<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Overview of MSME’s</td>
<td>2</td>
</tr>
<tr>
<td>1.2 MSME’s in India</td>
<td>7</td>
</tr>
<tr>
<td>1.3 Rationale of the Study</td>
<td>51</td>
</tr>
<tr>
<td>1.4 Objectives of the Study</td>
<td>56</td>
</tr>
<tr>
<td>1.5 Hypotheses of the Study</td>
<td>57</td>
</tr>
</tbody>
</table>
INTRODUCTION

Present thesis focuses upon an in-depth analysis of the MSME sector across the Indore region. Emphasis is placed upon identifying issues relating to the significance of this sector in Indore region; access to government schemes and programmes; utilization and application of information technology; impact of e-commerce and business opportunities arising; and the specific study of untapped potential factors in MSMEs of Indore region. There is ample evidence that the small and medium sized enterprises (SMEs) have not only flourished in domestic economies, but that their international presence has grown well (UNCTAD, 1993; Masataka, 1995a and 1995b; Admiraal, 1996; and Buckley et al.,).

1.1 OVERVIEW OF MSME (MICRO SMALL AND MEDIUM SCALE ENTERPRISES):

The term “SME” is used in this research work is to cover Micro, small and medium scale enterprises (MSME’s). This is done for ease and clarity and to establish a clear distinction with large enterprises, including multinationals. However, though MSME’s have much in common, like their roots in national economy and their owner-management structure etc., including their important differences. Microenterprises have very few employees, little capital, minimal potential for growth and are commonly found in the informal economy. Typical national definitions of microenterprises place an
upper financial limit on the capital invested in business and a workforce not exceeding between 5 to 10 employees. Some countries include the self-employed entrepreneurs under microenterprises, while others consider them as a separate category (Reinecke and White 2004). Small enterprises are generally defined as business employing between 6 and 50 employees and with capital not exceeding a fixed limit. Small enterprises are much more likely to have growth potential than micro enterprises and are better integrated into the formal economy.

Medium-sized enterprises are usually defined as having between 50 and 250 employees and capital not exceeding a certain limit. They are sizeable business that forms part of the formal economy of developing countries. Their management structure is more sophisticated than small and micro enterprises.

Nowadays, Micro, small and medium-sized enterprises (MSMEs) play a vital role in the national economies of countries (Karpak and Topcu, 2010). In most of the economies, MSMEs constitute over 90% of total enterprises and are efficiently credited for generating the highest rate of employment. It also accounts for a major share in the area of industrial production and exports. Micro Small and Medium Enterprises are also referred to as small and medium enterprises (SMEs) or small and medium-sized business (SMBs) in some countries. The research of SMEs
internationalization and performance is mainly on the developed countries (Singh, 2009). Only a few studies exist in export behavior in developing countries (Borgersen, 2006). While in many developing economies, with an increase in competition in the domestic markets, SMEs continue to rely on exports to foreign markets. There has been a renewed interest on the importance of exporting for international business researchers with an interest in developing countries (Peng and York, 2001; Trabold, 2002). The research on the SMEs export performance in developing countries increased these years.

**Definitions of Micro, Small & Medium Enterprises**

As MSMEs playing out on an international level, it is tempting to find a universal MSME definition. A universal MSME definition would ease the design of loans, investments, grants and statistical research. SMEs may be defined in different ways by different countries. Most countries have adopted the benchmarks of employment. Some define them in terms of assets, a few in terms of sales and yet others, in terms of shareholders fund. In a few countries, a hybrid definition is used such as employment as well as assets. Hypothetically, the choice of MSME definition could depend on many factors, such as business culture; the size of the country’s population; industry; and the level of international economic integration, which differs from country to country. Globally the economies have diverse structural,
cultural and political reasons to adopt different definitions of MSMEs that would run counter to any universally agreed definition. The definition of SME generally depends upon the phase of economic development as well as prevailing social conditions. A number of indexes are traditionally utilized to define SME’s like number of employees; Invested capital; total amount of assets; sales volume; and production capability (Charles Harvie and Boon-Chye hee, 2002). Although the definitions differ, they have one thing in common that the vast majority of MSMEs across the countries are relatively small and over 95% of MSMEs in the region employ fewer than 100 people. Despite the different definitions been adopted, they do not fundamentally affect the key issues pertinent to SMEs. Based on this, a broad comparison of the nature and role of SMEs is still possible even with differing definitions.

According to the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

a) Manufacturing Enterprises: The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name
or character or use. The manufacturing enterprises are **defined in terms of investment in plant and machinery.**

b) **Service Enterprises:** The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment.**

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, are as under:

<table>
<thead>
<tr>
<th>Classification of MSMEs</th>
<th>Manufacturing Enterprises – Investment in Plant &amp; Machinery</th>
<th>Service Enterprises Investment in Equipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>INR</td>
<td>INR</td>
</tr>
<tr>
<td>Micro Enterprises</td>
<td>up to Rs. 25 Lakhs</td>
<td>up to Rs. 10 Lakhs</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>above Rs. 25 Lakh &amp; up to Rs. 5 Crores</td>
<td>above Rs. 10 Lakh &amp; up to Rs. 2 Crores</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>above Rs. 5 Crores &amp; up to Rs. 10 Crores</td>
<td>above Rs. 2 Crores &amp; up to Rs. 5 Crores</td>
</tr>
</tbody>
</table>

*Source: MSME-DI Indore*

According to 4th All India Censuses (MSMEs 2006-2007: Registered Sector), Of the total working enterprises, proportion of Micro, Small and Medium enterprises were 94.94%, 4.89% and 0.17%, respectively. Data also reveals that 10.49 lakh units (67.10%) were manufacturing enterprises, 2.52
lakh units (16.13%) were repairing and maintenance enterprises and 2.62 lakh units (16.78%) were service enterprises. Proportion of the enterprises operating in rural areas was 45.23%.

1.2 MSMES IN INDIA

In India the role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. MSMEs contribution towards GDP was 22% in year 2011-2012 and rose to 37.54%. In year 2012-2013 showing a consistency of 11% growth rate every year. The major advantage of the sector is its employment generation at low capital cost. Its total employment in the MSME sector is 805.24 lakh in 2012-2013 (Press Information bureau, 2014). This sector overall provides employment to about 69 million persons through 26 million enterprises throughout the country. The labor potential of the MSME sector is much higher than that of large enterprises. In recent years, the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its agility and dynamism, the MSME sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the MSME sector accounts 45% of the manufacturing output and 40% of total
exports of the country. Over the years, the small scale sector in India has progressed from the production of simple consumer goods to the manufacture of many sophisticated and precision products like electronics control systems, micro wave components, electro medical equipments, etc.

