Chapter-2

SME and their Performance in Indian Economy
CHAPTER - II

AN OVERVIEW OF SMES AND THEIR PERFORMANCE IN INDIAN ECONOMY

2.1 Introduction

Small scale industries play a vital role in economic development. The Government looks to this sector for alleviating the problems of poverty, rural unemployment, attainment of reliance, reduction in disparities in income and regional imbalances, because of its shorter gestation period, adaptability to semi urban and rural environment where infrastructure is undeveloped and capacity to attract small savings and divert instrument in the development of backward and rural areas. More importance is attached to this sector since more employment can be created per unit of investment at a comparatively shorter period than the medium & large scale sector.

The Small Medium industry has emerged as the most dynamic sector of the India industrial economy accounting for over 55 per cent of the total value of industrial production. Over 40 per cent of the country exports and more importantly providing employment opportunities to over 175 lakhs people in 31.75 lakhs units has been the focus area of this sector.

All along, it has shown the growing spirit of entrepreneurship. Empirically, Small Medium industries have contributed over 100 lakhs entrepreneurs. If we add, entrepreneurs from small businesses, the growth of entrepreneurs increases manifold. Thus, small business is the seed bed for entrepreneurship. What is true of these entrepreneurs is that they continue to strive to excel in their fields. They have been learning failures, which do not dampen their spirits (2.1).
Instead in their characteristic fashion, these enterprising businessmen/businesswomen have swept them aside to continue on the winning track. Many have grown big. In other words, small business is Open University for entrepreneurs to translate their vision, innovative ideas into a reality and stand out distinctively in the society. In the process they not only produce wealth, service but also create employment opportunities to others. Small business is thus the seed of entrepreneurial dreams. Today the entrepreneur remains the backbone of society, to be more specific, economic society.

Small Medium industries play a key role in the industrialization of a developing country. This is because they provide immediate large-scale employment and have a comparatively higher labour-capital ratio: they need a shorted gestation period and relatively smaller markets to be economic; they need lower investments, offer a method of ensuring a more equitable distribution of national income and facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized; and they stimulate the growth of industrial entrepreneurship and promote a more diffused pattern of ownership and location.

At independent in 1947, India was denuded of its Industrial Culture as a consequence of 150 years of alien rule. The massive development of Small Medium Industries to regenerate India’s stagnant economy was first mooted by Mahatma Gandhi in 1937, when he propounded his theory of Trusteeship Management for Economic Progress. Today, these principles are the framework of Social Welfare Economics ensuring for our Have-nots their Social Welfare Entitlements of Employment, Housing, Food, Drinking Water, Clothing Education and Health Care.

However only after independence did the union Government under the dynamic leadership of our First Prime Minister, Pandit Jawaharlal Nehru, address itself seriously to the enormous task of the planned development of the Small Scale Industries Sector, which had to complement the large scale and the
medium scale industries, in addition to being the main plank of the Government’s policy to generate employment for the country’s Have-nots.

In 1953, India’s Small Industries Movement received strong government support, when Shri T. T. Krishnamachari, the then Union Minister, in consultation with experts from the Ford Foundation, projected the vital role of the Small Scale Sector in the development of the Indian Economy and worked out a practical plan for the development of Small Scale Industries nationwide.

At present this sector contributes about 40% of the gross value of output in the manufacturing sector and 35% total exports from the country. The small scale industries produce a wide variety of products, beginning with the production of simple consumer goods, this sector has emerged as a major supplier of mass consumption items like leather and leather goods, plastic and rubber goods, readymade garments, hosiery goods, sheet metal goods, soap and detergents, safety matches, preserved foods, wooden and steel furniture, brushes, paints and varnishes, optical lenses, drugs and pharmaceuticals, electric motors, pesticide formulations, etc.

