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7.1 Summary of major Findings of SMEs in India

In order to understand the obstacle and issues faced by SMEs in Selected Sectors i.e. Chemical, Pharmaceutical & Textile sectors in India, during the research period we have collected the data through printed questionnaire, telephonic interview from 225 SMEs across India, which is the targeted respondents.

7.1.1 Summary of Analysis of problems faced by SMEs in Selected Sectors i.e. Chemical, Pharmaceutical & Textile sectors in India

During the study while interviewing the key decision makers’ from the SMEs in Selected Sectors i.e. Chemical, Pharmaceutical & Textile sectors in India regarding the challenges faced by them on a day-to-day basis and the researcher observed following issues and challenges emerged as the outcome:

i. Study shows that 85% sample respondents faces Lack of easy and timely finance as well as credit instruments

ii. Study shows that 75% sample respondents said that Limiting regulatory polices biggest problem

iii. Study shows that 74% sample respondents said that Lack of basic infrastructure facilities

iv. Study shows that 82% sample respondents said that Unavailability of modern and affordable technology is their main issue

v. Study shows that 60% sample respondents said that Inflexible labour laws and availability of affordable skilled labour

vi. Study shows that 75% sample respondents said that Absence of exclusive marketing platforms and distribution networks

Research shows that Chemical, Pharma & Textile in SME sectors across India is observed access to financial and credit instruments as the most critical challenge (85%), compared to inflexible labour laws that was stated as the least critical challenge (60%) by SMEs in India.

Research reveals that Enterprises from Tier-2 towns find it harder to access finance and credit instruments when compared to those from Tier-1 towns. While 87% enterprises
from Hyderabad stated this as a challenge, only 73% enterprises from Mumbai and Bangalore quoted it as a growth inhibitor.

Study shows that Enterprises from Tier-2 and Tier-3 towns find it harder to access suitable technology when compared to those from Tier-1 towns. While 85% and 81% enterprises from Jaipur, Surat and Ahmadabad, respectively, stated this as a challenge, only 65% enterprises from Chennai quoted it as an issue.

7.1.2 Lack of Easy Finance and Credit Tools

i. Research shows that Ease of credit access and quick finance is the most critical growth driver for any SME. Most Indian SMEs start out with minimal capital, which eventually stalls their growth after a certain point. Easy credit access for SMEs therefore becomes a very important factor for national growth as well. The lack of easy credit is stagnating growth of SMEs, which in turn is affecting national growth in terms of GDP, import, export and employment. Unavailability of credit at the right time can affect business growth at many levels; this is why a lot of small businesses often shut shop after not being able to generate margins.

ii. Research divulge that 85% of total Respondents are of the opinion that High transaction costs in imports/exports are the major problem of SME.

iii. Research reveals that 70% of total Respondents are of the opinion that PE Funding is difficult to obtain and not reliable

iv. Research shows that 82% of total Respondents are of the opinion that Banks offer high rates for term loans

v. Research reveals that 76% of total Respondents are of the opinion that Private equity (PE) dilutes control in the company

vi. Research shows that 73% of total Respondents are of the opinion that non-standardised project appraisal system for term loans

vii. Research said that 65% of total Respondents are of the opinion that awkward procedures and delay in fund disbursement

viii. Research reveals that 82% of total Respondents are of the opinion that Complex collaterals required to obtain term loans

ix. Research shows that SMEs are facing the biggest problem in obtaining credit for the business operations. Research also shows that Chemical, Pharma & Textile in
SME sectors across India observed that it is extremely challenging to obtain collateral free term loans from banks (82%), whereas Import/Export transaction costs on goods were considered to be the least critical problem (85%). Other key trends that emerged were:

x. Research shows that Enterprises from Tier-2 and Tier-3 cities find obtaining term loans without collaterals a major obstruction as compared to Tier-1 cities: In Hyderabad 73% enterprises and in Lucknow 80% Respondents stated this as a problem. On the other hand only 63% enterprises from Delhi stated this as a challenge.

xi. Research reveals that Enterprises from Tier-3 cities find it difficult to obtain credit owing to high interest rates as compared to enterprises from Tier-1 cities. Almost 70% enterprises from Nasik and Indore felt high interest rates were an obstacle, whereas only 65% thought of it as an obstacle in cities like Mumbai, Chennai and Bangalore.

xii. Research shows that 65% SMEs are not aware of the government’s Credit Guarantee Scheme for access to collateral free credit from Banks. Of the 35% enterprises that were aware, 92% stated that the scheme did not help them as it is difficult to access information on the scheme from banks.

7.1.3 Uncertain Regulatory Policies restrict the SMEs Ease of Doing a Business

Research shows that Chemical, Pharma & Textile in SME sectors across India are facing inflexible and complicated regulatory policies which make starting and running a business difficult. Owing to this prohibitive business climate, many innovative entrepreneurs are not able to enter the markets or sustain a business.

Research said that 79% of total Respondents are of the opinion that Complicated procedures of setting up business. Research also shows that 82% of total Respondents are of the opinion that No special schemes for start-ups.

Study shows that 85% of total Respondents are of the opinion that Lack of mandatory book keeping regulations. Research reveals that 87% of total Respondents are of the opinion that Absence of a common regulatory body they have to face many challenges.
Research shows that Chemical, Pharma & Textile in SME sectors across India are with whom we have interviewed had common opinions on the miserable state of business regulatory affairs in India.

Research reveals that SMEs from Tier-3 cities believe in the need for special start-up schemes. 72% enterprises in Ahmedabad and Kanpur felt that start-up business needed government support schemes as compared to Mumbai, whereas 75% enterprises felt the need of special start-up incentives and support.

Research shows that Chemical, Pharma & Textile in SME sectors across India repeatedly said the need for an exclusive regulatory agency. Respondents felt that a common body is required at the Centre, exclusively for SMEs to handle their regulatory affairs. Enterprises want creation of a governing body that will lay out starting as well as operational regulations. In smaller cities such as Hyderabad, Ahmedabad and Kanpur, almost 85% enterprises felt a presence of a common regulatory body would lead to standardisation of registration procedures.

7.1.4 Unaffordable of Modern Affordable Technology

Research shows that due to increasingly complex and competitive economic landscape, the need to align people, processes and technology is stronger than ever. Latest technology can help enterprises reduce cost and time taken to innovate and offer quality products and services at competitive price. Also they will be able to compete on a global level with other corporate giants.

However, Research reveals that Chemical, Pharma & Textile in SME sectors across India are not able to access and use the latest technological advancements. While knowledge, access and funds are continue to hamper implementation of technology, absence of an ecosystem that enables technology transfer and interaction with experts is a critical reason of limited adoption.

Research also shows that out of the total respondents of Chemical, Pharma & Textile in SME sectors across India, 52% said that in absence of ecosystem for technology transfer they are not able to grow further. 59% said that Access to modern technology is very
expensive therefore, they are not able to acquire Modern Affordable Technology. 60% said that they are having minimal knowledge about upcoming technologies therefore, they are not able to acquire Modern Affordable Technology. 66% said that due to unavailability of e-Governance systems they are not able to acquire Modern Affordable Technology. 68% said that Lack of effective information systems they are not able to acquire Modern Affordable Technology. 71% Lack of funds to support Innovation and R&D they are not able to acquire Modern Affordable Technology. 75% Limited interaction between tech providers and seekers they are not able to acquire Modern Affordable Technology.

Research also reveals that absence of a common platform for interaction with technology providers continues to be the most critical challenge faced by SMEs in this area. While the trend comes out as most important across all cities, the smaller enterprises face this challenge relatively more (78%) when compared to mid-market enterprises (66%).

Research also disclose that SME enterprises from Tier-3 cities find it a lot more difficulty to access funds to support Innovation and R&D. 76% enterprises from Ahmedabad and Chandigarh quoted this as a key reason for their slow adoption of technology. This compares to only 61% enterprises in Mumbai stating the same reason.

