

NET-WORKING MSMEs ACROSS NATIONS FOR TECHNOLOGY & MARKETING—A JOINT CONFERENCE OF BRENAU UNIVERSITY, GEORGIA, USA, AND RIMSR, BANGALORE

In the past, Indian MSMEs faced many challenges; like, undue formalities to set-up new enterprises, delays in credit dispensation, lack of adequate working capital, power, trained manpower, etc. However, these problems have been attended to, and the situation has substantially improved. But, what lacks even to-day, are:-

- Modern Technology, and
- Access to International Markets.

It is precisely these two factors that have made China an “INTERNATIONAL MANUFACTURING HUB.”

With the advent of Information Technology, India’s service sector has seen a huge growth and gross earner of the much needed foreign exchange. India has crossed forex reserve of US \$ 300 billion, chiefly because of the contribution of IT. But, a caution; other developing nations like the South-East Asian countries are catching-up. They would definitely pose a challenge, particularly in the “IT Enabled Services,” and may take-away Indian market share in the segment. Likewise, this could happen even to the IT sector.

The answer to this is to strengthen the manufacturing sector. The key to the growth and survival of MSMEs is ‘technology,’ for it is only ‘technology’ that can give the strength of competing with nations across the globe, and gives the advantage of improved quality, reduced costs, and access to international markets.

This was the objective of the Conference held on 25th and 26th of August 2014 with active support of the Government of Karnataka, Small Industries Development Bank of India, Karnataka Small Scale Industries Association, and other lead institutions serving the cause of MSMEs.

The Conference was well attended and represented. Eminent speakers from the Government Departments, Trade-Bodies, NGOs, and eminent Scholar Practitioners presented their points of view on the growth model of MSMEs in Karnataka in specific, and the country at large. From Brenau University, we had the advantage of having Prof. (Dr.) William S. Lightfoot, Dean, Management Studies & Mass Communication.

On this occasion, the Chief Minister of Karnataka, the Chief Secretary, Government of Karnataka, the Deputy Managing Director of SIDBI, and



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EDITORIAL

Dassera and Deepavali Greetings from the Editorial Board of ‘BLUE PRINT.’ RIMSR, with support from the Government of Karnataka, & in partnership with KASSIA & other Trade Bodies in Bangalore, conducted a conference on **Net-Working MSMEs for Technology and Marketing**. Over 200 delegates took advantage of the presentations, and panel discussions. Prof. (Dr.) William S Lightfoot, Dean, College of Business and Mass Communication, Brenau University, Gainesville, Georgia, USA, presented the key-note address. In this issue, while we could include the messages of the Chief Minister & DMD, SIDBI, and presentations of the Chief Secretary, GoK, and that of Prof. (Dr.) S. Sadagopan, the key-note address would be covered in the next issue. **Dr.S.S.Chandrashekar**

Other Dignitaries gave their messages; and the important one being that of the Chief Minister of Karnataka which is reproduced here:

SIDDARAMAIAH
CHIEF MINISTER

CM/PS/173/2014



VIDHANA SOUDHA
BANGALORE - 560 001

Date : 22-08-2014

MESSAGE

I am happy to learn that the Government of Karnataka, in association with Karnataka Small Scale Industries Association, Rangnekar Institute of Management Studies and Research, Brenau University at Georgia in United States of America, Indo-American Chamber of Commerce, Asia-Arab Chamber of Commerce, Manufacturers Association of Information Technology, International Institute of Information Technology Bangalore and Association of Women Entrepreneurs of Karnataka, is organizing a Two-day Conference on *Net-working Micro, Small and Medium Enterprises across Nations for Technology and Marketing*, slated from August 25 in Bangalore.

The Micro, Small and Medium Enterprises play a pivotal role in the economic and social development of the country, often act as a nursery of entrepreneurship.

They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSME sector contributes significantly to the country's manufacturing output, nearly 45 per cent employ about 73 million people in more than 31 million units spread across the country and account for about 40 per cent of India's total exports.

However, in these challenging times, MSMEs should further increase their share of international trade, and go for more modern and state-of-the-art technology to produce goods that match international quality and markets.

I hope this Conference will give a fillip not merely to MSMEs, but also to our State, as it is the best destination for establishing industries.

I wish the Conference, a grand success.


(SIDDARAMAIAH)

The Director,
Rangnekar Institute of Management Studies and Research,
No. 716/35, J C Plaza, 2nd Floor,
3rd Block, Rajajinagar,
Bangalore – 560 010.