The process of economic liberalization and market reforms has further exposed these enterprises to increasing levels of domestic and global competition. The labor to capital ratio in MSME’s and the overall growth in the sector is much higher than that in the large industries. Thus, MSME’s are important for the national objectives of growth with equity and inclusion.

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. It helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. They comprise a widely divergent spectrum of establishments, engaged in economic activities ranging from micro and rural enterprise to modern industrial units using sophisticated technologies. Such enterprises exist in the form of factories, workshops, trading and service organizations. Ownership patterns range from sole proprietorship and partnership to companies and co-operatives. Due to their contribution to their respective national economies, the importance of SMEs has been accentuated in the
minds of policy makers, planners and the industry in the recent past (Pandey and Shivesh, 2007).

The development of the micro, small and medium enterprises (MSME) sector is on the priority of Government Agenda. As per the Results-Framework Document (RFD) for Ministry of Micro, Small and Medium Enterprises (2013-2014), the vision of the government Sustainable development of globally competitive Micro, Small and Medium Enterprises as an engine of growth for the Indian Economy. And its mission is to promote growth and development of Micro, Small and Medium Enterprises, including Khadi, Village and Coir industries, so as to achieve a cumulative growth of 50% in the number of registered enterprises and to enhance contribution to GDP to 10% by 2016-17. MSME's in India manufactures over 8,000 products, including food products and beverages (14.26%), wearing apparel (13.67%), fabricated metal products (8.96%), repairs and maintenance of personal and household goods, retail trade (8.46%), textiles (6.78%), furniture (6.36%), machinery and equipment (4.66%), other non-metallic mineral products (3.77%), repairs and maintenance of motor vehicles, retail sale of automotive fuel, personal and household goods retail trade (3.72%), wood and wood products (3.53%) and others (25.85%).

The common characteristics observed in entrepreneurs related to MSME's are outlined below:
Characteristics of MSME’s

i. Born out of individual initiatives & skills

ii. Greater operational flexibility

iii. Low cost of production

iv. High propensity to adapt technology

v. High capacity to innovate & export

vi. High employment orientation

vii. Utilization of locally available human & material resources

viii. Cheap labor cost

ix. Nursery of Entrepreneurship

x. Driven by individual creativity

1.2.1 MSME’s in Indore (Madhya Pradesh)

A cosmopolitan city accepted as the commercial capital of Madhya Pradesh, Indore plays a pivotal role in the trade and commerce of the State; thereby MSMEs in Indore are benefitted from it. Constantly Indore is growing and becoming a software and industrial hub. Indore has grown many folds and has more business potential to offer than any other cities of similar stature in the country. Major corporate and business houses including foreign investors have already invested heavily in concurrent projects going on in and around Indore.
Needless to say, the global investors' summit has indeed received an overwhelming response in the year 2012 and 2014. Thus, making Indore one of the front runners on the path of industrial growth. A complete civic and industrial friendly environment with state of the art infrastructure has resulted in phenomenal industrial growth of this part of M.P. The city has convenient proximity to almost all the major towns of India, through rail, roads and air, which is a major requirement to grow domestically as well as globally.

**Dr. Gautam Kothari**, President, Pithampur Audhyogik Sangathan shares his views in annual magazine, “Technology Resource Programme for MSME – MSME-DI Indore” (2013). He specifies that Indore needs to intensify efforts to attain double digit growth, as it targets for 2020, intensive efforts to develop infrastructure and responsible governance are the keys to develop Indore as role model of the country.

Madhya Pradesh the second largest Indian State covering 9.5% of the country's area is bestowed with rich natural resources, a gifted climate and fertile agro-climatic conditions. With a rich cultural heritage, an excellent quality of life, a flourishing industrial base, peaceful labor force, a progressive & investor friendly environment, Madhya Pradesh is a great place to set up new venture. M.P. is called as a heart of incredible India. It is like an industrial hub right in the epicenter of India's
commercial activities. To visit places and swing your wings, you need connectivity and this is the key to development. Connectivity is M.P.'s strength. The State has a near perfect equidistant link to India's metros and lies in close proximity to most markets involved in business. Many important railway tracks and highways pass through Madhya Pradesh. The State has about 70,000 kms of road, over 6,000 kms of railway lines, four airports and 25 air strips with regular air services to airports, including private airline operations. It houses more than 1800 companies and 19 industrial growth centers, many of which are close to major cities thus making good social infrastructure accessible to industrial units. Nevertheless, the rates of prime land in the State are still lowest across the country.

Madhya Pradesh is already one of India's most prosperous trade centers. The auto and pharmaceutical sectors of Indore have special presence. A proactive and peaceful industrial work atmosphere, availability of basic infrastructure facilities, natural resources, cheap labor and skilled workforce has made it an attractive investment destination.

While discussing about MSMEs and its export potential in Indore, role of MSME-DI needs to be taken in a view as the MSME-DI is playing a role of guiding light for upcoming and existing MSMEs in Indore.
Role of MSME-DI Indore: MSME-Development Institute, Indore is a field level agency of Ministry of Micro, Small & Medium Enterprises (MSME) to take care of the needs of the MSME Sector in the state of M.P. in the area of Techno-economic and managerial consultancy service.

MSME headed by the Development Commissioner, under the ministry of Micro, Small & Medium Enterprises (MSME), Government of India is an apex body as well as the nodal agency for formulating, co-coordinating and monitoring the policies and programmes meant for promoting and development of Micro, Small & Medium Enterprises (MSME) throughout the country.

MSME-DI, started in 1958 (Formerly known as SISI), is one of the field level agencies of MSME and is the only one of its kind in M.P. Apart from offering various consultancy services, this institute also offers various technical and management training programmes for the benefit of prospective/existing entrepreneurs. To assist the MSME sector, we are having Field Testing Station at Bhopal and Branch MSME-DIs at Gwalior & Rewa under the administrative control of MSME-DI, Indore.
Services offered by MSME DI Indore: MSME-DI offers a wide variety of consultancy services as well as training programmes for the promotion and development of Micro, Small & Medium industries. It also guides MSMEs in Indore to avail the benefit from government schemes and programmes like Bar-Code Reimbursement scheme, product certification reimbursement scheme and ISO certification Reimbursement scheme. Keeping in view the requirements of different Industries, separate sections are set-up. Amongst these main are Metallurgy section, Mechanical section, Chemical section, Electronics & Electrical section, Glass and ceramics section, Leather & Footwear section, Economic Analysis & Industrial Indices of production section, Industrial Management & Training section and Export.