Research also shows that Chemical, Pharma & Textile in SME sectors, those headquartered in Tier-3 towns quote minimal knowledge more often than their counterparts. While 61% medium enterprises quote knowledge is preventing to adopt the technology, 73% small enterprises is also face the same problem. Even though the difference is important since it points to adoption of latest technology having a direct correlation with sophistication of skills and vision in a company. Furthermore, 63% and 65% enterprises from Kanpur and Ahmedabad respectively stated the same problem as a challenge. High cost of adoption is a key inhibitor for enterprises in Tier-3 towns. Compared to the national average of 61%, 69% and 64%, enterprises from Indore and Kanpur respectively quoted cost a key issue for active adoption of latest technology.

Research said that Awareness of government programs and grants continues to be a challenge. There are multiple government schemes and programs under which SMEs can access technology. However, education and awareness about these initiatives is dismally
low. 90% enterprises remain unaware about Technology Business Incubation (TBI), one of the government’s key initiatives.

7.1.5 Environment problems & Issues

Study shows that absence of proper infrastructure related to environment is causing serious problems to the Small and Medium enterprise’s daily business operations of manufacturing, consumption and distribution of goods and services. During the study most of the SMEs were highlighted number of the key issues that cause an obstruction to normal business operations in a SME.

Research shows that Chemical, Pharma & Textile in SME sectors 88% are facing the biggest challenge as Environment related problems. 82% are facing the Effluent Treatment problems and disposal of industrial waste. 88% are facing the Environment problem like Pollution of air, water and soil. 80% are facing the problem of inadequate arrangement of Toxic Gas discharge. 76% are facing the lack of facilities for Effluent Treatment. 85% are facing insufficient methods for disposal of their industrial waste management system.

Research also shows that most of the SMEs in Tier-3 cities are facing the Environment problem like Pollution of air, water and soil. 87% SMEs in Hyderabad and Kanpur felt that there was a pressing need to encourage and set up Effluent Treatment Plant. In comparison about 78% SMEs in cities such as Mumbai, Chennai and Bangalore are suggested to simplify the Environment policies.

Study shows that most of the SMEs were unaware of the prevailing government schemes that are implemented and still active today for environment related schemes and policies. Environment protection as well as pollution related issues are very serious in nature.

7.1.6 Absence of Exclusive Marketing Platforms

Research shows that In the midst of rapidly changing consumer habits and increased competition from both local and global brands, market dynamics and customer loyalties are in a state of flux. While offering best-in-class products and services, SMEs are also needed to improve the quality of customer interaction at every opportunity. Enhancing
customer engagement is not a matter of choice anymore and for the further growth and development SMEs also need market intelligence, tools and well-trained workforces to respond to these external pressures.

Research shows that Chemical, Pharma & Textile industries in SME sectors across India are very weak in the Marketing and supply chain. Study shows that 65% of the SMEs have limited knowledge about digital marketing. 60% of the SMEs have limited experience in new-age marketing. 62% of the SMEs Unaware of innovative technology for marketing. 79% of the SMEs are not attending enough trade fairs and buyer-seller meets. 65% of the SMEs are losing their business to large competitors due to lack of networks. 80% of the SMEs required monetary support/schemes for marketing and supply chain. 70% Small and Medium enterprises across all the cities in India quoted that marketing problem is the second most major issue.

Chemical, Pharma & Textile SMEs, those headquartered in Tier-3 towns quote lack of awareness of technology solutions to cater to marketing needs more often than their bigger counterparts in the market. While 70% mid-market enterprises quote lack of awareness as an inhibitor to adoption of technology to aid marketing initiatives, 70% small enterprises face the same. Furthermore, 72% enterprises from stated this as a challenge.

Study shows that in Tier-3 cities Limited understanding about new-age marketing strategies affected their growth. 64% mid-market enterprises lack understanding on new-age marketing strategies like content and database marketing. 77% enterprises from Hyderabad stated lack of understanding about new marketing strategy as a drawback to their growth. 30% SMEs are aware about government programs and grants to support marketing and supply chain networks. 70% enterprises remain unaware about key government initiatives like The Marketing Assistance and Technology Up-gradation Scheme for Micro Small and Medium Enterprises and Marketing Development Assistance (MDA) Scheme for SMEs.

7.1.7 Inflexible Labour Laws and Availability of Affordable Skilled Labour

Research shows that Chemical, Pharma & Textile in SME sectors across India facing the biggest challenge is the labour laws. The existing labour laws are very old and outdated
but still in use. Due to this many SMEs are struggling with problems of culture and scale and not being able to meet their workforce demands. A labour law reform overhaul is required to absorb the 200 million individuals that will enter the workforce in the next 2 decades.

According to the research, 80% of the SMEs, they are facing shortage of skilled workers at affordable costs. 72% of the SMEs insisted for common minimum wage policies for pan India. 65% of the SMEs complaint low productivity from the unskilled workers. 78% of the SMEs, are not able to retain the talented staffs because SME are not able to pay them proper remuneration. Inflexible labour laws are also some of the key issues SMEs are facing. Most of the enterprises feel that retaining the workmen who are having better talent is the biggest challenge.

Study shows that Respondents from Tier-3 cities felt that minimum wage policies should be subject to the per capita income of the region. 75% of Respondents from Ahmedabad, Hyderabad and Kanpur felt that minimum wages should be according to per capita income of the region instead of a national standard minimum wage policy.

Research shows that Chemical, Pharma & Textile industries in SME sectors across India unanimously felt low productivity of labourers was a major hindrance in their growth plans. The common sentiment of SMEs was that they face extremely low productivity numbers from their workforce. SME employers blamed trade unions and their limited ability to pay well as some of the major factors causing low productivity. Many enterprises were of the opinion that affordable technology overhaul might reduce labour effort and in turn increase productivity.

7.2 Summary of major Findings of SMEs in China

7.2.1 Summary of Analysis of problems faced by SMEs in Selected Sectors i.e. Chemical, Pharma & Textile sectors in China

In order to understand the difficulties and issues faced by the Chemical, Pharma & Textile industries in SME sectors across China during the study period researcher had collected data from 225 SMEs, across China which is the targeted respondents, through printed
questionnaire, telephonic interview. As a part of the study, researcher had interviewed the key decision makers from these SMEs and recognized their challenges, which they have to face on day-to-day basis.

The study shows that 75% sample Respondents faces Lack of Adequate and timely finance as well as other credit instruments is the challenge. 65% sample Respondents said that undecided/complicated regulatory polices is the challenge. 70% sample Respondents said that absence of exclusive marketing platforms and distribution networks is the challenge. 67% sample Respondents said that unavailability of modern, affordable technology. 88% sample Respondents said that environment is the problems. 70% sample Respondents said that lack of skilled workforce is the challenge. 55% sample Respondents said that Inflexible labour laws is the challenge.

Research shows that enterprises from Tier-2 towns find it harder to access finance and credit instruments when compared to those from Tier-1 towns. While 77% enterprises from Chengdu region stated that getting timely and adequate finance is a major challenge, only 63% enterprises from Guangzhou and Shenyang quoted that in absence of timely and adequate finance they are not able to grow further.

Research shows that enterprises from Tier-2 and Tier-3 towns said that they are not able to access unaffordable and modern technology when compared to those from Tier-1 towns. While 70% and 61% enterprises from Shenyang and Shenzhen, respectively, stated that they are not able to afford modern technology, only 75% enterprises from Wuhan quoted it as an issue.

Research also shows that availability of basic infrastructure including Power, Water and Waste Management is also a major challenge for enterprises across the Rural Areas. As a unanimous outcome, both small and medium enterprises across the rural areas stated that basic infrastructure as a challenge.