The following is the text of the inaugural address of Sri. Kaushik Mukherjee, IAS, Chief Secretary, Government of Karnataka:



INAUGURAL ADDRESS OF SRI KAUSHIK MUKHERJEE, IAS, CHIEF SECRETARY, GOVERNMENT OF KARNATAKA, PRESENTED ON THE OCCASION OF THE NATIONAL CONFERENCE TITLED “NETWORKING MSMEs ACROSS NATIONS FOR TECHNOLOGY AND MARKETING” HELD ON 25TH AUGUST 2014, AT KASSIA AUDITORIUM, BANGALORE

Dear Prof. (Dr.) William S. Lightfoot, Dean, College of Business and Mass Communication, Brenau University, Gainesville, Georgia, USA; Prof. (Dr.) S. Sadagopan, Director, International Institute of Information Technology, friends, ladies and gentlemen. Although, my wish was to be with you and actively participate in the Conference; the theme of which is dear to my heart, exigencies have compelled me to seek your excuse. Therefore, I preferred to jot-down a few points of mine that are relevant to the theme of the Conference, and place it before you for discussion in-absentia.

The Micro, Small and Medium Enterprises (MSMEs) play a pivotal role in the economic and social development of the country, often acting as a nursery of entrepreneurship. They also play a key role in the development of the economy with their effective, efficient, flexible and innovative entrepreneurial spirit. The MSME sector contributes significantly to the country's manufacturing output, employment and exports and is credited with generating the highest employment growth as well as accounting for a major share of industrial production and exports.

MSMEs have been globally considered as an engine of economic growth and as key instruments for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSME sector is much higher than that of large enterprises. MSMEs constitute more than 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, MSMEs play an essential role in the overall industrial economy of the country. In recent years, the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. The sector not only plays a critical role in providing employment opportunities at comparatively lower capital cost than large industries but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. MSMEs complement large industries as ancillary units and contribute enormously to the socioeconomic development of the country.

Key Highlights Of The Indian MSME Sector:

- MSMEs account for about 45% of India's manufacturing output.
- MSMEs accounts for about 40% of India's total exports.
- The sector is projected to employ about 73 million people in more than 31 million units spread across the country.

- MSMEs manufacture more than 6,000 products ranging from traditional to high tech items.
- The, total production coming from MSME sector is projected at over Rs. 11 billion.
- The MSME sector is estimated to have an average credit off-take of Rs. 7.16 lakhs for 32.2 million units.

Significant Contribution of the MSMEs Towards Production and Employment Creation:

The MSMEs contributed significantly to the Indian economy, with more than 31 million units employing more than 73 million persons. Productivity of the MSME sector has been improving significantly with fixed investments and employment growing consistently over the past few years. This is a direct indication of the efforts focused on this sector to integrate the workforce with technological enhancements to increase production. Fixed investments in the MSME sector between FY07 and FY11 has grown at a CAGR of 11.48% and employment has grown by more than 5% (y-o-y). Total production by the MSMEs is projected to have grown by 11.48% to Rs. 11 billion. Between FY07 and FY11, the sector's total production grew at a CAGR of 11.5% - reiterating the substantial contribution of the MSMEs to the Indian economy.

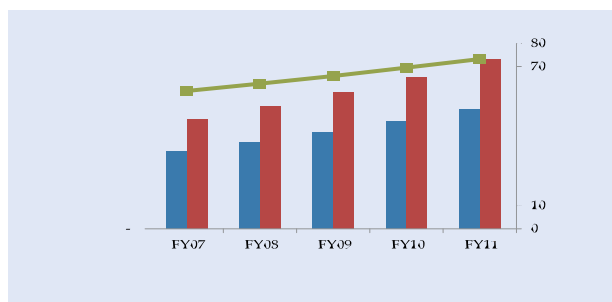
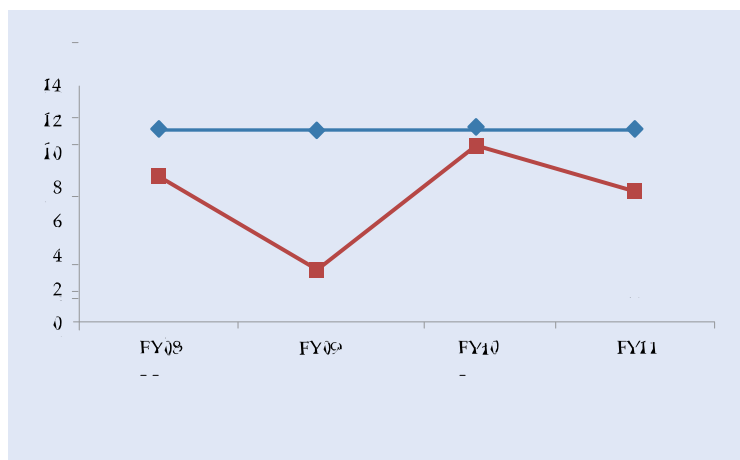