There are separate technical officers in each section that provide guidance to the entrepreneurs & MSME-DI units under the following areas:-

1. Technical Consultancy
2. Economic Counseling
3. Management Consultancy
4. Technical Up gradation
5. Ancillary and Vendor Development
6. Sub-Contract Exchange
7. Export Promotion
8. Marketing Assistance
9. Workshop Facility
10. Women Cell
11. Entrepreneurial Development Program
12. Assistance to Sick Industries
13. Preparation of Project Report
14. Industrial Pollution Control and Energy Conservation
15. Assistance under PMRY (Pradhan Mantri Rojgar Yojna)
16. Retraining for rehabilitation of rationalized mill workers
17. Small Enterprise Network
18. Field Testing Station
19. Consultancy on Quality up gradation, ISO 9000 & TQM.
21. Technology Resource Centre (TRC)

Consultancy in selection of proper process, machinery & equipment and their installation is provided to the existing units. They are also assisted in solving their technical, marketing and managerial problems. Detailed project reports are prepared on request by the entrepreneurs.
Industrial studies, feasibility studies for both product and areas are prepared to determine their industrial potential. In-plant studies, impact studies, market studies, etc. are also undertaken.

Small units are registered by the Institute under this program. Machine-wise idle capacity available with the registered units is assessed and efforts are made for better utilization of their spare capacity.

A women cell has been established to provide information regarding Small Industries to women entrepreneurs. Women entrepreneurs are assisted in solving the problems related to establishment of their industry.

Educated, unemployed, including technical persons and women entrepreneurs are suitably oriented to entrepreneurial culture both through formal training, actual demonstration and motivation to start small industries of their own. Actual demonstration of process involved in manufacturing of some items forms an integral part of entrepreneurial development efforts.

Motivational and promotional programs are organized in backward and rural areas in co-operation with the State Directorate of Industries, Banks, National Small Industries Corporation Limited etc. to motivate prospective entrepreneurs to set-up small units.
The major services in brief are listed below:

a. **Project Assistance**

It includes identification of product, preparation of project report and pre-feasibility report, appraisal and evaluation of projects for banks and other agencies, selection of plant and machinery, raw materials, technology and process Know-how, Quality improvement, standards Drawings and plant lay-outs, Capacity assessment assistance for hire/purchase of machinery etc.

b. **Modernization and Technology Up-gradation**

It includes Technology up gradation studies and in plant studies, Production-cum-process know-how, Development and Diversification of project.

c. **Ancillary Development Programme**

It includes vendor development and buyer-seller meets, Identification of ancillary items, Quality awareness in vendor units etc.

d. **Economic Research Information Service** It includes:

i) Undertaking District Industrial Potential Surveys, Undertaking Market potential surveys, Disseminating information about Government Policies and Programmes, providing information on incentives and facilities available for MSME sector in M.P.
ii) Energy Conservation Studies, Pollution Control Studies, Motivation Campaigns etc.

iii) Quality Awareness and Upgradation Programmes.

e. Assistance to Sick Industries

It includes survey of Sick Industries and preparation of report on their rehabilitation. Banks forward names of Sick Industries to development institute centers and the Institute conducts sick unit study.

f. Assistance under PMRY (Pradhan Mantri Rojgar Yojna)

It serves educated unemployed persons by assisting them in identification of their industries according to their interest and qualification. The Institute also provides them detailed project report to understand the things in better way.

g. Retraining for rehabilitation of rationalized mill workers

It offers training for mill workers as, MSME Indore was selected as Nodal agency for retraining of rationalized mill workers. MSME has devised various training programs for mill workers. Mill worker are being interviewed and identified for specific need based training programs.

h. Small Enterprise Network
It is an electronic database network that has been established, in order to provide latest information to small entrepreneurs. It serves them to access the latest information easily.

i. **Field Testing Station**

Field Testing Station is working at Bhopal since 1984. The objective of testing center is: (i) To provide testing facilities to enable small industries to produce stores conforming to international standard Specifications, (ii) To provide testing facilities in accordance with the requirements of purchasing departments of State and Central Governments, (iii) To provide testing facilities under pre-shipment inspection scheme to facilitate export of small industries products, (iv) To provide facilities for testing under quality marking scheme introduced by State Governments, (v) To help the individual units to set up in house testing arrangements in a more feasible and practical way, (vi) To coordinate with Bureau of Indian Standards (BIS) and other technical testing / inspection organizations in matters relating to standardization of products in small scale sector, (vii) To provide testing facilities to the export oriented units in order to build quality of the products manufactured by MSME sector and thereby improve the export performance from this sector for specified products.

j. **M.P. Sub-Contact Exchange (M.P. SX)**
Under this service, an existing small-scale entrepreneur, along with product details, can register their names with M.P. SX constantly interact with large and medium industries in the State as well as neighboring States and identifies requirements of inventory. This information is disseminated to the small scale entrepreneurs to utilize the already existing spare capacity of production and hence helps in maximizing the profit. Any small-scale entrepreneur with the idle capacity of production is welcome to register with M.P. SX.

k. SENET (Small Scale Industries and Resource Center Network)

SENET is an intranet project launched by the Office of the Development Commissioner- MSME in April 1997 and is a small enterprise information resource center network. Its Objectives are:

i) To Create - an electronic intranet for small enterprises.

ii) Databases for small enterprise to Provide - technical know-how and package assistance to them.

iii) Limited financial assistance to information providers to promote a network alliance among the public and private sector.

l. TRC (Technology Resource Center)

TRC is made functional from October, 2001. Its major drive is to create a friendly and conducive environment for entrepreneurs. Entrepreneurs can assess the latest available technology and industry
related information on the spot. Though it is stared in a humble way, it is expected to hit in a big way in future by equipping itself by using the latest Information Technology tools.

m. UPTECH: Up gradation and Management Programme

UPTECH is launched by Development Commissioner (MSME-DI), Government of India. The objective of this project is to implement an integrated Technology Up gradation and Management programme addressed to the smaller skills based enterprises. The programme is organized around clusters of enterprises and is designed to provide for the promotion cost that is inherent in transfer of technology from its producer to the end user.

n. MSME-DI: SDTI (Selective Dissemination of Technology Information)

MSME-DI – Selective Dissemination of Technology Information has been launched by the office of Development Center in collaboration with Technology bureau of small Enterprises (TBSE), is a joint venture of small industries Development bank of India (SIDBI) and Asia pacific Center for transfer of technology (APCTT). The objective of the project is to build up a database on the technologies that are available indigenously with technology institution and with industry and also to build up a parallel database of the technology
requirements of Micro, Small& Medium Enterprises development institute (MSME -DI). The project provides an excellent opportunity to the small enterprises as well as those institutions and units that have technologies for offer /sale.