7.2.2 Lack of Timely and adequate Finance and other Credit Tools

Study shows that timely, adequate and quick finance is the most critical growth driver for most of the SMEs in China. Generally SMEs start out with minimal capital, which
eventually stalls their growth after a certain point. Therefore, easy finance becomes a very important factor for SMEs growth. Unavailability of credit at low interest at the right time always affects the SME further growth.

During the course of research it is found that, 55% of total respondents said that High transaction costs incurred in imports/exports is also a major challenge. 60% of total respondents said that PE Funding is difficult to obtain. 72% of total respondents said that Banks charging higher rates for term loans finance. 62% of total respondents said non-standard project appraisal system for term loans is a major challenge for them. 60% of the total respondents said Tricky and long procedures and delay in fund disbursement is their challenge. 72% of the total respondents said Complex collaterals required to obtain term loans is their challenge.

Research also shows that the biggest problem SMEs are facing the problems for obtaining the credit for their business operations. Across China, the unanimous sentiment of businesses was that it is extremely challenging to obtain collateral free term loans from banks (72%), whereas Import/Export transaction costs on goods were considered to be the least critical problem (55%).

Study shows that Enterprises from Tier-2 and Tier-3 cities mentioned that the biggest difficulties they are facing for obtaining the term loans without collaterals as compared to Tier-1 cities: In Chengdu 63% enterprises and in Shenyang 70% Respondents stated this their major problem. On the other hand only 51% enterprises from Shanghai stated this as a challenge.

Also enterprises from Tier-3 cities found it difficult to obtain credit at high interest rates as compared to enterprises from Tier-1 cities. Almost 73% enterprises from Taipei and Chengdu shows that high interest rates were an obstacle, whereas only 60% thought it as an obstacle in cities like Guangzhou, Wuhan and Shenyang.

The study reveals that 65% SMEs are not aware of the government’s Credit Guarantee Scheme for access to collateral free credit from Banks. 72% stated that the scheme did not help them as it is difficult to access information about the scheme from banks.
7.2.3 Complicated Regulatory Policies

Research reveals that SMEs in China are suffering from inflexible and complicated regulatory policies which make starting and running a business very difficult. Due to this unreasonable business climate, many innovative entrepreneurs are not able to enter the markets or sustain a business. Out of the total respondents 61% said that there are many complicated procedures of setting up business. 66% respondents said that there is no special schemes for start-ups and 64% said that they are not in a position to keep the mandatory book keeping which is their main challenge. 65% respondents said that there is a need of common regulatory body for SMEs.

During the study while interviewing the SMEs from Tier-3 cities drew the need for special start-up schemes for the enterprises. 68% enterprises in Chengdu felt that start-up business schemes lacked government support as compared to Guangzhou, whereas 62% enterprises felt the need of special start-up incentives and support. All SMEs repeatedly said that they need an exclusive regulatory agency. Respondents felt that a common body is required exclusively for SMEs to handle their regulatory affairs. In cities such as Chengdu, Wuhan and Shenyang, almost 67% enterprises felt a presence of a common regulatory body would lead to the standardisation of registration procedures.

7.2.4 Absence of Exclusive Marketing Platforms & Distribution System

The Study shows that in the midst of rapidly changing consumer habits and increased competition from both local and global brands, market dynamics and customer loyalties are in a state of unrest. While offering best-in-class products and services, SMEs are also needed to improve the quality of customer interaction & services at each opportunity. Enhancing customer engagement is not a matter of choice anymore and to succeed also SMEs need market intelligence, tools and well-trained workforces to respond to these external pressures.

As the research shows that SMEs in China has tremendous competition with large enterprises in the area of marketing supply chain. 65% of the SMEs in China have limited knowledge about digital marketing also 60% of the SMEs in China have limited experience in new-age marketing. The study shows that in China 62% of the SMEs are
unaware of technology marketing and 65% of the SMEs are losing their business to large competitors due to lack of networks.

The study also reveals that 80% of the SMEs required monetary support/schemes for marketing and supply chain and 70% Small and Medium enterprises across all the cities state that marketing is the second most significant issues.

Smaller enterprises those headquartered in Tier-3 towns had stated that lack of awareness about modern technology to cater the marketing needs more often than their counterparts in bigger market. While 70% mid-market enterprises stated that lack of awareness to adopt modern technology to aid marketing initiatives is their challenge.

Limited understanding about new-age marketing strategies cripples smaller enterprises those in Tier-3 cities. 64% mid-market enterprises lack understanding on new-age marketing strategies like content and database marketing. Furthermore, 77% enterprises from Chengdu stated lack of understanding about new marketing strategy as a drawback to their growth.

30% SMEs are aware about government programs and grants to support marketing and supply chain networks. 70% enterprises remain unaware about key government initiatives.

### 7.2.5 Unaffordable of Modern Technology

The research shows that SMEs in China face many difficulties in accessing and using the latest technological developments. While knowledge, access and funds continue to hamper implementation of technology and absence of an ecosystem that enables technology transfer and interaction with experts is a critical reason as limited adoption.

Out of the total respondents 58% SMEs said that access to modern technology is expensive therefore, they are not able to acquire Modern Technology with Affordable cost and 51% SMEs said that they are having negligible knowledge about upcoming technologies therefore, they are not able to acquire Modern Technology
Out of the total respondents 54% SMEs said that due to Lack of effective information systems they are not able to acquire Modern Affordable Technology also 62% SMEs said that due to lack of funds it is very difficult to support Innovation and R&D. Hence they were not able to acquire Modern Affordable Technology.

Out of the total respondents 55% SMEs said that due to language barriers, they were not able to interact between technical providers and seekers they are not able to acquire Modern Affordable Technology.

Research shows that absence of a common platform for interaction with technology providers continues to be the critical challenge faced by SMEs in this area. While the trend comes out as most important across all cities, the 58% smaller enterprises face this challenge relatively more 66% when compared with Medium sized enterprises.

Enterprises from Tier-3 cities when interviewed during the course of study they said that access funds to support Innovation and R&D is more difficult. 66% enterprises from Taipei and Chengdu quoted this, as a key reason for their slow adoption of technology. Smaller enterprises and those headquartered in Tier-3 towns quote minimal knowledge more often than their counterparts. While 60% medium enterprises mentioned that knowledge preventing to adopt the latest technology, 68% small enterprises is also face the same problem. Furthermore, 63% enterprise from Taipei and 65% enterprises Wuhan stated that the same problem as their challenge.

Research also shows that awareness of government policies, programs and grants continues to be challenge for them. There are multiple government schemes and programs under which SMEs can access technology. However, knowledge and awareness about these initiatives is very less.

### 7.2.6 Environment Problems & Issues

Study reveals that lack of proper infrastructure for environment protection is causing serious problems to the Small and Medium enterprises. In China 88% SMEs are facing the Environment related problems as the biggest challenge and 82% SMEs are facing the biggest task is Effluent Treatment problems and disposal of industrial solid waste.
Study shows that 85% SMEs are facing Environment related problem like Pollution of air, water and soil and solid waste and 79% SMEs are facing the problem of inadequate arrangement of Toxic Gas discharge. Also 66% SMEs are facing the lack of facilities for Effluent Treatment and 85% SMEs are facing insufficient methods for disposal of their industrial waste.

Most of the SMEs in Tier-3 cities face the Environment problem like Air Pollution, waste disposal. 84% SMEs in Chengdu and Wuhan felt that there was a pressing need to set up suitable Effluent Treatment Plant. In comparison, about 73% SMEs in cities such as Guangzhou, Wuhan and Shenyang feel the need of Government support to setup the Effluent Treatment Plant.

Most of the SMEs were unaware of the prevailing government schemes that are implemented and still active today for setting up of Effluent Treatment Plant.

7.2.7 Inflexible Labour Laws

China today faces the big challenge of outdated labour laws that are still in use. This leaves many SMEs struggling with problems of culture and scale and not being able to meet their workforce demands.

