



SME's Empowering To Perform

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The Indian SME Scenario



68.8 Million

Number of
Micro, Small and Medium Enterprises

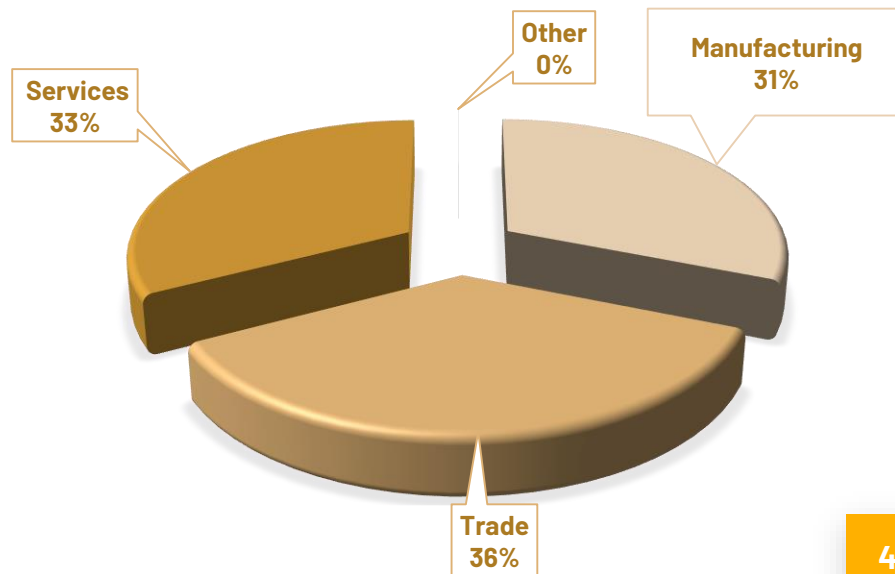
51%:49%

Ratio of
Rural:Urban MSME establishments

111 Million

Total Employment
In SME's

SME ESTABLISHMENTS





SME Performance

- The industry has taken centre stage over the last decade or so and has been proactively pushing the envelope, to be considered the engine of growth.
- ²The total SME working enterprises, employment and market value of fixed assets has grown at a CAGR of 4.39%, 4.75%, and 6.64%, the SME contribution to GDP has also stabilized at around 31%
- On the brighter side the ³overall NPA rate oscillated within 8% to 11% in the MSME segment during the last 2 years, however the NPA rate of large corporates has increased significantly from 7.9% to 16.9% during the same period.
- SME's continue to play a key role in the development of the economy, however the industry is plagued with a strong set of constraints that has been found increasingly difficult to break through.



Inclusive Growth

- SME's contribution to the Indian GDP is around 3 times of what large corporates contribute.
- SME's contribute immensely to the stimulation of initiatives to solve the problems of poverty, unemployment, inequality, and imbalances.
- SME's are diverse, geographically spread and dynamic, which is an inherent requirement for larger organizations to invest in the country thereby increasing the GDP.
- SME's help industrialize rural areas and in turn help economic growth and reduce income gaps across geographies.



4. Opportunities

The Road to Growth



Time To Rise

- In the recent past entry barriers, economies of scale and difficulties to access international markets had restricted SME's and predominantly enabled corporates and multi national companies to control and serve these markets.
- The growing technological advancements are desecrating borders and opening SMEs to larger markets across the world. The structural changes in the economy are accelerating opportunities for SME's by bringing in automation and decisively reducing the costs of many products and services.
- Increased purchasing power and consumerism is on the rise and it is the key driving factor for growth in India.
- ⁴It is estimated that the population in the deprived category is going to reduce from 133 million to 100 million by 2020. This will increase consumption, whereas consumption of the middle and higher middle class is expected to increase from 47% in 2010 to 60% in 2020.
- The opportunity overseas SME's to expand in India is ripe, through technology transfer, sub-contracting and outsourcing to Indian partners...