Chart 1.1: Production and employment in MSMEs

MSMEs Outperform Industrial Growth Rates:

The MSMEs have outperformed industrial growth rates in the past five years.. The total production of MSMEs is approximately growing at 11.48% to Rs. 11 billion, compared to industrial growth of 7.8%. The MSME sector grew at a CAGR of 11.5% over the period between FY07 and FY11, contributing significantly to industrial growth of India.



The MSME sector has been accorded high priority in the industrial policy owing to its vital role in the economy. Long term funds requirements for the sector are generally met by institutions like SIDBI, SFCs, NBFCs, Schedule Commercial Banks (SCBs), NBFCs etc. Working capital needs of the sector are largely met by banks. Among financial institutions, commercial banks accounts for 87% of the lending to the sector. The total outstanding credit by SCBs to Micro and Small Enterprises (MSEs) in India stood at Rs. 4,859.43 billion, registering a y-o-y growth of 34.13%. Total outstanding credit by SCBs to medium enterprises in India stood at Rs.1,580.69 billion. Total outstanding credit by SCBs to the MSME sector stood at Rs. 6,440.12 billion. SCBs had nearly 95.47 lakhs MSME accounts which resulted in an average credit off-take of Rs.6.75 Lakhs per account. Among SCBs that lend to MSEs, public and private sector banks have registered impressive growth of 36.30% and 35.52% . Public Sectors Banks (PSBs) account for a major share as compared to private and foreign banks.

As per RBI statistics, as on March 23, 2012, the total banking credit outstanding to Micro and Small Enterprises stood at Rs. 5,190.55 billion and that to Medium Enterprises it stood at Rs. 2,056.42 billion. As a result, total bank credit outstanding to MSMEs stood at Rs. 7,246.97 billion, indicating a growth of 12.53% over this period.

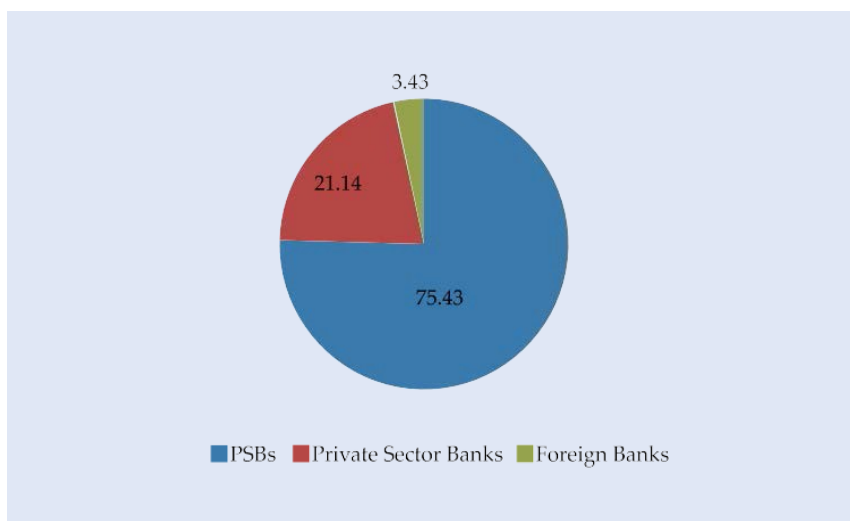


Chart 1.3: Bank category-wise share of outstanding credit to MSMEs (%)

Major Initiatives Undertaken By The Government To Revitalize The MSME Sector

The BSE and NSE got the approval for SME platforms from the SEBI and have been operationalized. This will serve as an opportunity for the Indian SMEs to raise funds from capital markets. To achieve the overall target set by the Prime Minister's National Council on Skill Development, the Ministry of MSME and the agencies are expected to conduct skill development programs for 478,000 persons. During FY14, the Ministry aims to provide training to 572,000 people for development of self-employment opportunities as well as wage employment opportunities in the country. To improve the productivity, competitiveness and capacity building of the MSMEs, the Government of India has adopted a cluster-based approach. During Apr-Jan FY12, the government has taken eight new clusters for diagnostic study, five for soft interventions, and four for setting up of common facility centers. Till Jan 2012, the government has taken a total of 477 clusters for diagnostic study, soft interventions and hard interventions and 134 infrastructure development projects.

