

Preface

This study is based on a firm-level survey of small and medium enterprises (SMEs) in India in the summer of 1998. Responses to a detailed questionnaire by 216 entrepreneurs and managers in five industrial sub-sectors, through structured interviews, form the data set.

The object of the study is to examine empirically how useful the vast network of Indian SME support institutions has been for SMEs to be able to export. Three areas of support have been examined: marketing, technical and financial support.

Besides analysing firm-level evidence, this study has two new features. First, while the above theme has been investigated in India for the first time in this study, some evidence was available for Japan, Korea, Indonesia and Colombia. This has enabled a comparison of support structures in India with these four countries. Second, the support systems have been evaluated from the perspective of the users, i.e., SMEs rather than the support institutions.

SMEs are defined here in terms of employment size. Small enterprises employ 1-49 workers and medium-sized 50-199 workers. Sub-sectors are selected for detailed analysis, based on SME dominance, export propensity, degree of sub-contracting, complexity of technology, and the rate of technological change. These five sub-sectors are automotive components, footwear and components, gems and jewellery, readymade garments, and computer software.

The support structure has been categorised into collective and private, and focuses on the role of collective support. "Collective" refers, in general, to non-profit institutions set up by government, business associations or non-governmental organisations. "Private" refers to for-profit institutions set up by private entrepreneurs.

There are several aspects of the subject which this study does not address. First, it does not investigate the economics of international competitiveness of individual industries in terms of price factors. Nor is it an analysis of Indian public policy on small-scale industries (SSIs) or on India's industrialisation or on India's exports. Instead, it examines the contribution of just one of the many non-price factors affecting export competitiveness, namely, support to SMEs to find export markets, technology and finance. That, too, as perceived by the users of support on

an ordinal scale. Second, although it does ask whether macro policy interventions have been useful for enabling SMEs to export, it does not attempt any detailed examination of the responses. Third, it covers only five industries. Even though the selected sub-sectors account for as much as 34 per cent of India's exports,¹ the conclusions can best be described as tentative, and must await confirmation from further such studies. In fact, one contribution of this study is that it reveals the need for such industry-specific investigations, by evaluating the importance of SME institutional support in SME export performance, and provides a framework of analysis. The other contributions relate to presentation based on primary data, some of which is unpublished, of

- (a) contribution of SMEs to India's exports (section 2.3.4 in Chapter 2),
- (b) five sub-sector profiles in Chapter 3, and
- (c) three inventories of marketing, technical and financial support institutions for SMEs in India (as stand-alone annexes to Chapters 4, 5 and 6),

none of which is available in the existing literature on the subject.

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¹ In million US\$, in 1997-98: Auto Components = 352, Footwear and Components = 527, Gems and Jewellery = 5,509, Readymade Garments = 3,775, Computer Software = 1,798, Total for these sub-sectors = 11,961; India's total exports = 35, 006. *Source:* Report on Trend and Progress of Banking in India 1998-99, Reserve Bank of India for India's total exports; and Chapter 3 for sub-sector exports.

years. And to Joseph Tham, also at Harvard, who not only helped clear my cobwebs in performing statistical analysis every so often, but actually set course for this study by hauling me over to the Kennedy School library, and pointing to some literature on the subject in the Harvard catalogue.

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Materials for future reference, contained in Chapters 2 and 3, and in the Annexes to Chapters 4, 5 and 6, have added to the volume of this work,² making the study rather bulky. I apologise to the reader for the inconvenience this may cause.

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² These materials add up to more than 150 pages out of a total of 470 pages.