The services offered by MSME-DI Indore are mainly focused to help the upcoming/existing entrepreneurs in Indore to increase their productivity and to help prospective entrepreneurs who have a penchant to start their own ventures.

1.2.2 Sources of financing MSMEs

Availability of adequate credit is a prerequisite for expansion and development of the MSME sector. While banks have been the primary source of MSME financing, other sources of funding consist of equity capital, venture financing and fiscal incentives in the form of tax breaks.

a. Role of Banks

As per the RBI guidelines, all loans granted to the MSME sector are classified as priority sector lending and banks are required to lend at least 60% of the advances to the MSME sector to micro enterprises. Realizing the importance of MSME sector, Government of India has set up a Prime Minister’s task force, whose recommendations are strictly monitored by the RBI to ensure adequate credit to the sector.
The recommendations made, related to the credit of the sector, are as follows:

i. All scheduled commercial banks should achieve 20% y-o-y growth in credit to micro and small enterprises to ensure enhanced credit flow.

ii. To increase the flow of credit to micro enterprises, all scheduled commercial banks should lend 60% of their MSME lending to micro enterprises in stages viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in 2012-13.

iii. All scheduled commercial banks should achieve a 10% annual growth in the number of micro enterprise accounts.

b. Banks as primary source

Banks have been a primary source of credit for the MSME sector and simultaneously, there has been a significant growth of credit funding by the banks to this sector. MSME sector relies on banks for varied purposes such as purchase of land, plant and machinery as well as working capital needs. At the end of FY11, total credit extended to MSME sector by the Scheduled Commercial Banks (SCBs) stands at 4,859.4 billlion.

c. Institutional Finance to the sector
Small Industries Development Bank of India (SIDBI) is the principal financial institution for the promotion, financing and development of the MSME sector and for co-ordination of the functions of the institutions engaged in similar activities.

SIDBI is primarily engaged in providing indirect credit to the MSME sector in the form of refinance, micro finance and resource support to institutions and agencies. Further, it also extends direct credit in the form of term loans, receivable finance and venture capital. The sanction and disbursement has grown at around 24% CAGR. The credit sanctioned during FY11 increased to 422 billion and the disbursement to 388 billion recording an 18.84% and 21.55% growth respectively, vis-a-vis FY10.

d. Venture Capital

Venture capital funding is more suitable for financing risk capital needs of the MSME sector, with higher growth potential and more so in case of enterprises involved in innovations, new technological developments, etc. The financial crisis as well as non-formal organization structure and small size of majority of MSMEs in India, are acting as a hurdle for venture capital funding. Besides, there are other issues such as higher transaction cost, valuation complexities and discipline in maintaining financial statements, unwillingness of
promoters to dilute ownership, among others. Yet, SIDBI has been playing a crucial role in the evolution of venture capital financing in India.

e. Equity Capital

Non availability of owner's capital is also a major issue in MSME financing. In India, where more than 90% of registered MSMEs are constituted as partnership and proprietary firms, attracting equity form of investment is difficult. At present there is negligible share of equity capital present in the sector. BSE (Bombay Stock Exchange) has launched 'SME Exchange' and NSE (National Stock Exchange) has unveiled 'NSE Emerge' to tap the equity market for MSME sector. This platform is hoping to provide cheap capital, which is expected to be better than servicing a traditional loan. Yet, another view is that the cost of capital might turn out to be higher than expected due to higher fees to be paid to investment bankers and other intermediaries, who believe to have disproportionate risk reward ratio in the new market.

1.2.3 Government policies and support Measures to MSMEs

The evolution of the policy framework and support measures of the Government can be broadly grouped into the following three periods:
1948-1991: In all the Policy Resolutions from 1948 to 1991, recognition was given to the micro and small enterprises, termed as an effective tool to expand employment opportunities, help ensure equitable distribution of the national income and facilitate effective mobilization of private sector resources of capital and skills. The Micro, Small and Medium Enterprises Development Organization [earlier known as Small Industries Development Organization (SIDO)] was set up in 1954 as an apex body for sustained and organized growth of micro, small and medium enterprises. Within next two years, the National Small Industries Corporation, the Khadi and Village Industries Commission and the Coir Board were also set up. The era provided the supportive measures that were required to nurture MSEs, in the form of reservation of items for their exclusive manufacture, access to bank credit on priority through the Priority Sector Lending Programme of commercial banks, excise exemption, reservation under the Government Purchase Programme and 15% price preference in purchases, infrastructure development and establishment of institutes for entrepreneurial and skill development.

MSME - Development Institutes [earlier known as Small Industries Service Institute (SISI)] were set up all over India to train youth in skills/entrepreneurship. Tool Rooms were established with German and Danish assistance for providing technical services essential to MSEs as
also for skill-training. At the State level, District Industries Centers were set up all over the country.

1991-1999: The new Policy for Small, Tiny and Village Enterprises of August, 1991 laid the framework for government support in the context of liberalization, which sought to replace protection with competitiveness to infuse more vitality and growth to MSEs in the face of foreign competition and open market. Supportive measures concentrated on improving infrastructure, technology and quality. Testing Centers were set up for quality certification and new Tool Rooms as well as Sub-contracting Exchanges were established. The Small Industries Development Bank of India (SIDBI) and a Technology Development and Modernization Fund were created to accelerate finance and technical services to the sector. A Delayed Payment Act was enacted to facilitate prompt payment of dues to MSEs and an Industrial Infrastructure Development (IID) scheme was launched to set mini industrial estates for small industries.

1999 onwards: The Ministry of MSME [earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI)] came into being from 1999 to provide focused attention to the development and promotion of the sector. The new Policy Package announced in August, 2000 sought to address the persisting problems relating to credit,
infrastructure and technology and marketing more effectively. A Credit Linked Capital Subsidy Scheme was launched to encourage technology up gradation in the MSE sector and a Credit Guarantee Scheme was started to provide collateral-free loans to micro and small entrepreneurs, particularly the first generation entrepreneurs. The exemption limit for relief from payment of Central Excise duty was raised to Rs.1 crore ($0.25 million) and a Market Development Assistance Scheme for MSEs was introduced. At the same time, consultations were held with stakeholders and the list of products reserved for production in the MSE sector was gradually reduced each year. In 2006, the long-awaited enactment for this sector finally became a reality with the passage of the Micro, Small and Medium Enterprises Act. In March, 2007, a third Package for the Promotion of Micro and Small Enterprises was announced which comprises the proposals/schemes having direct impact on the promotion and development of the micro and small enterprises, particularly in view of the fast changing economic environment, wherein to be competitive is the key of success.