The Government has set up an India Opportunities Venture Fund with SIDBI worth Rs. 50 billion. Allocation for the Prime Minister's Employment Generation Program increased by 23% from 10.37 billion to 12.76 billion. Under the Public Procurement Policy for Micro and Small Enterprises (MSEs), Ministries and Central Public Sector Enterprises (CPSEs) are required to make a minimum of 20% of their annual purchase from

MSEs. Of this purchase, 4% to be earmarked for procurement from MSEs owned by SC/ST entrepreneurs. Increase in the turnover limit from Rs.6 million to Rs.10 million for SMEs for compulsory tax audit of accounts and for presumptive taxation. Exemption of capital gains tax on sale of residential property, if the sale consideration is used for subscription in equity of a manufacturing SME company for purchase of new plant and machinery. Reduction in the basic customs duty to 2.5% with concessional CVD of 6% on specified parts, components and raw materials for the manufacture of medical devices such as disposables and instruments. Full exemption from basic customs duty and CVD to specified raw materials for the manufacture of coronary stents and heart valves. Reduction in the excise duty from 10% to 6% on matches manufactured by semi-mechanized units.

Key Challenges Faced By The MSME Sector:

- **Lack of availability of adequate and timely credit**
- **High cost of credit**
- **Collateral requirements**
- **Limited access to equity capital**
- **Procurement of raw material at a competitive cost**
- **Problems of storage, designing, packaging and product display**
- **Lack of access to global markets**
- **Inadequate infrastructure facilities, including power, water, roads**
- **Low technology levels and lack of access to modern technology**
- **Lack of skilled manpower for manufacturing, services, marketing, etc**
- **Multiplicity of labor laws and complicated procedures associated with compliance of such laws.**

These challenges need to be addressed head-on, and I am sure this would unleash the real contributing power of MSMEs in India. I am not in doubt that the MSMEs would be the engine for economic growth in the future years.

The Way Forward

A dynamic global economic scenario has thrown up various opportunities and challenges to the MSME sector in India. On the one hand, increased per capita income and consumerism have opened up numerous opportunities for this sector to enhance productivity and look at new national and international markets. On the other hand, the sector continues to face challenges like fund shortages, limited access to equity capital, technological obsolescence and lack of infrastructure facilities, among others. Commercial banks amongst financial institutions remain the largest lenders to the MSMEs. The National Commission on Enterprises in the Unorganized Sector (NCEUS) has estimated 73% credit gap for the micro enterprises as at the end of March 2014.

Despite the various challenges it has been facing, the MSME sector has shown admirable innovative-



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ness, adaptability and resilience to survive the recent economic downturn and contribute significantly to India's industrial growth. Considering the importance of the MSMEs in supporting the Indian economy's growth, the MSME sector needs to have timely, adequate and affordable funds to upgrade its technological competencies and plug financial gaps, so as to move up the value chain.

With these few words, I thank the organizers KASSIA, Laghu Udyog Bharathi, AWAKE, MAIT, RIMSR, Georgia Indo-American Chamber of Commerce, Atlanta, USA, Asia-Arab Chamber of Commerce, and Brenau University, USA for having given me this opportunity to share my views. I would be happy if the points I have raised in this paper are discussed thread bear and workable solutions arrived at. I am requesting the organizers to send me a copy of the proceedings of this session to my office. I am now declaring open the conference.



**Sri Kaushik Mukherjee, IAS, is the
Chief Secretary of Government of Karnataka.**



Networking MSMEs Across Nations for Technology and Marketing (August 25 & 26, 2014) - Message From the Deputy Managing Director, SIDBI

I am really thankful to Rangnekar Institute of Management Studies and Research, Government of Karnataka and other associate institution for organizing a timely conference on very relevant topic – ‘Networking MSMEs across nations for technology and marketing.’

We all know that MSME sector in India has been one of the vital drivers of the economy, as this sector, comprising more than 44 million units, contributes around 40% of industrial manufacturing, 36% of total exports and above all provides employment to more than 100 million – second largest to agriculture.