7.2.8 Lack of Skilled workforce

During the study 80% of the SMEs mentioned that, they are facing shortage of skilled workers at affordable costs and 72% of the SMEs were insisted for common minimum wage policies. Also the study shows that 65% of the SMEs state that productivity of the labourers are very low and 78% of the SMEs state that, they are not able to retain the talented staffs due to lack of ability to high salary.

Most of the enterprises feel that retaining the workmen who are having better talent is the biggest challenge due to lack of ability to pay well and inadequate employer branding.
78% of small enterprises felt that retaining better employee was a big challenge owing to their lack of ability to pay well, and absence of branding. Respondents stated that due to low operating margins they were often unable to retain the right skilled talent. In comparison, 65% mid-market enterprises stated this as a challenge.

Respondents from Tier-3 cities felt that minimum wage policies should be subject to the per capita income of the region. 75% of respondents from Taipei and Chengdu felt that minimum wages should be according to per capita income of the region instead of a national standard minimum wage policy.

Respondents across all cities unanimously felt low productivity of labourers was a major hindrance in their growth plans. The common sentiment of SMEs was that they face extremely low productivity numbers from their workforce. SME employers blamed trade unions and their limited ability to pay well as some of the major factors causing low productivity. Many enterprises were of the opinion that affordable technology overhaul might reduce labour effort and in turn increase productivity.

### 7.3 Summery

In the foregoing study an attempt have been, made to point out some of the specificities of the role and contributions of SMEs in India and China and also efforts made to analyses the growth and performance of SMEs with special reference to Chemical, Pharma and Textile sectors in the two countries during the period from 1990-91 to 2013-14. The entire research demonstrated that the small and medium enterprises in both the countries India and China are the backbone of industrial development. It is very important to note that for both the countries, India and China which are fast developing countries, the small and medium enterprises represented the model of economic development, which emphasized high contribution to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations. The contributions of SMEs in both the countries have been remarkable in the industrial development of the country. It has a share of more than 40% in the industrial production. 35% of the total manufactured exports in both the countries found directly accounted for by SME sector. In terms of employment generated, this sector is next only to agriculture employing approximately 14 million
people. The analysis has revealed that, the SME sector has done quite well and has enabled both the countries to achieve considerable industrial growth and diversification. Small scale industries are less capital intensive and suit the economic environment of India and China with scarce resources and large respondents base. In addition, it is highly and has a scope for labor intensive for building upon the traditional skill and knowledge. Small scale industries have remained high on the agenda of all political parties, intelligentsia and policy makers since last fifty – sixty years in both the countries. In this chapter the major findings and conclusions related to the growth of SME Units, Production of SME Units, Employment generated by SMEs & Export of SMEs of selected sectors namely Chemical, Pharma Sector and Textile sector in India and China have been made. The conclusions related to the comparison of SME performance with in the country and between the two countries have been presented in summery form. In second part of this chapter, several problems of SMEs and the suggestions for improvement of performance of SME sectors in India as well as China have been presented.

7.4.0 Major findings related to the growth of Units, Production, Employment & Export of Chemical, Pharma and Textile sector SMEs in India and China

7.4.1 The small and medium enterprise sector is widely regarded as the engine of the Indian as well as China’s economy. SMEs contribute significantly to industrial, economic, technological and regional development in all developed and developing economies.

7.4.2 Numbers of SME units in chemical sector in India have been increased by 361% during the study period at the CAGR of 6.87%. The CAGR of Chemical SME during the first ten years of study period i.e 1990-91 to 1999-2000 stood at 2.95% and it was 13.25% during the period of 2000-01 to 2009-2010. The major reasons for the low growth rate of SME units under chemical sector were stringent rules of license, permission, environment protection etc. to establish the chemical industry. The other stumbling blocks were lack of availability of funds and high rate of interest on loans. The growth rate was little improved from the year 2001 onwards which resulted in increase in SME unit in chemical sector. (Table No. 6.1, Figure No. 6.1 and 6.2).
7.4.3 After enactment of Micro, Small and Medium Scale Enterprise Development Act (MSMED Act) 2006” with incorporation of various supporting policy measures and practices to promote the small and medium scale industry, huge number of SMEs were incorporated in the category of SMEs. But the growth after the year 2006-07 could not be continued because of several problems like lack of funds, high rate of interest, high cost of energy and high cost of production and also lack of incentives to start new industry in chemical sector.

7.4.4 The production of chemical SMEs in India increased by 11 times during the last 24 years registering the CAGR of 11.58 percent. The reason of more growth in production by chemical SMEs were, increase in capacity utilization level, expansion of plants and use of modern technology. Despite of increase in new SMEs in 2006-07 and onwards the production of SMEs could not increased at desired rates, because very small enterprises production capacity were converted in to SMEs. (Table No. 6.1).

7.4.5 The SMEs under chemical sector in India have created a large number of direct and indirect employment. Indian SMEs under chemical sector have provided direct employment to 332874 peoples in 2013-14 registering the CAGR of 5.4% during the study period. The CAGR of employment generation by Indian SMEs under chemical sector during the period of 2000-01 to 2009-10 was 8.06% because of inclusion of several new SMEs in the year 2006-07 as per amendments in MSED act. The reason for lowering the growth rate in employment generation per unit in Indian SMEs under chemical sector was, conversion of smaller industries having less number of employees into SMEs. Another reason for lowering growth rate in employment generation was adoption of latest technology by the Indian SMEs under chemical sector, resulted into reduction of direct employment. (Table 6.1).

7.4.6 The Export of Indian chemical SMEs have been increased by around 17 times during the last 24 years and reached up to 30754 million USD. The average export per SME in chemical sector in India was 0.68 Million US Dollar in 2014. The growth rate of export was 13.33% during the study period.
7.4.7 Despite of increase in the production as well as exports at absolute term, the ratio of exports to production of chemical SME in India constantly remained between 15 to 20 percent during the entire period of study. Even after increase in the huge number of SME units in the year in 2006-07 the growth in the export as well as export per SME could not increase meaningfully.

7.4.8 The number of SME units under pharma sector in India were merely 2205 at the end of the year 1990-91, which have been increased by three times and reached up to 9132 units at the end of year 2013-14 with the CAGR of 6.10%. The growth rate of pharma SME in initial period from 1990-91 to 1999-2000 was merely 2.52%. The major reasons for the low growth rate of SME units under pharma sector in India was stringent rules of license, environment protection etc. which encourage entrepreneurs to establish an industry. The other blockages were lack of availability of funds and high rate of interest on loans. But after the liberalization of Indian Economy, the government policies were liberalized and norms were relaxed so as to promote the industries. Consequently, it was found that several new SMEs have come up from the year 2001 onwards. The study shows that the CAGR of SME unit in pharma sector increased up to 11.13% during the period of 2000-01 to 2009-2010.

7.4.9 As per new MSMED Act 2006, SMEs in pharma sector have grown by 61.34% in the year 2006-07 alone. But the growth rate of number of SME units came down immediately at normal growth rate of 5 to 7 percent from the year 2007-08 onwards. The slow pace of growth in new SMEs in pharma sector was requirement of huge funds, high rate of interest, high cost of production in compare to China and also lack of incentives to start new industry in pharma sector. (Table 6.2 and 6.3).

7.4.10 The production in pharma SME in India increased by 15 times at the CAGR of 12.25% during the last 24 years and the Compound annual growth rate (CAGR) of SME production was 12.25% during the last 24years, which was almost double than the CAGR of number of SME units in this sector.
7.4.11 The study shows that the pharma SME have been increased by four times, where as production of SME units of pharma sector has been increased by 15 times during the study period. The reason for high growth were, increase in the production capacity as well as productivity of pharma SMEs, increase in capacity utilization, expansion of plants and use of modern technology. (Table No. 6.2 and Figure No 6.3).