1.2.3.1 Present policy framework and focus areas

Micro, Small and Medium Enterprises Development Act, 2006 The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as also
enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurement to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

i. Foreign Direct Investment (FDI) Policy

With the promulgation of the MSMED Act, 2006, the restrictive 24% ceiling prescribed for equity holding by industrial undertakings, whether domestic or foreign, in the MSEs has been
done away with and MSEs are defined solely on the basis of investment in plant and machinery (manufacturing enterprises) and equipment (service enterprises). Thus, the present policy on FDI in MSE permit FDI subject only to the sectoral equity caps, entry routes and other relevant sectoral regulations.

ii. **Limited Liability Partnership (LLP) Act, 2008**

The salient features of the proposed LLP Act, 2008 are as under:

(a) LLP shall be a body corporate and a legal entity separate from its partners. It will have perpetual succession. Indian Partnership Act, 1932 shall not be applicable to LLPs, since LLP shall be in the form of a body corporate.

(b) An LLP has to be incorporated with a minimum of two persons. The Act does not restrict the benefit of LLP structure to certain classes of professionals only and would be available for use by any enterprise which fulfills the requirements of the Act.

(c) The LLP will be an alternative corporate business vehicle that would give the benefits of limited liability but would allow its members the flexibility of organizing their internal structure as a partnership based on an agreement.
(d) On registration LLP shall be capable of: (i) suing and being sued; and (ii) acquiring, owning, holding and developing or disposing of property.

(e) A person may cease to be a partner of a LLP in accordance with an agreement with the other partners or in absence of agreement with the other partners, by giving a notice in writing of not less than 30 days of his intention to resign as partner.

(f) In the event of an act carried out by a LLP, or any of its partners, with intend to defraud creditors of the LLP or any other person or for any fraudulent purpose, the liability of the LLP and partners, who acted with intend to defraud creditors or for any fraudulent purpose shall be unlimited for all or any of the debts or other liabilities of the LLP.

(g) A contribution of a partner may consist of tangible, movable or immovable or intangible property or other benefits to the LLP including money, promissory notes and other agreements to contribute cash or property and contracts for services performed or to be performed.

(h) While the LLP will be a separate legal entity, liable to the full extent of its assets, the liability of the partners would be limited
to their agreed contribution in the LLP. Further, no partner would be liable on account of the independent or unauthorized actions of other partners, thus allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct.

(i) An LLP shall be under obligation to maintain annual accounts reflecting true and fair view of its state of affairs.

(j) Provisions have been made in the Act for corporate actions like mergers, amalgamations etc.

(k) There is a provision of voluntary winding up as well as winding up by the Tribunal.

(l) There are provisions for inter conversion of LLP into private company etc. The LLP Act should pave the way for greater corporatization of the Small and Medium Enterprises – thereby enhancing their access to equity and funds from the market.

### iii. De-reservation

The issue of de-reservation has been a subject of animated debate within government for the last twenty years. The Approach to the Eleventh Five Year Plan notes the adverse implications of reservation of products for exclusive manufacture by the MSEs.
and recommends the policy of progressive de-reservation. To facilitate further investments for technological upgradation and higher productivity in the micro and small enterprises, 654 items have been taken off the list of items reserved for exclusive manufacture by the manufacturing micro and small enterprises in the last few years – reducing it to 21 at present. This has helped the sector in enlarging the scale of operations and also paved the way for entry of larger enterprises in the manufacture of these products in keeping with the global standards.

iv. Credit / Finance

Credit is one of the critical inputs for the promotion and development of the micro and small enterprises. Some of the features of existing credit policy for the MSEs are:

**Priority Sector Lending**—Credit to the MSEs is part of the Priority Sector Lending Policy of the banks. For the public and private sector banks, 40% of the net bank credit (NBC) is earmarked for the Priority Sector. For the foreign banks, however, 32% of the NBC is earmarked for the Priority Sector, of which 10% is earmarked for the MSE sector. Any shortfall in such lending by the foreign banks has to be deposited in the Small
Enterprise Development Fund (SEDF) to be set up by the Small Industries Development Bank of India (SIDBI).

**Institutional Arrangement:** The SIDBI is the principal financial institution for promotion, financing and development of the MSE sector. Apart from extending financial assistance to the sector, it coordinates the functions of institutions engaged in similar activities. SIDBI's major operations are in the areas of: (a) refinance assistance (b) direct lending and (c) development and support services. Commercial banks are important channels of credit dispensation to the sector and play a pivotal role in financing the working capital requirements, besides providing term loans (in the form of composite loans). At the State level, State Financial Corporation's (SFCs) and twin-functional State Industrial Development Corporations (SIDCs) are the main sources of long-term finance for the MSE sector.

**Policy Package** – Recognizing the importance of easy and adequate availability of credit in sustainable growth of the MSME sector, the Government has announced a 'Policy Package for Stepping up Credit to Micro, Small and Medium Enterprises (MSMEs)', with the objective of doubling the flow of credit to this sector within a period of five years. To ensure better flow of credit
to MSMEs, the Ministry of MSME is also implementing the following major schemes:

I. **Credit Guarantee Scheme:** To ensure better flow of credit to micro and small enterprises by minimizing the risk perception of banks/financial institutions in lending without collateral security, the Government launched Credit Guarantee Fund Scheme for Micro and Small Enterprises in August 2000. The scheme covers collateral-free credit facility extended by eligible lending institutions to new and existing micro and small enterprises for loans up to Rs.100 lakh ($250,000) per borrowing unit. The guarantee cover is up to 75 per cent of the credit sanctioned [85% in respect of loans up to Rs. 5 lakh ($12,500) and 80% for loans provided to MSEs owned/operated by women and all loans in the North- East Region].

II. **Performance & Credit Rating Scheme:** The Performance & Credit Rating Scheme for manufacturing MSEs was launched in April, 2005 with the objective of assisting the MSEs in obtaining performance-cum-credit rating which would help them in improving performance and also accessing bank credit on better terms if the rating is high. Under the scheme
(implemented by the National Small Industries Corporation in conjunction with reputed rating agencies), 75% of the fee charged by the rating agency is reimbursed by the Government subject to a maximum of Rs.40,000 ($1,000).