New Routes to Growth



Leveraging Ecommerce

- Digitization, the online platform industry, advanced robotics, 3D-printing, big data and the Internet of Things are rapidly changing the way business is operated today.
- With options such as ecommerce and online market places SME's are better poised to take advantage and reach out across regions and borders.
- Reduced customer acquisition and logistics costs, visibility of analytics and inventory planning, but most importantly the SME can focus on the core business.

Adapting To The New



Technology Adoption

- Rapid adoption and availability of the internet and progressive mobile penetration, has given SME's unprecedented opportunities to take advantage of. Platforms such as social media, cloud technology can be adopted to reduce costs and bring in efficiency in their marketing and operations.
- SME's today have a grander opportunity than before to adopt technology to grow their businesses.

Govt. Initiatives



Government Schemes

- SME's today have a wider bouquet of schemes from the Govt -
- Make In India
- Skill India
- Startup India
- Performance Incentives
- Export Market Promotion
- Market Development Scheme
- Technology Upgradation Support
- Funding and Credit Schemes

Access To Finance



FinTech

- There is now a wider opportunity for SME's to source funding's outside of government schemes.
- The financial technology and services ecosystem is surely and quickly gaining ground in implement operations.
- To curb the issues of offline integrations, a number of firms have incorporated offline support through third party to gain a wider reach.
- All of this are opportunities for SME's to leverage to achieve growth.



5. The Growing Challenge

Key Constraints



- Competition through globalization
- Availability and cost of finance
- Talent Management & Managerial Capital
- Innovation
- Ineffective Marketing Strategies/Execution
- Technology Awareness and Adoption
- Education and Skill Development
- Lack of knowledge on Govt policies and laws.

But these challenges are for the SME's that want to grow....

THE BIGGEST CHALLENGE

- SME's that are reluctant to grow
- SME's staying small to avoid regulatory and taxation obligations.





6. Being Competitive

The Key Components of Competitiveness



**Being
Competitive
is Crucial
for
SME's**

- Being Adaptive to change
- Strong Leadership
- Always Connected Market Intelligence
- Maintaining and Delivering on high Standards
- Access to talent to manage skill gaps
- Overcoming internationalization
- Access to Finance
- Being Innovative
- Cash flow Management
- High Standards in Management Practices

Assessing Indian SME's Competitiveness



The Capacity To Compete

Focuses strongly on the SME's capacity to drive efficiency and effectiveness in operations.



The Capacity to Connect

The SME's ability to streamline processes and communicate information and knowledge which is crucial for the digital economy and for services.



The Capacity to Change

The ability of the SME to evolve and innovate through investments in human and financial capital