7.4.12 The SME units of pharma sector in India have provided direct employment to 164150 peoples in till 2013-14, registering the CAGR of 8.39%. The study also reveals that the second decade of study period i.e. 2000-01 to 2009-10 was far better than earlier decade. In this decade the CAGR of Indian SMEs under pharma sector was between 3 to 5% except in the year 2006-07.

7.4.13 One Indian pharma SME in India on an average was providing direct employment to 11 persons to 12 in 2001 which has increased significantly up to 18 persons per unit.

7.4.14 The exports by the pharma SMEs in India was have been increased by around 24 times during the last 24 years and reached reached up to 10906 million USD. The average export per SME in pharma sector was merely 0.20 Million US Dollar in 1990-91, which has been significantly increased up to six times up to 1.19 Million USD at the end of 2013-14.

7.4.15 The textile SME sector in India have shown significant progress during the period 2001 to 2010. The growth in number of SME units, their production, employment and export by the textile SMEs in India (Table No. 6.3 and Figure 6.4).

7.4.16 The number of SME units under Textile sector in India which were merely 39007 in the year 1990-91 & have been increased by 361% and reached up to 114428 in the year 2013-14, with the CAGR of 4.79%. (table No. 6.3 and Figure 6.4)
7.4.17 The growth of textile SMEs in India was 3.71% during the decade starting from 1990-91 to 1999-2000 and it was 6.82% during the period 2000-01 to 2009-2010. Major reasons for the low growth rate of SME units under textile sector were stringent rules of license/permission, environment protection laws etc. to establish the textile industry. The other stumbling blocks were lack of availability of funds, high rate of interest on loans, high cost of energy and unskilled labor. (Table No.6.3 & Figure 6.4)

7.4.18 Because of change in definition of SMEs the number of SMEs in textile sector in India have grown by 29.53% in 2006-07 but after that the growth rate drastically declined. The slow pace of growth in new SMEs in textile sector was requirement of huge funds, high rate of interest, high cost of production and also lack of incentives to start new industry in textile sector.

7.4.19 The production in textile industries in SME sector in India increased up to three folds during the last 24 years. The study revealed that, the number of SME units has been increased by two times, whereas as production has been increased by three times, which indicates that the production capacities as well as productivity of SME units have been increased. The reason of more growth in production by Indian textile SMEs were, increase in capacity utilization level, expansion of plants and use of modern technology.

7.4.20 The average annual growth rate (CAGR) of textile SMEs was 4.40% during the last 24 years, which was almost equal to CAGR of number of SME unit in this sector.

7.4.21 The production per unit by textile SMEs in India cam down by 10% during the study period, which shows that the textile SMEs were not able to increase production capacity and productivity as other sectors have done.
The Indian SMEs under textile sector have provided direct employment to 743,798 peoples in till 2013-14 which was merely 166,236 in at the end of year 1990-91, registering the CAGR of 6.73%.

Except the year 2006-07, the growth rate of employment by Indian textile SMEs was moderate ranging between 4 to 5%.

An Indian SME under textile sector in India on an average had been providing employment to 6 persons, but after the stiff growth in SMEs, after 2006-07, the employment generation per Indian SMEs under textile sector has increased up to 7 person per SME. This is good sign to support of government policy of economic growth with employment growth. The reason for lowering growth rate in employment generation was adoption of latest technology by the Indian textile SMEs, resulted into reduction of direct employment. (Table no. 6.3 and Figure 6.4)

Export of Indian textile SMEs has been increased by around four times during the last 24 years. The average export per SME in textile sector was 0.11 Million US Dollar in 1990-91, which has been significantly increased up to 0.21 million in 2013-14. The ratio of export to production by textile SME was 10 to 12 percent during 1991 to 2000 but it has been significantly from 2006-07 and reached up to 20 percent at the end of 2013-14.

The study reveals that the SME under all the selected sectors have grown in terms of all performance parameters in India, but the growth was not uniform for all the sectors.

The growth in establishment of New SME Units in all the SME sectors namely Chemical Sector, Pharma Sector, and Textile sector was higher during the decade of 2000-2001 to 2009-2010 because of adding several new SMEs under new definition of SMEs decided by the Indian Government in 2006-07. The growth rate
was lowest during 1990-1991 to 1999-2000 because of stringent procedure of starting new industry and lack of funds.

7.4.28 The growth rate in SME units was low in the period of 2010-11 to 2013-14 because of impact of global recession. The table also reveals that the growth of rate of chemical sector was higher than the other two sectors during the study period. The growth rate of Textile SME units was lowest among the selected sector during the entire study period of 24 years.

7.4.29 The growth of production of SME sector in India in all the sectors namely chemical sector, pharma sector, and textile sector was higher during the decade of 2000-01 to 2009-10 because of adding several new SME Units by relaxing the definition of SMEs by the Indian Government in 2006-07.

7.4.30 The growth rate of employment was lowest during 1990-91 to 1999-2000 because of several restrictions like strict norms and procedure, high tax rates, high cost of funds, lack of funds etc. But the Chemical Sector and Pharma Sectors have shown significant growth in terms of production, because of adopting of latest technology and increasing production capacity of their existing units. (Figure No. 6.7).

7.4.31 The employment generation by SMEs of all selected sector shown increasing trend during the study period.

7.4.32 The pharma SMEs were having higher growth rate of employment generation than the chemical SMEs, and textile SMEs.

7.4.33 The chemical sector SMEs were lagging behind in the growth rate of employment generation during the entire period of 24 years.

7.4.34 The growth rate of employment generation of all the sector found low from the year 2010-11 to 2013-2014, because due to global recession all SME sectors in India were facing difficulties in export.
7.4.35 It is to be noted that the SME sector is playing vital role in employment generation and provided huge employment to Indian people during the study period and it is growing continuously in absolute number, but the growth rate was declining because of one important factor namely the adoption of new technology by the SMEs which reduced the dependency on workers.

7.4.36 The growth rate of export of SMEs in India in all the sectors namely chemical sector, pharma sector, and textile sector was significantly higher during the decade of 2000-01 to 2009-10. The reasons for higher growth during this period was mainly because several new SME Units were newly classified under SME sector because of relaxing SME definition.

7.4.37 The growth rate of exports was highest in Pharma sector followed by chemical and textile sector.

7.4.38 The growth rate of export of textile SME sector was found lowest during the entire study period.

7.4.39 SME units under chemical sector have been increased by 380% during the study period with CAGR of 6.76%. The new policy from 2001 and major shift in policy changes in 2006-07, the small industrial sector have shown significant progress.

7.4.40 The growth of Units in Chemical SME sector in China has shown declining trend during the period from 2010-2011 to 2013-2014 with CAGR of 2.75%. Due to the strict implementation of the law for Prevention of Environmental Pollution to ensure the good health of the public, and promote the development of socialist modernization have created uncertainty for various SMEs in Chemical Sector.

7.4.41 In the 12th Five-Year Plan (2011-2015), the Chinese government reinforced the importance of building rules around the price of its resources and also recognised that reforms have been deepened. Thus costs of raw materials for Chinese SMEs
had kept increased. Combined with increases in the exchange rate, the advantages that Chinese SMEs have attracted foreign business contracts based on the low price of their resources have discontinued. Subsequently to reach the goal of reducing 10% of the emissions of all industrial pollutants and 20% of unit GDP energy consumption by 2010, the government has called for energy savings, and has issued many energy-related regulations. Many SMEs are in industries which require high energy consumption and produce heavy pollution. The earlier studies indicated that the China’s industries even often neglected the issues of environment protection and energy saving because of limited funds and small size. But after the implementation of new policy in 2010-11, several SMEs in china have been under serious pressure since the policies of energy saving started therefore, either they reduced production or closedown their operations.