There has been a phenomenal growth in the number of small Medium industries in Tamilnadu. From a mere 18,440 SME units in 1977 it has grown to 3,87,597 SME units as on 31.12.2001. The table given below indicates the trend in growth of small Medium industries during the last ten years and the level of investment, employment, etc, it has created:-
TABLE 2.1.1
TREND IN GROWTH OF SME IN TAMILNADU 1997-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Permanent Regd. Units</th>
<th>Investment (Rs. in Crores)</th>
<th>Production (Rs. in Crores)</th>
<th>Employment (No.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>295004</td>
<td>7966.00</td>
<td>48675.00</td>
<td>2250900</td>
</tr>
<tr>
<td>1998-99</td>
<td>324627</td>
<td>9350.00</td>
<td>58432.00</td>
<td>2451000</td>
</tr>
<tr>
<td>1999-00</td>
<td>354939</td>
<td>10623.00</td>
<td>70987.00</td>
<td>2667200</td>
</tr>
<tr>
<td>2000-01</td>
<td>387597</td>
<td>11567.22</td>
<td>78261.66</td>
<td>2902122</td>
</tr>
<tr>
<td>2001-02</td>
<td>396574</td>
<td>12648.21</td>
<td>86182.45</td>
<td>3125475</td>
</tr>
<tr>
<td>2002-03</td>
<td>415650</td>
<td>14236.31</td>
<td>93254.25</td>
<td>3253590</td>
</tr>
<tr>
<td>2003-04</td>
<td>443256</td>
<td>17525.25</td>
<td>96525.32</td>
<td>3526510</td>
</tr>
<tr>
<td>2004-05</td>
<td>465725</td>
<td>19876.34</td>
<td>99650.60</td>
<td>3756428</td>
</tr>
<tr>
<td>2005-06</td>
<td>483268</td>
<td>21505.00</td>
<td>101250.00</td>
<td>3897650</td>
</tr>
<tr>
<td>2006-07</td>
<td>507595</td>
<td>23653.30</td>
<td>106450.00</td>
<td>3985675</td>
</tr>
</tbody>
</table>

Source: Directorate of Industries and Commerce, Chennai.

The above table reveals that the growth in number of units was gradual from 1997-98 to 2006-2007. Similarly growth in investment in SME was gradual from 1997-98 to 1999-00 and then registered a good jump in 2000-01 and maintained the tempo upto 2000-2001. Production from SME units
registered a gradual growth from 1997-98 to 1999-00 and peaked in 2000-01 and again maintained the growth as before. Employment generation in SME was impressive in 1997 to 2000 and then maintained gradual growth upto 2003; again it achieved impressive growth up to 2006-2007 (2.2).

**TABLE-2.1.2**

**SMALL SCALE INDUSTRIES IN TAMILNADU**

<table>
<thead>
<tr>
<th>Code No.</th>
<th>Details of Classification Industry Group</th>
<th>No. of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-21</td>
<td>Food &amp; food products</td>
<td>37152</td>
</tr>
<tr>
<td>22</td>
<td>Beverages, Tobacco &amp; Tobacco products</td>
<td>2750</td>
</tr>
<tr>
<td>23</td>
<td>Cotton Textiles</td>
<td>24453</td>
</tr>
<tr>
<td>24</td>
<td>Wool, Silk &amp; Synthetic Fibre Textiles</td>
<td>2700</td>
</tr>
<tr>
<td>25</td>
<td>Jute, Hemp &amp; Mesta Products</td>
<td>325</td>
</tr>
<tr>
<td>26</td>
<td>Hosiery &amp; Readymade Garments</td>
<td>89464</td>
</tr>
<tr>
<td>27</td>
<td>Wood &amp; Wooden products</td>
<td>18221</td>
</tr>
<tr>
<td>28</td>
<td>Paper &amp; Paper Products</td>
<td>21719</td>
</tr>
<tr>
<td>29</td>
<td>Leather &amp; Fur Products</td>
<td>10522</td>
</tr>
<tr>
<td>30</td>
<td>Rubber &amp; Plastic Products</td>
<td>14073</td>
</tr>
<tr>
<td>31</td>
<td>Chemical &amp; Chemical Products</td>
<td>17453</td>
</tr>
<tr>
<td>32</td>
<td>Non-Metallic Mineral Products</td>
<td>12776</td>
</tr>
<tr>
<td>33</td>
<td>Basic Metal Products</td>
<td>5357</td>
</tr>
<tr>
<td>34</td>
<td>Metal Products &amp; parts</td>
<td>21740</td>
</tr>
<tr>
<td>35</td>
<td>Machinery &amp; Parts except electrical</td>
<td>27554</td>
</tr>
<tr>
<td>36</td>
<td>Electrical Machinery &amp; Aparatus</td>
<td>11627</td>
</tr>
<tr>
<td>37</td>
<td>Transport equipments &amp; parts</td>
<td>10934</td>
</tr>
<tr>
<td>38</td>
<td>Other Manufacturing Industries</td>
<td>58777</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>387597</strong></td>
</tr>
</tbody>
</table>

**Source:** Industries Commissioner and Directorate of Industries & Commerce, Chennai.
A look at the group-wise classification of SME shows (group 26) Hosiery and Readymade Garments units top the list with 78,964 units accounting for a little over 22.2% of the total number of units. Then (group 38) Other Manufacturing industries is far behind with 50,257 units and closely followed by (group 20-21) Food Products with 35,002 units. Share of all other groups are of single digit and the share of (group 25) Jute, Hemp and Mesla Products and (group 22) Beverages, Tobacco & Tabacco Products are below 1%. Based pm the above data, the following points emerge.