⁵The Three Pillars Of Competitiveness

5 Three Pillars Of Competitiveness



Pillar 1 - Compete

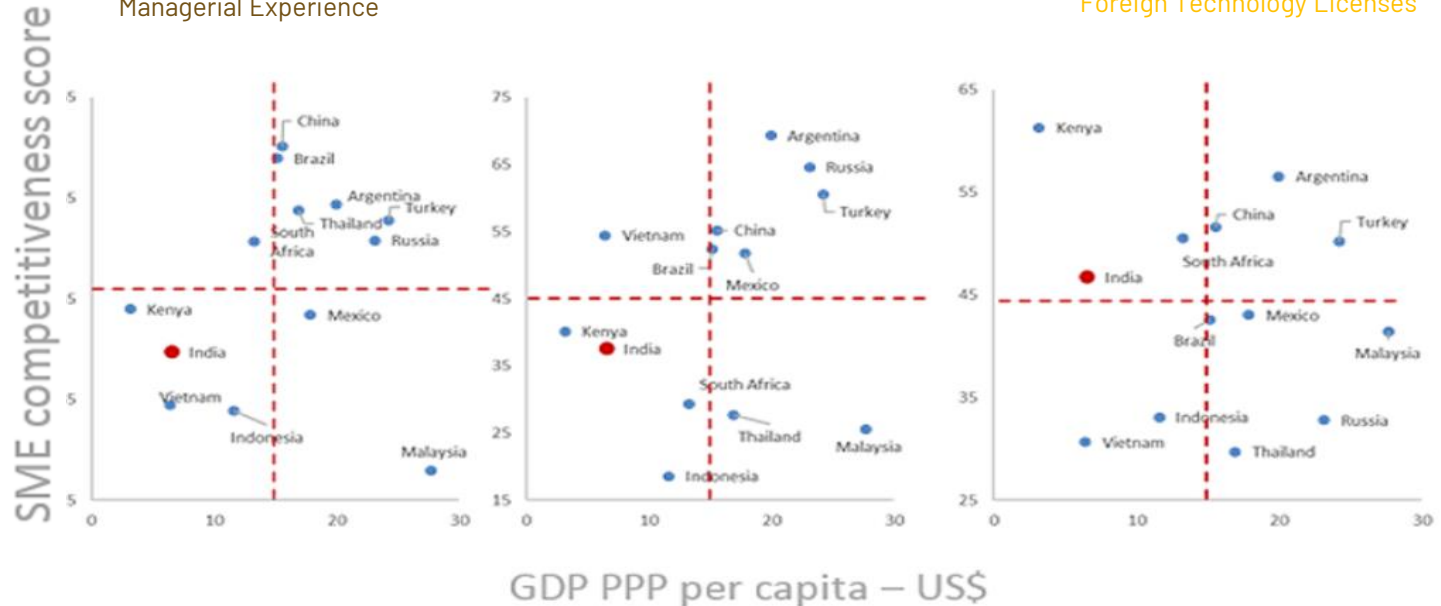
International certifications
Banking
Capacity Utilization
Managerial Experience

Pillar 2 - Connect

IT to aid connections
Online Presence

Pillar 3 - Change

Audited Financial Statements
Bank Finance
Formal Training Programmes
Foreign Technology Licenses



INFERENCE



India is rated lower than average in the first two pillars and just above average in the third pillar.

This indicates there is still a challenge in access to finance; availability of infrastructure; availability of skilled labour; power supply and technology. One of the biggest concerns is lack of managerial skills and operation efficiencies.

If this is despite the government's constant push for policies and special schemes, it can be inferred, there still remains low awareness amongst MSMEs regarding various government schemes and the network of help available.



7. Taking Help To Maximize

Constructing the SME Organization



Dynamic

High degree of innovation and flexibility

Balancing efficiency and effectiveness

Economic use of financial resources

Resourceful and maximizing relations.

Short term planning of goals and finance

Reactive

Employees and owners play multiple roles

Little attention to professionalism and managerial capital

Low attrition rates

Lack of standardization in processes

Time management at the cost of due diligence

Managing variable conditions of the business.

Awareness & Risk Averse

Risk capacity limited.

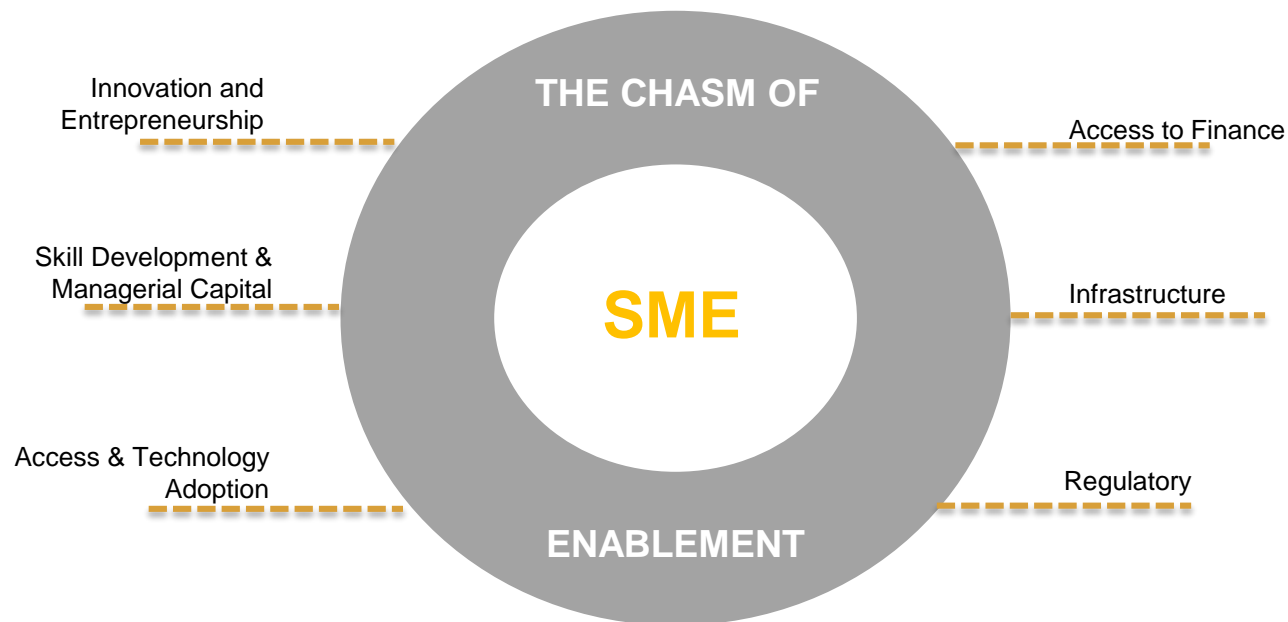
No experimentation or expansion due to limited funds.