7.4.42 Also study reveals that production in chemical industries in SME sector in China increased by valued at 464000 million USD which has been increased up to 1952100 million USD during the last 24 years. The Compound Annual Growth Rate (CAGR) for production in Chemical SMEs in China during the last 24 years was 6.17%. The micro analysis of growth indicates that the CAGR of production in Chemical SME units during the decade starting from 1990-91 to 1999-2000 stood at 5.82%. During this decade due to the under-developed infrastructural facilities required for basic industries as well as uncertain regulatory norms the growth of Chemical Units in SME sector in China was low, therefore the growth of production was very also low. (Table No. 6.4 and Figure no. 6.9 & 6.10)

7.4.43 The government of china had enacted the first SME promotion law, in January 2003, to support the SMEs, which laid the groundwork for public support for small and medium enterprises. Under this law, the government protects the lawful investments of SMEs and their equity investors alongside their investment earnings. Therefore, more SMEs sprouted, spurred by the implementation of non-SOE promotion policy. Since then urban collective enterprises, town and village enterprises (TVE), alongside the private and self-employment sector, have been sprouting and thriving all over China.
7.4.44 Due to the global recession, the growth of production in Chemical SME sector in China has declined after 2010-2011.

7.4.45 In the 12th Five-Year Plan (2011-2015), the Chinese government reinforced the building rules around the price of its resources and also recognised that reforms have been deepened. Thus costs of raw materials for Chinese SMEs had kept increased. Combined with increases in the exchange rate, the advantages that Chinese SMEs have attracted foreign business contracts based on the low price of their resources have discontinued.

7.4.46 The export by chemical SMEs in China has been increased significantly with annual growth rate of 15.14% during the study period. The continuous growth in exports by Chinese SMEs was because of the government’s pro-active strategies and special “go west” policy in the Tenth Five-Year Plan (2001–2005).

7.4.47 Chemical SME Sector in China have benefited from the expiration of restrictive Trade Agreements aided by China’s entry into the World Trade Organization, which allowed the country to take greater advantage of its vast pool of low-skill labour.

7.4.48 China’s own domestic market became a key source of demand; labour costs in neighbouring high-tech producers were on the rise; and, investment in the West, particularly in the high-tech sector, was severely impaired from the 2001 recession. China’s gains in global manufacturing came primarily at the expense of advanced economies.

7.4.49 The study also shows that due to global recession the growth of export by Chemical SMEs in China was declined after 2011.

7.4.50 Pharma SMEs in China has grown very fast during the period of study. The number of units, production of SMEs, employment generation and exports of the
pharma SMEs have grown by 149%, 204%, 411.6% and 219% respectively during the last 24 years.

7.4.51 Number of SME units under pharma sector in China were 9926 at the end of the year 1990-91, which have been increased by almost three times and reached up to 24684 units at the end of year 2013-14, with CAGR of 3.04%.

7.4.52 The annual growth indicates that the CAGR of SME units under pharma sector during the decade starting from 1990-91 to 1999-2000 positioned at 1.40%.

7.4.53 The growth rate of SME Units in Pharma sector have shown declining trend from 2010 and it was only 4.09% a. The slow pace of growth in new SMEs in pharma sector was due to the cap was announced 2010 on the retail prices of 174 ‘self-developed’ medicines.

7.4.54 The production in pharma industries under SME sector in China increased by twenty times at CAGR of 13.63% during the last 24 years. The production of pharmaceutical industries under SME sector was valued at 15932 Million USD which has been increased up to 342100 million USD.

7.4.55 The SME units of pharma sector have been increased by three times, where as production of SME units of pharma sector has been increased by 22 times, because of increase in the production capacity as well as productivity of pharma SMEs. The reason of more growth in production by SME units of pharma sector were, increase in capacity utilization, expansion of plants and use of modern technology.

7.4.56 The pharma SMEs in China have provided direct employment to 1293138 people still 2013-14 which was just 252732 in the year 1990-91 by registering the CAGR of 6.37%.
7.4.57 Each SME unit in China on an average provided employment to 30 persons to 50 persons.

7.4.58 The export of pharma sector in China was 3633 million USD in 1991, which has been increased by around 2192 times during the last 24 years.

7.4.59 The average export per SME in pharma sector was merely 0.37 Million US Dollar in 1990-91, which has significantly increased up to 10 times and up to 3.37 million USD at the end of 2013-14. The export per SME in China was merely 0.31 million USD in 1991 which has been increased by 8 times and reached up to 3.37 million USD in the 2014.

7.4.60 The SME units under Textile sector in China have been increased by 177% during the study period and the annual growth rate of increase in SME units was 4.34%. The main reason for very low growth in number of units during this period was Small enterprises enjoy very less tax benefits partly because they often face lower tax rates or greater opportunities for tax evasion. However, they often receive lower priority in government policy, therefore SMEs have more restricted access to the state–controlled banking sector and to the supply of raw materials.

7.4.61 The study shows that the number of units under Textile SMEs sector in China were increased from by 50 percent during the study period.

7.4.62 The production of textile industries in SME sector in China increased up to six folds during the last 24 years.

7.4.63 The number of SME units have been increased by 3 times, where as production has been increased by six times, which indicates that the production capacity as well as productivity of SME units in Textile sector have been increased. The reason of more growth in production by China textile SMEs were, increase in capacity utilization level, expansion of plants and use of modern technology. The average annual growth rate (CAGR) was 5.41% during the last 24 years.
7.4.64 Textile SMEs in China have provided huge employment to the people of China and on an average 20 persons are employed by one textile SME in China.

7.4.65 Export of China textile SMEs increased by 24 times during 24 years @ growth rate of 11.29% per annum. The reason for high growth rate of exports of textile by SMEs in China was government policy of very much aggressive towards increase in exports

7.5.0 Comparative analysis of growth of SMEs in India and China

7.5.1 The SMEs under chemical sector, Pharma sector and Textile Sector grown significantly in both the countries continuously with almost similar growth rate during the study period.

7.5.2 The production capacity and utilization of capacity of SMEs in China was bigger than Indian SMEs and even smallest SME unit in any sector was five to six time bigger than Indian SMEs in terms of production, productivity, labor, employment and export.

7.5.3 Despite of huge growth of SMEs in India in 2006-07 by inclusion of several existing small industries under SME fold, the position of SMEs in India was found trivial in compare to China.

7.5.4 The progress of Chinese SMEs of all the selected sectors were found extra ordinary because the policies of Chinese government to promote the SME sector by providing several supports like cheaper labor, low cost raw material, low cost of electricity and tax rebates from the beginning. On the other hand India has minimum support on the above parameters.

7.5.5 The SMEs growth in China was higher than India because of liberalized policies of Chinese government in terms of easy establishment of new industry, easy legal procedure, simplified clearance system, easy access to skilled labor, low cost raw material and electricity and tax incentive/rebates and export incentives etc.
7.5.6 Chinese SMEs have massive production capacity and economies of scale which resulted in to huge employment generation and huge export. On the other hand India is lagging behind in all the above parameters in comparison to China.

7.5.7 Comparison between employment generations by SMEs in India and China shows that the Chinese SMEs have provided ten times more employment than in India.

7.5.8 The comparative analysis through descriptive analysis reveals that the SMEs in India and China, face the problems which hamper the growth and performance of SME sector. The set of identical problems faced in two different countries wipes out the location choice to start the business in either of the country redundant. The set of problems are faced by Indian as well as Chinese SMEs under Textile, Chemical and Pharma sector with respect to availability of labour, non-technical labour, availability of raw material, high cost of raw material and transport facilities.

7.5.9 Indian SMEs in selected sectors face the important problems related to higher tax structure, seasonal availability of raw material and non-availability of funds.

7.5.10 Higher rate of electricity, conventional government policies on export promotion, lack of availability of raw material, high cost of raw material, increasing import of goods from other countries, transport facilities and storage facilities have also negative impact on the growth of SMEs in India.