Micro, small and medium enterprises (MSME) play a key role in triggering and sustaining economic growth and equitable development. However, due to constrain of their small size, MSMEs are often unable to capture and exploit market opportunities which require large production capacities, homogeneous standards, and regular supply. Lack of access to reliable information on upgraded/ updated technologies, as also non availability of affordable, appropriate and updated technologies hinders their growth. Through networking and mutual cooperation, individual MSMEs can address the problems related to size and improve their competitive position.

Today, success and worth of a business depends more on its intellectual capital than on its physical assets. Globalization of supply chains, rapid technological advances, superior returns on intellectual capital, growing importance of knowledge-intensive industries make both, technology and marketing, strategic tools in the growth and success of business. Access and integration of MSMEs with regional, national and international markets requires bridging the gaps between the requirements of supply chains and efficiency of MSMEs technological base and marketing capability. These are essential for competitive and sustained growth.

To move ahead, an integrated knowledge network and information super-highway for MSMEs that links all relevant national and international information sources becomes a basic necessity. To enable MSMEs to keep pace and align with the dynamism of a knowledge-based economy, various promotional, developmen-

tal and financing institutions, industry associations, chambers of commerce and other related stakeholders have to come together and commit resources to make the technology and marketing strategy viable and effective.

Guided by the belief that information leads to enhanced efficiency and better decision making, SIDBI has been publishing a series of reports on issues related to MSME sector. Another important step taken by SIDBI is setting up a website www.smallB.in to handhold and guide new entrepreneurs on how to set up a business, access finance, avail benefits under government schemes, etc. The main objective is to promote youth entrepreneurship and address the information gap by ensuring availability of relevant information to MSMEs. The website also provides guidance to existing entrepreneurs on how to access market and other relevant information to make them more competitive. With a view to mitigate the various challenges faced by MSMEs in obtaining credit, SIDBI has set up Credit Advisory Centers (CACs) in many clusters in partnership with cluster level industry associations. CACs provide a number of free escort services like formulation of good business plan, facilitating with lenders' needs for structured and reliable information, financial linkages etc. for manning the CACs, SIDBI has appointed Knowledge Partners (KP) who are retired Bank officials, suitably trained for this purpose.

We have to move away from technology import to technology generation and from adoption to innovation, if India has to be one of the fastest growing economies of the world. Drawing on the analogy of what Mahatma Gandhi had once said –

“Our MSMEs sector must become the change we want to see.”

I congratulate RIMSR and its associates for hosting the conference which would benefit the MSMEs in their endeavor to expand their market and technological base, leading to their sustained growth and competitiveness.

Wish the program all success.



N. K. Maini,

Deputy Managing Director,

Small Industries Development Bank of India, Government of India



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**Address of Sri S. Sadagopan, Director, International Institute of Information Technology, and
Chairman, Governing Council, RIMSR, Bangalore, India**

Good morning friends.

It is a privilege and an honor to be invited to this important conference.

For me the keywords are:-

- 1. MSME**
- 2. Networking**
- 3. Technology**
- 4. Marketing; and**
- 5. Nations**

I know only “Technology,” but have seen “technology” playing a key role in transforming industries across the nations!

Let me suggest five points for you to ponder over in the event.

Technology permits the shift from “market share driven mind share” to “mind share market share” - Colgate explains the former while Infosys represents the latter.

Technology permits Amazon in USA to host 80% of MSME web-sites, application servers and database servers in India (on the cloud) - a foreign Nation in a different continent that is 10,000 miles apart).

MSME's will rule the “new world” – WhatsApp with 70 million users has full time employees.

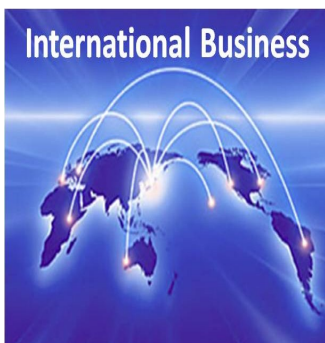
RedBus in three could “organize” 50,000 bus fleet operators in India with a single solution while 10 of the big operators took 25 years (and still struggling) – to make their online ticketing efficient, mobile phone friendly and usable by “owners” who did not go to college! Thanks to cloud, the operators do not worry about IT or networking!

GetActive is able to make tens of thousands get out of their slumber and run every day, day after day and log 10,000+ steps – make Indians healthy, in short by creatively using pedometer, cloud, analytics and Big data in flat 3 years.

Something that the entire population of doctors and WHO could not do! With Best Regards.



**Prof. (Dr.) S, Sadagopan is the Founder Director, IIIT-Bangalore, and Chairman,
Governing Council, RIMSR.**



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