Heavy reliance on few customers and partnership.

Lack of market awareness in context to organization.

Low awareness in context to help available and accessible subject domain expertise

SME Growth Enablers



THE QUANTUM OF TIME & RESOURCES



SME owners are rushed for time, donning multiple hats and addressing cash inflows, supervising operations, product enhancements, strategy decisions, price structuring, marketing and networking.

The teams are lean (optimized resources) and very often operate on slim margins (optimized finances). This places severe strain on the SME owner forcing them to invest most of their time in managing cash flow requirements and hence little time to strategize and evaluate or recognize accessible growth enablers.

They never get around to crossing the ***chasm of enablement***.

The Reverse Cycle

On one hand the SME undergoes a daily fight for survival by keeping the cash flows alive while on the other this very action exposes the SME's weakness in leveraging growth enablers primarily due to lack of time and awareness.

The immediate repercussion of this cycle causes investors (FII, PR, Angel etc) to avoid investments in SME's due to poor managerial skill sets causing strained financial positions.

Now it is not always poor management but more so the lack of management bandwidth caused by limited or no exposure to mentorship, subject matter experts and financial support.

Not being able to take advantage of the growth enablers in the ecosystem further increases the woes of the SMEs. This causes low propensity to innovate, superficial penetration of technology, little or no use of productivity enhancement tools, no efforts towards incubation mechanism and encouraging internal learning and knowledge management.

This causes a reverse cycle where an already challenged SME finds it difficult to differentiate and grow. A support system is therefore essential for the owner and his/her SME.



8. SUPPORT SYSTEM



The SME to un-entangle itself from the deepening abyss needs a Support System consisting of -

- Consultants
- Managerial Capital

Lack of expertise in planning, the lack of time of business owners to devote more seriously to long-term planning, is one of the main reasons for the stagnation and decline of small businesses.

How Can Consultants Help?

Work with the owner and his team to improve and build their managerial skill. Thereby creating managerial capital that can be a long term source for the SME owner to rely on.

Analysing and advising the SME owner on the changes in the external and internal environment. Taking steps to mitigate risks and exploiting opportunities.

Scanning, reviewing and ensuring all growth enablers accessible are employed and accelerated. Bringing awareness about the industry and government help available.

Advising managers/owners in diagnosing and solving business problems for which they lack expertise, knowledge and experience.

Increases the practical applicability of the solutions and help the SME owner in their transition, to work on the business rather than in the business.

Connect SME owners to subject matter experts and employ advanced skills to solve problems.

Focussing on the long term growth strategy for the SME and ensuring governance (checks & measures) are in place to ensure continuity.



Consultant Contributions

- Helps SME's Reach their Goals
- Save Money in the long run
- Drives Growth
- Improves Organizations effectiveness

By Providing

- Knowledge Intensity
- Professionalism
- Deep domain expertise



Thank You!

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