III. Competitive Technology Policy: In today's fast paced global business scenario, technology has become more vital than ever before. With a view to foster the growth of MSME sector in the country, Government has set up ten state-of-the-art Tool Rooms and Training Centers. These Tool Rooms provide invaluable service to the Indian industry by way of precision tooling and providing well trained craftsmen in the area of tool and die making. These Tool Room are highly proficient in mould and die making technology and promote precision and quality in the development and manufacture of sophisticated moulds, dies and tools. The Tool Rooms are not only equipped with the best technology but are also abreast with the latest advancements like CAD / CAM, CNC machining for tooling, Vacuum Heat Treatment, Rapid Prototyping, etc. The Tool Room & Training Centers also offer various training programmes to meet the wide spectrum of technical manpower required in the manufacturing sector. The training programmes
are designed with optimum blend of theory and practice giving the trainees exposure on actual jobs and hands on working experience. The Tool Rooms have also developed special training programmes to meet the requirements at international level, which are attended by participants from all over the globe. The Ministry of MSME implements the following schemes and programmes for the up gradation of technology of the MSMEs: ISO 9000 / 14001 Certification Fee Reimbursement Scheme to enhance the competitive strength of the MSEs, the Government introduced a scheme to incentivize technological up gradation, quality improvement and better environment management by the MSMEs. The scheme reimburses 75% of the fees, subject to a maximum of Rs.75,000 ($2000), for acquiring Quality Management System (QMS)/ISO 9000 certification and/or Environment Management System (EMS)/ISO 14001 certification by the MSMEs.

IV. Micro and Small Enterprises Cluster Development Programme: The Micro and Small Enterprises Cluster Development Programme (MSECDP) is implemented for holistic development of clusters of MSMEs. The programme
envisages measures for capacity building, skill development, technology upgradation of the enterprises, improved credit delivery, marketing support, setting up of common facility centers, etc., based on diagnostic studies carried out in consultation with cluster units and their collectives and management of cluster-wide facilities by the cluster collectives.

V. **Credit Linked Capital Subsidy Scheme:** The Credit Linked Capital Subsidy Scheme (CLCSS) aims at facilitating technology upgradation by providing 15% upfront capital subsidy w.e.f. 29th September, 2005 to manufacturing MSEs, on institutional finance up to Rs.1 crore ($0.25 million) availed of by them for induction of well-established and improved technologies in the specified sub-sectors/products approved under the scheme.

VI. **National Manufacturing Competitiveness Programme:** The National Manufacturing Competitiveness Programme is the nodal programme of the Government of India to develop global competitiveness among Indian MSMEs. Conceptualized by the National Manufacturing Competitiveness Council, the Programme was initiated in 2007-08. There are ten components
under the NMCP targeted at enhancing the entire value chain of the MSME sector. These are:

(a) **Building Awareness on Intellectual Property Rights for the Micro, Small & Medium Enterprises (MSMEs):** The scheme for “Building Awareness on Intellectual Property Rights (IPR), for the Micro, Small & Medium Enterprises (MSMEs) has been launched to enable Indian MSMEs to attain global leadership position and to empower them in using effectively the tools of Intellectual Property Rights (IPR) of innovative projects. The main features of the scheme are: (i) Awareness/Sensitization Programmes on IPR; (ii) Pilot Studies for Selected Clusters/Groups of Industries; (iii) Interactive seminars/Workshops; (iv) Specialized Training; (v) Assistance for Grant on Patent/GI Registration; (vi) Setting up of IP Facilitation Centre (IPFC); and (vii) Interaction with International Agencies. These initiatives are being developed through Public-Private Partnership (PPP) mode.

(b) **Scheme for Providing Support for Entrepreneurial and Managerial Development of SMEs through Incubators:**

The scheme aims at nurturing innovative business ideas
(new/indigenous technology, processes, products, procedures, etc.), which could be commercialized in a year. Under the scheme, various institutions like Engineering Colleges, Research Labs etc. will be provided funds up to Rs. 6.25 lakh for handholding each new idea/ entrepreneur. The incubator will provide technology guidance, Workshop and Lab support and linkage to other agencies for successful launching of the Business and guide the entrepreneur in establishing the enterprise.

(c) Enabling Manufacturing Sector be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT): During the year 2008-09, GoI launched a scheme, 'Enabling Manufacturing Sector be Competitive through Quality Management Standards (QMS) and Quality Technology Tools (QTT)' in order to improve quality and productivity in the MSE sector. The scheme is aimed at improving the quality of the products in the MSE sector and inculcate the Quality consciousness in this sector. The major activities under this scheme are: (i) Introduction of Appropriate Modules for Technical Institutions; (ii) Organizing Awareness Campaigns for
MSEs; (iii) Organizing Competition-Watch (C-Watch); (iv) Implementation of Quality Management Standards and Quality Technology Tools in selected MSEs; (v) Monitoring International Study Missions; and (vi) Impact Studies of the initiatives.

d) Mini Tool Rooms under PPP mode: Under the scheme, 'Mini Tool Rooms under PPP mode', 15 Mini Tool Rooms will be set up during the 11th Plan period. Competitive bidding from entrepreneurs and Associations will be invited to set up Tool Rooms with Government support up to Rs. 9 crore. They will be more competitive and user friendly as they will not be bound by the Government procedure and competitiveness will be the only criteria for selection of promoters of these Tool Rooms. The approved Plan expenditure under the Scheme is Rs. 135 crore.

(e) Marketing Assistance/support to MSEs (Bar Code): The objective of the 'Marketing Assistance / Support to MSEs' scheme of NMCP is to popularize the Bar Code registration and motivate the Small and Micro-Manufacturing Enterprises to adopt the Bar Code Certification on large scale and to sell their value added products worldwide and
enable higher export price realization. It also helps in
domestic marketing (wholesale & retail). 75% of annual fee
(recurring) of Bar Code certification for the first three years
are reimbursed to Micro & Small Entrepreneurs, under the
Scheme.

(f) Lean Manufacturing Competitiveness Programme for
MSMEs: Under the Lean Manufacturing Programme
(LMP), MSMEs will be assisted in reducing their
manufacturing costs, through proper personnel
management, better space utilization, scientific inventory
management, improved process flows, reduced engineering
time and so on. LMP also brings improvement in the quality
of products and lowers costs which are essential for
competing in national and international markets. The total
GoI contribution is stipulated as Rs. 28.60 crore (approx.)
for this scheme. The broad activities planned under the
scheme include Total Productive Maintenance (TPM),
Visual Control, Standard Operation Procedures, Just in
Time etc. The Scheme has been approved as a pilot project
for Lean Techniques interventions in 100 Mini Clusters.
(g) Promotion of Information & Communication Tools

(ICT) in Indian MSME Sector: The objective of this programme envisages that some of those clusters of SMEs, which have quality production and export potential, shall be identified & encouraged and assisted in adopting ICT applications to achieve competitiveness in the national and international markets. The total Government of India contribution is stipulated as Rs. 160 crore (approx.) for this scheme. The broad activities planned under the scheme include, identifying target clusters for ICT intervention, setting up of e-readiness infrastructure, developing web portals for clusters, skill development of MSME staff in ICT applications, preparation of local software solutions for MSMEs to enhance their competitiveness, construction of e-catalogue, e-commerce, etc. and networking MSME cluster portals on the National Level Portals in order to outreach MSMEs into global markets.