7.5.11 Cost of labour, availability of labour, non-technical labour and instability in government were other problems for Indian SMEs.

7.5.12 SMEs under Textile, Chemical and Pharma sector of India and China significantly differ in their opinion on various problems. Imports of goods from other countries, Storage facilities, Non availability of funds are the factors in which SMEs under Textile, Chemical and Pharma sector significantly differ.

7.5.13 In relation to descriptive statistics it may be noted that in India import of goods from other countries and storage facilities are moderately important problems.
7.5.14 Non availability of funds in India is an important problem faced by SMEs under Textile, Chemical and Pharma sector.

7.5.15 In China, unlike India, import of goods from other countries and storage facilities are not important problems. Also the availability of funds is not major problems of SMEs in China.

### 7.6 Conclusion:

Both Indian and Chinese SMEs have made significant progress in the development and growth in terms of all performance parameters especially in growth in number of SME units, production, employment generation and exports. The growth in terms of absolute number was indisputable and the growth rate of all the selected parameters were growing trend but it was highly inconsistent. Despite of several policy measures taken by the Indian Government to promote SMEs in India, the growth rate of production, employment and exports of Indian SMEs was much lesser than the China.

Because of special focus on exports by the Chinese government China become a dominant player in the global market. The SMEs in China have adopted policy of massive production and massive exports which resulted in to huge employment generation and earning of foreign currency. The China has become the world’s largest exporter for textile and clothes and second largest exporter in Pharma and Chemical during the last ten years. Continuous growth by Chinese SMEs was mainly due to the advantage of its cheap production cost as well as actively participating in domestic and foreign market competition in an open manner, rapidly expanding production capacity and market share.

It is revealed that with rapid increases in domestic costs from the year 2010-11, the export of China in textiles, chemical and pharma sector have been approached their peak. Therefore, to fulfill the export demand the Industries in China have increased their production but due to global recession, now the exports from China has drastically reduced. As in China, several urban, collectively owned enterprises (owned by the workers) which were small units equipped with relatively little machinery, were engaged in production with more labour-intensive activities were facing problems of employment,
and exports. On the other hand, SMEs in India were producing small quantity of goods and having less presence in international market, facing less problems compared to China. Despite of lowering the exports, the Chinese SMEs were able to sustain because of policy support from the government in terms of financial interventions and various incentives.

The Indian policies are also worthy and supportive to the growth of SME sector but they are not as upright like China in terms of government interventions in providing cheap energy, cheap labor, cheap raw material, cheap funds from banks, research and development support, and basic infrastructure like roads, storage, transport and export incentives and tax rebates.

Unlike China, the SMEs in India face major problems of high cost of energy, high rate of interest, high cost of labor, high cost of raw material and lack of basic infrastructure like storage, transport etc. Also Indian SMEs were not able to get tax rebate and export subsidies alike China.

### 7.7.0 Major Problems & Suggestions

#### 7.7.1 Problems faced by SMEs in chemical, pharma and textile sectors in India and Suggestion

**Problem:**
SMEs under chemical, pharma and textile sectors in India do not get adequate, cheaper and timely finance for the establishment of new units and run the existing units, which hamper the growth of development of SMEs.

**Suggestion:-**
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that our banking system does not provide sufficient amount of credit to fulfill the requirement of establishment of MSME and as well as not for the operational activities. Therefore, there must be availability of credit according to the requirement at cheaper rate. There should be detailed survey to assess the financial needs of the SME sectors. So that, the proper arrangement could be make to fulfill the needs of the SMEs. Expand the
list of SE financing tools to include fiscal, banking, security market, commercial credit, and private financing sources

7.7.1.2 Problem:-
SMEs in chemical, pharma and textile sectors in India also face the financial constraints which become major hurdle for start ups and also to run the existing units. Most Indian SMEs start unit with minimal capital either own or relatives or friends fund, which eventually stalls their growth after a certain point.

Suggestion:-
For the growth and development of SMEs in chemical, pharma and textile sectors in India research suggest that SMEs should get timely and adequate finance at lower interest rate for startups as well as for their day to day operation.

7.7.1.3 Problem:-
The SMEs in chemical, pharma and textile sectors in India face the problems of availability of raw material on time and inadequate quantity as per the required quality.

Suggestion:-
For the growth and development of SMEs in chemical, pharma and textile sectors in India research suggest that SMEs should get raw materials at a competitive cost also at the reduced duties for imported raw-materials.

7.7.1.4 Problem:-
The SMEs in chemical, pharma and textile sectors in India do not have modern and updated technology to increase the production and productivity. The technology is very costly and hence not affordable for SMEs under chemical, pharma and textile sectors in India.

Suggestion:-
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that SME should adopt modern and updated
technology and government should provide the subsidy as well as banks should give finance at discounted rate for acquiring the modern and latest technology.

7.7.1.5 **Problem:-**
The norms for environment protection framed by the government are very harsh and mostly they are copied from international standards which cannot be made applicable for Indian environment. And hence the SMEs under chemical, pharma and textile sectors in India are not able to comply with and they are not able to increase the production and go for expansion.

**Suggestion:-**
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that SMEs should get ASIDE scheme (Assistance to States for Development of Export Infrastructure and Allied Activities) for upgrading Common Effluent Treatment Plants. Government should frame the environment protection policy according to the Indian environment and standards.

7.7.1.6 **Problem:-**
Availability of Skilled labor is another major problem for SMEs under chemical, pharma and textile sectors in India, which hamper the growth of SMEs in India.

**Suggestion:-**
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that Labour Law to be modified and it should be industry friendly. Setting up of more Tool rooms/Technology Development Centre is important for enhancing the skill level of workers for SME sectors.

7.7.1.7 **Problem:-**
The study reveals that the SMEs under chemical, pharma and textile sectors in India are facing the problems because of non-friendly and complex government policies related to establish new units in India is not so encouraging in compare to china. There are several issues like getting clearances from several
departments like environment, pollution control, electricity, water, excise, Municipal Corporation, land development/use certificates, NOCs from various departments etc. It takes huge time to get the clearances and permissions, which hamper the starting and growth of new production units under SMEs.

**Suggestion:**
For the growth and development of SMEs in chemical, pharma and textile sectors in India, research suggest that Government policies related to establish new units in India is to be industry friendly. Single window policy to be implemented for getting clearances from several departments like environment, pollution control, electricity, water, excise, Local Government Bodies, Land development/ Land use certificates, NOCs from various departments/agencies.

7.7.1.8 **Problem:**-
India is ranked on top of SMEs in terms of employment, production and exports, but the trained and skilled workforce is in shortfall. India’s most of the workforce are unskilled workers. Large firms pay higher remuneration and occupy skilled workers. But SME sector have to operate with unskilled or semi-skilled workers. Thus, these SMEs are suffering from low managerial capabilities. Hence the productivity of SMEs under chemical, pharma and textile sectors in India is found less.

**Suggestion:**-
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that the training and skill development programs in respect of SME’S development should be very fast. Government should provide satisfactory training or skill development schemes suitable to SME requirements so, skilled manpower will be available to SME sector. Skill developmental schemes should be conducted by the government from time to time. The current knowledge dissemination system is limited in its outreach. There is a need to develop a better communication strategy and use of new age media tools.
7.7.1.9 Problem
It is found during the study, that the laws related to labour are more protective for labour and negligible consideration for industry interest. Since, stringent labour laws are obstructing the growth and development of the industry.

Suggestion
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that Labour laws should be employer-employee friendly. SMEs should have protection policies and separate labour laws. Modification in labour laws to enable more overtime hours and employment of women in night shifts with necessary safety; enhancement of technology up-gradation schemes with both capital subsidy and interest subvention; setting up of research/resource/product development centres and linkages with the technical institutions and CSIR (Council of Scientific and Industrial Research) laboratories.

7.7.1.10 Problem
There is a huge gap between the incentive for export in the SMEs under chemical, pharma and textile sectors in India.