2.2 Growth of Specialized SME Branches

The Govt. had identified 85 districts in the country as a whole for setting up Specialized SME branches immediately and to extend the scheme in future in places where SME units are concentrated. 389 Spl. SME bank branches were in operation as on 31.3.2000 in the country. In Tamilnadu 36 Specialized SME branches were opened in the first phase as on 31.3.1997.

At present more and more SME branches are added either by opening new branches or by converting existing branches into Specialized SME branches in places were SME units are concentrated in the state. 46 Spl. SME branches were functioning in the state as on 1.4.2000. 12 banks in the public sector have opened up Specialized SME branches in Tamilnadu (2.3). Group-wise Performance is given below:
### TABLE - 2.2.1

**Group-wise Performance**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the bank Group</th>
<th>No. of SME branches Responded only</th>
<th>Amount disbursed (Rs. in lakhs)</th>
<th>Average amount disbursed per branch (Rs. in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>State bank of India</td>
<td>9</td>
<td>6,465.39</td>
<td>718.38</td>
</tr>
<tr>
<td>2.</td>
<td>Bank of Baroda</td>
<td>2</td>
<td>1,379.94</td>
<td>689.97</td>
</tr>
<tr>
<td>3.</td>
<td>Canara bank</td>
<td>5</td>
<td>3,144.08</td>
<td>628.82</td>
</tr>
<tr>
<td>4.</td>
<td>Bank of India</td>
<td>2</td>
<td>665.97</td>
<td>332.99</td>
</tr>
<tr>
<td>5.</td>
<td>Corporation bank</td>
<td>1</td>
<td>294.85</td>
<td>294.85</td>
</tr>
<tr>
<td>6.</td>
<td>Union bank of India</td>
<td>4</td>
<td>952.19</td>
<td>238.05</td>
</tr>
<tr>
<td>7.</td>
<td>Indian Overseas bank</td>
<td>9</td>
<td>1,727.33</td>
<td>191.93</td>
</tr>
<tr>
<td>8.</td>
<td>Indian bank</td>
<td>4</td>
<td>452.07</td>
<td>113.02</td>
</tr>
<tr>
<td>9.</td>
<td>Central bank of India</td>
<td>4</td>
<td>273.67</td>
<td>68.42</td>
</tr>
<tr>
<td>10.</td>
<td>Andhra bank</td>
<td>1</td>
<td>61.00</td>
<td>61.00</td>
</tr>
<tr>
<td>11.</td>
<td>Vijaya bank</td>
<td>1</td>
<td>41.25</td>
<td>41.25</td>
</tr>
<tr>
<td>12.</td>
<td>Dena bank</td>
<td>2</td>
<td>64.55</td>
<td>32.28</td>
</tr>
</tbody>
</table>

**Source:** Industries Commissioner and Directorate of Industries & Commerce, Chennai.
2.3 Chennai District

Availability of infrastructure facilities determines the pace of economic development of a region. Chennai has all the infrastructures like, well laid roads, railway lines, an international airport and a port with single window clearance for exporters and a good telecom facility.

SIDCO has three industrial estates and there is a scope for setting up industrial complexes for particular group of industries in the existing industrial Estates. The Information Technology Park will give opportunity for setting up electronic, telecommunication and Information Technology Industries with the assistance of highly skilled man power available in the field. Chennai is the financial capital of South India with 757 bank branches of difference banks. The Survey has identified that there is scope for Industries in leather products, readymade garments with export thrust, floriculture, packaging and food-based industries because of the availability of cold storage facilities (2.4).

Role & Policy of State/Central Government Departments in the Promotion of SME in Tamilnadu

The SME sector comprises Small Scale Industries, Tiny and Ancillary units. At one end there are the rural artisans and at the other end of the continuum are modern high-tech information and technology and biotech units. The inevitability of this sector in the socio-economic welfare of the State is mainly due to its employment and income generation to the rural masses.

