'Khushboo Gujarat ki'.

Branding Gujarat:

The last but the most important lesson to be taken from Gujarat is its branding campaign. The state has been advertising and branding itself as the most preferred investment destination by different advertisement campaign and various trade fairs and conferences. It has been very much successful in highlighting the required available resources for the business in the state. It has been highlighted as land of opportunity.

Conclusion:

There are tremendous opportunities for SMEs in global era, and the entrepreneurs require acquainting himself with the current scenario and advance technology. The firms in this sector must focus on simple scalable solution and competing the world market by cost and quality. The SMEs in other state must take benefitted lessons from development model for SMEs in Gujarat.

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