(h) Design Clinics Scheme for MSMEs: The main objective of the scheme is to bring the MSME sector and design expertise into a common platform and to provide expert advice and solutions on real time design problems, resulting
in continuous improvement and value-addition for existing products. It also aims at value-added cost effective solutions. The Government of India contribution is stipulated as Rs. 50 crore for this scheme. The broad activities planned under the scheme include creation of Design Clinics Secretariat along with regional centres for intervention on the design needs of the MSME sector.

(i) Marketing Assistance and Technology Up gradation Scheme for MSMEs: The objective of this scheme is to identify and encourage those clusters of MSMEs, which have quality production and export potential and assist them to achieve competitiveness in the national and international markets. The scheme aims at improving the marketing competitiveness of MSME sector by improving their techniques and technology for promotion of exports. The Government of India contribution is stipulated as Rs. 19 crore for this scheme. The broad activities planned under the scheme include technology up gradation in packaging, development of modern marketing techniques, competition studies, etc.
(j) Technology and Quality Upgradation Support to MSMEs: The objective of the Scheme is to sensitize the manufacturing (MSME) sector in India to upgrade their technologies, usage of energy efficient technologies to reduce emissions of Green House Gases, adoption of other technologies mandated as per the global standards, improve their quality and reduce cost of production, etc., towards becoming globally competitive. The major activities planned under the scheme include Capacity Building of MSMEs Clusters for Energy Efficiency/Clean Development Interventions, Implementation of Energy Efficient Technologies in MSME sector, Setting up of Carbon credit aggregation centers and encouraging MSMEs to acquire product certification licenses from National/International bodies.

VII. Skill Development Policy: The Ministry of Micro, Small & Medium Enterprises promotes the development of micro and small enterprises in the country with the objective of creating self-employment opportunities and upgrading the relevant skills of existing and potential entrepreneurs. The entrepreneurship and skill development scheme is implemented
by Office of the DC (MSME) through its network of 58 MSME-DIs and their branches. The programmes are conducted include Entrepreneurship Development, Entrepreneurship and Skill Development, Management Development and Business Skill Development. These programmes are of short duration and the curriculums based on needs of the industry and are customized, if require by the clients. 20% of the targeted training programmes are conducted exclusively for the weaker sections of the society (SC/ST/Women/Physically Handicapped), for which no fee is charged. Besides, a stipend of Rs. 500/- p.m. is provided. The office of the DC (MSME) also conducts vocational and educational training through its Regional Testing Centers, Field Testing Stations and autonomous bodies like Tool Rooms and Technology Development Centers (TDCs). This long term, short term, trade/field-specific and industry-specific tailor-made courses also include specialized programmes for Engineers, Diploma holders so that their absorption by the industry is immediate. A good number of trainees have set up their own enterprises in creating employment opportunities. The Ministry is at present training about 3 lakh persons per annum both for business and
technical skill development, which is among the largest programme by any single Ministry in India. The Ministry is also focusing on socially backward groups and on least developed areas under its 'Outreach Programme'.

VIII. Marketing and Procurement Policy: Under Government Stores Purchase Programme, various facilities are provided to enterprises registered with National Small Industries Corporation (NSIC) in order to assist them for marketing their products in competitive environment. These facilities are: (a) issue of Tender Sets free of cost; (b) exemption from payment of Earnest Money Deposit; (c) waiver of Security Deposit up to the Monetary Limit for which the unit is registered; and (d) price preference up to 15% over the quotation of large-scale units. In addition to these facilities/benefits, 358 items have also been reserved for exclusive purchase from the MSE Sector. However, as these guidelines were/are not of a mandatory nature, the same has failed to achieve the desired results. To assist the MSEs in marketing of their products, Section 12 of the new MSMED Act enjoins the formulation of a scheme of preferential procurement of goods/services produced/rendered by MSEs both at the Central and State
levels. Once formulated, the procurement scheme may be more effective in providing the much-needed marketing support that MSEs seek so desperately. Each Ministry/Department, etc., would have to make specific mention of the compliance of the preference policy in its Annual Report to be tabled in Parliament.

IX. **Export Promotion Scheme:** Export promotion from the MSE sector has been accorded a high priority. To help MSEs in exporting their products, the following facilities/incentives are provided: (A) Products of MSE exporters are displayed in international exhibitions and the expenditure incurred is reimbursed by the Government; (B) To acquaint MSE exporters with latest packaging standards, techniques, etc., training programme on packaging for exporters are organized in various parts of the country in association with the Indian Institute of Packaging; (C) Under the MSE Marketing Development Assistance (MDA) Scheme, assistance is provided to individuals for participation in overseas fairs/exhibitions, overseas study tours, or tours of individuals as member of a trade delegation going abroad. The Scheme also offers assistance for (a) sector specific market study by MSE
Associations/Export Promotion Councils/Federation of Indian Export Organization; (b) Initiating/contesting anti-dumping cases by MSE Associations; and (c) reimbursement of 75 per cent of the onetime registration fee and annual fee (recurring for first three years) charged by GSI India for adoption of Bar Coding.

X. **Infrastructure Development Scheme:** For setting up of industrial estates and to develop infrastructure facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials, storage and marketing outlets, common service facilities and technological back up services, etc., for MSMEs, the Integrated Infrastructural Development (IID) Scheme was launched in 1994. The scheme covers rural as well as urban areas with a provision of 50 per cent reservation for rural areas and 50 per cent industrial plots are to be reserved for the micro enterprises. The Scheme also provides for upgradation/strengthening of the infrastructural facilities in the existing industrial estates. The estimated cost (excluding cost of land) to set up an IID Centre is Rs. 5 crore ($ 1.25 million). Central Government provides 40 per cent in case of general
States and up to 80% for North East Region (including Sikkim), Jammu & Kashmir, Himachal Pradesh and Uttarakhand as grant and remaining amount could be loan from SIDBI/Banks/Financial Institutions or the State Funds. The IID Scheme has been subsumed under the Micro and Small Enterprise Cluster Development Programme (MSECDP). All the features of the IID Scheme have been retained and will be covered as “New Clusters” under MSECDP.

