

# Welcome

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# **Enhancing the Role of Micro and Small Enterprises in Global Value Chains : India's Initiatives**

Plenary Session 4  
Internationalisation of Micro Enterprises :  
Local Links – Global Reach  
(12 November 2007, 14:00- 15:30 hrs)

34th ISBC, Bangkok, Thailand





# Notion of Value Chain

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- Mapping the linkages and networks between firms
- Identifying values
- Opportunity creation for value building
- Effective management of activities (governance)
- Generating margins



# Global Value Chain (GVC)

Useful notion for SME growth

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- Encompassing production and distribution
- Global scale of production and distribution
- Adding value from production/service to final customer/user



# Global Value Chain (GVC)

Useful notion for SME growth

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- Inter-dependence among enterprises of various sizes in various locations
- Competitive advantage
- Technology up gradation
- Information access



# Global Value Chain (GVC)

Useful notion for SME growth

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- New management practices
- Networking of up-stream and down-stream partners
- Effective tool for integrating SMEs in globalisation
- Engine of growth for world economies



# Indian Economy: Select Indicators

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- GDP Growth : 9.4% (2006-07)  
(Prior to 1991 GDP 3%)
- GDP : US \$ 930 Billion
- Inflation rate : 3%
- GDP by Sector
  - Agriculture : 18%
  - Industry : 27%
  - Services : 55 %
- Exports : US \$ 126 Billion
- Imports : US \$ 190 Billion
- Foreign debt : US \$ 155 Billion
- Forex reserves : US \$ 230 Billion



## Profile of Indian MSEs

MSE units (Estimated)	13.00 million (91% of total industrial units)
Country's industrial production	50%
Country's exports	45%
Employment creation	41 million
Domestic GDP	8%
No. of products manufactured	8000+
Expected growth during 11 <sup>th</sup> Plan(2007-12)	13%



# Micro, Small and Medium Enterprises Development Act, 2006

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## Facilitating

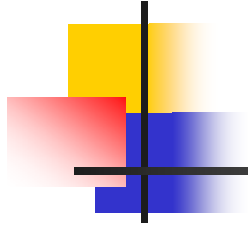
- Promotion
- Development
- Enhancing the competitiveness of  
Micro, Small and Medium Enterprises



## Salient features of the Act

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- Concept of ‘enterprise’ in place of industry
- Enterprise classification :
  - manufacturing and service
  - investment levels :
    - Micro
    - Small
    - Medium



# Investment Range

Enterprise type	Investment limit (Rs. Million)	
	Manufacturing	Service
Micro	Up to 2.50	Up to 1.00
Small	> 2.5 and < 50.00	>1.00 and < 20.00
Medium	>50.00 and <100.00	>20.00 and <50.00



## Salient features of the Act

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- Apex consultation body with wide representation
- Statutory national board
- Advisory committee
- Promotion and enabling provisions



## Other features of the Act

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- Establishment of specific funds for enhancement of competitiveness of MSMEs
- Notification of schemes and programmes
- Progressive credit policies and practices
- Procurement preference policy
- Delayed payments provision
- Facilitating business closure



# National Manufacturing Competitiveness Council (NMCC)

- Identification of globally competitive manufacturing sectors, their needs, problems and providing solutions
- Specific strategies for enhancing competitiveness
- Innovation and technology development (R&D)
- Infrastructure and enabling facilities
- Provide forum between public and private sectors
- Entrepreneurship promotion



# Manufacturing Strategy (NMCC)

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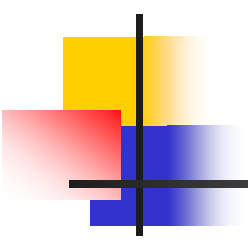
- Ensure macro economic stability and cost competitiveness
- Stimulate domestic demand
- Strengthen education and skill building
- Creating conducive environment
- Encourage IPRs
- Increase the ICT usage
- Benchmark best practices in HR
- Create monitoring and measuring performance



# Competitiveness Programme (NMCC)

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- Coordinate with clusters under IIU Scheme
- Collaborate with industry associations or SPVs
- Identified over 10,000 firms from clusters



# Visionary Leaders for Manufacturing Programme (NMCC)

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- Create critical mass of visionary leaders
- Establish a strong partnership between industry and academia
- Transfer the best practices from the Japanese manufacturing industry
- Sensitise CEOs/MDs of manufacturing companies and MSE entrepreneurs



# The National Commission for Enterprises in the Unorganised Sector (NCEUS)

- Focus on productivity and employment generation (Rural Areas)
- Enhancing global competitiveness based on current global environment
- Link with institutional network for credit, raw material, infrastructure, new technology and marketing
- Interventions for skill development
- Identification and promotion of growth poles



# New package for MSE Promotion

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- Credit Linked Capital Subsidy Scheme (CLCSS) for technology upgradation
- Fee reimbursement for bar-coding
- Setting up mini-tool rooms and testing centres
- Assistance to Entrepreneurship Development Institutes
- Micro finance programme for identification of viable projects
- Market development assistance



# De-reservation

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- De-reservation policy resulting in liberalisation and globalisation
- Opportunity for competitive advantage and establishing linkages with larger firms
- Brought down reserved list from 873 to 114 items (March 31, 2007)
- On the way of MSE internationalization



# Emerging Strategies for MSE Growth and Global Competitiveness

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- Inter-firm linkages
- Public private partnerships (PPP)
- Easy and timely credit
- Information and Communication Technologies (ICT) – more usage



# Emerging Strategies for MSE Growth and Global Competitiveness

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- Quality upgradation
- Supply chain management
- Intellectual Property Rights (IPR)
- Market development
- International SME Network (INSME)



# Cluster Initiatives

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- Networking among enterprises
- Strengthening social capital
- Technology and skill upgradation
- Infrastructure creation
- Lowering of costs



# Cluster Initiatives

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- Improving bargaining power
- Global visibility
- Easier access to finance
- Greater Government support
- External players within the value chain



# Cluster Strategies

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- Empowered Group of Ministers
- BDS services for SME financing and development
- Interventions
  - Mentor institutions
  - Cluster development executive/agent (CDE/A)
  - Network development agents (NDA)



# Policy Recommendations

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- Raise rural MSEs and their participation in GVC
- Encourage cooperation mechanism through clusters and networks
- Preparedness for global competition through entrepreneurship promotion and innovation



# Policy Recommendations

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- Encourage public private partnership (PPP) mode
- Further simplification of compliance procedures
- Promotion of new technologies and human skills upgrading

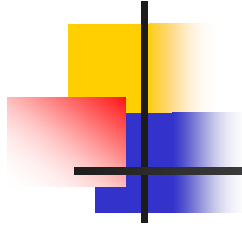


# National Institute for MSME (ni-msme)

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- Premier institution for promotion of MSMEs over 47 years
- Core activities
  - Training
  - Research
  - Consultancy
  - Information
  - Education
  - Extension





# ni-msme

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- Collaboration with national and international institutions
- Services for enhancing MSEs in GVC
  - Cluster Development
  - Entrepreneurship and innovation
  - Quality standards
  - Information dissemination
  - Intellectual Property Rights
  - Think-tank for policy formulation





# Conclusion

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## **Globalisation of value chains brings opportunities and challenges to Indian MSEs**

- MSEs internationalisation and growth
- Right policies and initiatives
- Continuous competition
- Quality standards, innovation and good manufacturing practices
- Protection of IPR



# Conclusion

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- Borderless markets
- Co-operation and cluster networks
- Capacity for innovation
- Private Public Partnership (PPP)
- Creation of conducive business environment

# Contact Information



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Thank You