Suggestion
For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that with the support of technological innovation and design, technical institutions should ‘adopt’ export oriented SME clusters. A differential corporate/income tax regime for SME exporters; separate Export Credit Guarantee Corporation policy for SMEs to reduce costs; removal of service tax on conversion of export proceeds remittances and a host of issues which will reduce transaction costs in exports.

7.7.1.11 Problem
Since the market has become global and the products related to chemical, pharma and textile sectors are being imported from various countries in India vary easily. Because of the keen competition at global level the exports of
SMEs under chemical, pharma and textile sectors in India has been affected very badly.

**Suggestion**

For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that Indian exporters build productivity-based competiveness and in this context, infrastructural constraints need to be addressed in favour of SMEs. Issues such as availability of foreign currency, credit to exporters at competitive terms, high interest cost, non-feasibility of high service charge by banks as disbursal of export credit in foreign currency, charges for renewal and enhancement of credit limits need to be immediately addressed. Enhancement of budget and scope under MDA/MAI schemes; greater focus on brand building and trade fairs; double income tax deduction for marketing expenses; support for E-Commerce

**7.7.1.12 Problem**

For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that an additional interest subvention for those exporters who repay on a timely basis; automatic increase in foreign currency limits due to rupee depreciation; banks to aim for at least 40% export credit to SMEs and targets for banks to increase SME borrowers by 10% annually.

**7.7.1.13 Problem**

The study indicated that the policy and procedure for export under the SMEs in chemical, pharma and textile sectors in India is very complicated and very difficult.

**Suggestion**

For the growth and development of SMEs under chemical, pharma and textile sectors in India research suggest that policies and procedures for export should be simplified and SME friendly. To Support for E-Commerce, E-Commerce portals provide marketing support to MSME and the linked payment gateway ensures payment without any risk to exporters. DGFT (Director General of
Foreign Trade) may set up a website (as a new scheme) with support from Network Interface Card.

7.7.2 Problems faced by SMEs under chemical, pharma and textile sectors in China

7.7.2.1 The study shows that SMEs in chemical, pharma and textile sectors in China are facing problems because of non-friendly and complex government policies related to establish new units in China is not so encouraging. State Council issued a ‘Circular on Intensifying Land Control’ which provided stricter measures for administrating concentrations in land control and getting more land was very difficult which has limited the development of SMEs in China.

Suggestion:-
For the growth and development of SMEs under chemical, pharma and textile sectors in China research suggest that ‘Circular on Intensifying Land Control’ issued by State Council should have simple norms specially for SMEs for getting more land easily for the development of SMEs in China. Government policies related to establish new units to be industry friendly. Single window policy to be implemented for getting clearances from State Council as well as Provincial and local government PRC (People Republic of China), Land development/ Land use certificates, NOCs from various departments\agencies.

7.7.2.2 Problem:-
China's economic marketization reform is mainly controlled by the Chinese government. Large enterprises and projects become preferences of the local government. The local government often chooses to offer land as mortgages, and provide enterprises with implicit guarantees to control the allocation of financial resources and support their preferences, therefore SMEs under chemical, pharma and textile sectors in China have to face number of difficulties for getting finance.
Suggestion:-
For the growth and development of SMEs under chemical, pharma and textile sectors in China, research suggest that SMEs should get timely and adequate Finance at lower rate for startups as well as for their day to day operation from Industrial and Commercial Bank of China as well as various state owned Banks.

7.7.2.3 Problem:
The SMEs under chemical, pharma and textile sectors in China do not have modern and updated technology to increase the production and productivity. The technology is very costly and hence not affordable for SMEs under chemical, pharma and textile sectors in China.

Suggestion:
For the growth and development of SMEs under chemical, pharma and textile sectors in China research suggest that government should provide the subsidy as well as banks should give finance at discounted rate for acquiring the modern and updated technology.

7.7.2.4 Problem:
Pollution prevention and waste management refers to administrative, legislative, economic, research, and educational measures to prevent the occurrence of pollutants and waste; as well as the comprehensive management of the sources, control processes and treatment of pollution. The enterprises involved in pollution prevention and waste management generally operate their business in the field of materials reuse and recycling.

Suggestion:
For the growth and development of SMEs under chemical, pharma and textile sectors in China research suggest that different from traditional materials and processes which cause environmental pollution, environmentally friendly new materials and processes refers to researching and developing new materials and innovating the process that cause no harm to or even benefit the environment, and which save natural resources at the same time.
7.7.2.5 **Problem:**
Availability of Skilled labour is another major problem for SMEs under chemical, pharma and textile sectors in China, which hampered the growth of SMEs in China. Central Government has strengthened workplace regulations and legislated better labour rights in response to workers’ unrest. In the year 2010, the Social Insurance Law was passed, providing basic social security for the whole respondents. Two of these new laws – the Labour Contract Law and the Labour Dispute Mediation and Arbitration Law – aim to regulate workplace relations and limit labour conflict. These acts end the era of cheap labour in China and increased real wages, better social protection and pension benefits, and improved labour rights. The wage increased more than 10 times in the past ten years.

**Suggestion:**
For the growth and development of SMEs under chemical, pharma and textile sectors in China, research suggest that Labour Law to be modified and it should be industry friendly.

7.7.2.6 **Problem:**
SMEs under chemical, pharma and textile sectors in China do not get adequate, cheaper and timely finance. A vast majority of green small and micro enterprises have a hard time passing conventional bank loan appraisals, due to the incomplete and unclear industry value chain where they find themselves, and also because of their “asset-light” business models. Moreover, some banks do not have a clear understanding of energy efficiency and low-carbon technology, and have reservations about the financial management of SMEs, which increases SMEs’ very difficult to get their loan applications approved.

**Suggestion:**
For the growth and development of SMEs under chemical, pharma and textile sectors in China, research suggest that to provide SMEs with plenty of financing opportunities, the government should strive to develop corporate
bond market, and allow some SMEs, which have good operating conditions, to enter the bond market for financing.

7.7.2.7 Problem

China has ranked on top of SMEs in terms of employment, production and exports, but the trained and skilled workforce is in shortfall. Though China has no shortage of human resource, most of them are unskilled workers. Hence the productivity of SMEs under chemical, pharma and textile sectors in China is found less.

Suggestion:

For the growth and development of SMEs under chemical, pharma and textile sectors in China research suggest that the training and skill development programs in respect of SME’s development concern should be very fast and meaningful. Government should provide satisfactory training or skill development schemes suitable to SME requirements so, skilled manpower will be available to SME sector. There is a need to develop a better communication strategy and use of new age media tools.

7.7.2.8 Problem:

It is found during the study, that the laws related to labour are more protective for labour and negligible consideration for industry interest. Stringent labour laws are hampering the growth and development of the industry.

Suggestion:

For the growth and development of SMEs under chemical, pharma and textile sectors in China, research suggest that labour laws are employer-employee friendly and simplified. SMEs should have protection policies and separate labour laws.

7.7.2.9 Problem:

Most important issues facing companies conducting trade with China is the subject of taxes and duties imposed on goods imported into and exported out of
the country. Importing to and exporting from China generally involves three types of taxes: Value-added tax, Consumption tax and Customs duties. Customs duties include import duties and export duties taxed vide China’s 2013 Customs Tariff Implementation Plan. China continues to levy temporary tariffs on exports including coal, crude oil, chemical fertilizers and iron alloy to conserve resources. The Duty Paying Value for export duties is based on transacted price, i.e. the lump sum price receivable by the domestic seller exporting the goods to the buyer. Export duties, freight-related expenses and insurance fees after loading at the export spot, and commissions borne by the seller are excluded.

**Suggestion:**

For the growth and development of SMEs under chemical, pharma and textile sectors in China research suggest that Custom duties should SME friendly and modified as per SME requirement.