Fiscal Concessions Scheme: Under the General Excise Exemption Scheme, full excise exemption up to turnover of $375 thousand per annum is provided to enterprises having annual turnover of up to $1 million. However, the limits of excise exemptions has encouraged tendency among MSEs is to go in for horizontal expansion (i.e., fragmentation) rather than vertical expansion and upward graduation into medium and large enterprises. For incentivizing such graduation of small to medium/large enterprises so as to enable them to achieve economies of scale, extension of excise exemptions to the graduating medium enterprises on a tapering scale is under consideration of the Government.
XII. **Strengthening of Database:** A reliable database is the key input in any policy decision-making process. This is more so for the MSME sector in view of its large size and wide disparity among the enterprises within the sector. The Ministry has so far conducted three Censuses in the year 1971-72, 1992-93 and 2002-03 for strengthening/updating the database on MSE sector. However, the long gap between the Censuses has limited the reliability of the MSE database. To strengthen the database for the MSME Sector, statistics and information will now be collected in respect of number of units, employment, rate of growth, share of GDP, value of production, extent of sickness/closure, exports and all other relevant parameters of micro, small and medium enterprises, including Khadi and village industry, through annual sample surveys.

1.3 **RATIONALE OF THE STUDY**

The export potential of MSMEs is governed by a large number of internal and external variables. There seems to be a gap in knowledge terms of the nature of relationship among some critically important variables. The propensity of such variables needs to be explored to facilitate effectiveness at Micro, Small as well as Medium scale enterprises. The present study has chosen to examine the impact of Technology, FDI and Government schemes
MSMEs of Indore region, also to find the potential factors of MSMEs responsible for effective performance of exports from Indore.

Technology has a great impact on the overall growth of MSMEs; Internet-enabled environment helps in fast and accurate decision-making by the MSMEs due to increased mobility. The critical components before SMEs are need of services, access to information, empowering employees in terms of skill and delivering highest valued services at competitive cost. MSMEs used IT-based solutions in terms of multi-tasking, expanding customer base, raising productivity, controlling cost, working remotely, fast and accurate decision-making and facilitating collaboration. MSMEs have various needs function in an aggregative manner in order to reach out for value addition keeping in mind the variable cost model. IT usage by the MSMEs raises productivity of the sector in particular and the economy in general (Hamblu Ghatak, 2009). According to Union budget 2015-2016: "Ade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established". This step can prove to be a great help to MSME’s. Exporting n be one way of stimulating growth of SMEs; if SMEs gradually improves the quality standards of manufactured products, they can capture more global shares. Boosting the contribution of small and medium
enterprises in total exports of India is vital to India’s future economic
growth (Divya Sampath 2006).

The aim behind studying the impact of technology on MSMEs is to find out
the percentage increase in production after the adoption of new & improved
technology and, the potential contribution of technology in MSME exports
from Indore region.

Foreign Direct Investment (FDI) no doubt has opened up new avenues for
business growth of the country. India’s growing retail boom is a success
story. Being encouraged by India’s growing retail boom many multinational
companies also started making beeline to enter India’s retail market. One of
the major steps taken by the Government recently to encourage the
organized retailing in the country was the recent decision of the cabinet to
allow 51% FDI in multi brand retail and 100% in single brand retail in Nov
2011 Confederation of Indian Industries (2012). FDI complements and

The aim behind studying the Impact of FDI on the MSMEs of Indore is to
find out the percentage contribution of FDI in their growth.

Government policies, schemes and programmes are always meant to support
the people of the country in terms of their business growth whether
domestic or export. In case of MSMEs also, the government of India has

~ 53 ~
announced various schemes and programmes meant for their overall growth. Our honorable Prime Minister Shri Narendra Modi announced ‘MAKE in INDIA’ campaign and following his trail our honorable Chief Minister Shri Shivraj Singh Chohan announced ‘MAKE in M.P (Madhya Pradesh)’ campaign so that India as Country and M.P. as a State can make their presence identifiable in global market.

But, the question arises; Are the government schemes and programmes are availed by MSMEs which are meant for them? Are the MSMEs existing and upcoming aware about all the schemes? Are the MSMEs actually being benefitted by those schemes? If not, then why?

The aim is to find the answer of all the above questions and to find out the impact of government policies and schemes on the MSMEs of Indore region. Hence the rationale behind research is drawn from following facts and figures:

1.3.1. MSME sector plays an important role in the economic growth of almost all the countries globally.

1.3.2. In India the role of micro, small and medium enterprises (MSMEs) in the economic and social development of the country is well established. MSMEs contribution towards GDP was 22% in year 2011-2012 and rose to 37.54% in year 2012-2013 with an increase
of approximately 48% in 2013-14, showing a consistency of 11% (approx.) growth rate every year.

1.3.3. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts 45% of the manufacturing output and 40% of total exports of the country.

1.3.4. The labor to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries.

1.3.5. As per the Results-Framework Document (RFD) for Ministry of Micro, Small and Medium Enterprises (2013-2014), the Mission of the government is to promote growth and development of Micro, Small and Medium Enterprises, including Khadi, Village and Coir industries, so as to achieve a cumulative growth of 50% in the number of registered enterprises and to enhance contribution to GDP to 10% by 2016-17.

1.3.6. Madhya Pradesh the second largest Indian state covering 9.5% of the country's area is bestowed with rich natural resources, a gifted climate and fertile agro-climatic conditions.

1.3.7. Constantly Indore is growing and becoming a software and industrial hub. Indore has grown many folds and has more business
potential to offer than any other cities of similar stature in the country.

As per the statements given in the literature review there has been no study conducted so far to identify the export potential of MSMEs from Indore Region. This is the prime motive for conducting this study. Thus, aim behind this research is to study the Impact of technology, FDI and Government schemes on MSME's in Indore region, also to find out the potential factors that can be explored to boost the exports from Indore region.

1.4 OBJECTIVES OF THE STUDY

The prime objective of this research is to critically appraise the overall export potential of MSMEs from Indore region. The specific objectives of this research are as under:

1.4.1. To identify the various government schemes available and their awareness level for encouragement of this section specifically for Indore region.

1.4.2. To identify the impact of FDI on MSMEs in Indore region.

1.4.3. To identify the impact of new technology on MSMEs in Indore region.
1.4.4. To identify the difference in export performance of firms based on their enterprise type i.e. Micro/Small/Medium.

1.5 HYPOTHESES OF THE STUDY

The following hypotheses are set to achieve the objectives of the study:-

\( H_01 \): There exists no export potential for MSMEs in Indore region.

\( H_02 \): The various Government schemes for MSMEs Export Promotion are not significantly availed by the MSMEs.

\( H_03 \): FDI's have no significant contribution in the growth of MSMEs in Indore region.

\( H_04 \): New technology has not significantly improved the production of MSMEs in Indore region.

\( H_05 \): There is no significant difference in export performance of firms based on their enterprise type.