2.4 Entrepreneurial Training for Women

Under the scheme of training five lakhs women in entrepreneurial skills in five years, the Industries and Commerce Department was allotted a target of 25,000 women for 2001-2002. Out of this, 5,000 women have been trainees
under Prime Minister's Rozgar Yojana. The department has spent Rs.80.00 lakhs for training 20,000 women under this Scheme through the District Industries Centers. This scheme will be continued during 2002-2003 also.

### 2.5 Industrial Co-operative Societies

The Industries and Commerce Department has industrial cooperative societies for tea, coir, lock, sago, polythene, matches, brick and synthetic diamond industries. There are 324 Industrial Cooperative societies with a total membership of 61,800 in the State. In general, co-operation of industrial activities has been rated as success in Tamil Nadu and it has helped various trades in the rural sector and this Government believes in co-operation of industrial activities particularly in the rural areas. Many new Societies are being formed and new area covered. It is a continuous process and much more remains to be done in the next four years. Also steps have been initiated to consolidate the existing societies and their business activities.

### 2.6 Incentives to Small Scale Industries

In order to promote Tiny and Rural Industries, 287 blocks in the State have been declared as Industrially Backward Most Backward and SMEs located therein are eligible for grant of State Capital Subsidy, Low Tension Power Tariff Subsidy and other concessions. These incentives and concessions are also available to units located in the Industrial Estates and Industrial Complexes sponsored by Government/Government Agencies (2.5).

The various subsidies and incentives are listed below:

a) SMEs located in Backward Blocks are eligible for the State Capital Investment Subsidy at 15% subject to a maximum of Rs.15.00 lakhs.
b) SMEs located in the Most Backward Blocks are eligible for the State Capital Investment Subsidy at 20% subject to a maximum of Rs.20.00 lakhs.

c) Special Investment Subsidy at 20% on the fixed assets is available to SMEs engaged in thrust sectors, i.e. electronic and leather industries subject to a maximum of Rs.20.00 lakhs in all the areas of Tamil Nadu.

d) Special Capital Investment Subsidy at 20% on fixed assets is also available to SMEs engaged in the following manufacturing activities anywhere in Tamil Nadu, subject to a maximum of Rs.15.00 lakhs.
   1) Auto Ancillaries
   2) Drug and Pharmaceuticals
   3) Food Processing Industries
   4) Solar Energy Equipments
   5) Gold and Diamond Jewellery (for Export only)
   6) Jute Processing Industry (In 6 Selected Taluks only)
   7) Pollution Control Equipments
   8) Sports Goods and Accessories, and
   9) Cost effective building material like Aluminum.

e) Additional Capital Investment Subsidy of 5% is available to the SMEs located in the most backward/backward blocks which employ more than 30% women workers with a ceiling limit of Rs.5.00 lakhs.

f) SME units, which set up effluent treatment plants, are eligible for subsidy at 10% on investment of Plants subject to a maximum of Rs.2.00 lakhs.

g) Generator Subsidy at the rate of 15% on its cost is available to SMEs with an upper limit of Rs.5.00 lakhs.
h) Low Tension Power Tariff Concession is given to SMEs for the first 3 years of their inception, at the rate of 40%, 30% and 20% of actual energy charges for the first, second and third years respectively with location restrictions.

2.7 Other Activities

Single Window Committee

The District Single Window Committee has been formed having the District Collector as its Chairman. An entrepreneur can give application to this committee for getting necessary clearance at one go.

Prime Minister’s Rozgar Yojana Scheme

The Centrally Sponsored Prime Minister’s Rozgar Yojana Scheme is implemented to make educated unemployed youth to start their own business many of which are self-employment ventures. Under this scheme training is imparted in any trade in Government recognised/approved institutions. For this year, 20,000 candidates are being assisted through this scheme.

SME Board

A Small Scale Industries Board is functioning in the State under the Chairmanship of the Minister for Rural Industries. The SME Associations and the Officials of various departments serve as Members in the Board. The Board meets once in three months to discuss policy issues on SMEs and their grievances and recommends to the Government for their redressal.
Testing Laboratories

Private Testing Laboratories charge exorbitant rates when Small Scale Industries approach them for testing their raw materials, products and processed materials under the provisions of statutory requirements. To help Small Scale Industries for better testing on normal reduced rates, this department is running various testing/servicing laboratories in electrical and electronics, electro-medical equipment and chemical fields.

Awards

The State Government has instituted State-level and District-level awards for SMEs, State award for Women Entrepreneur, Award for Quality products and for export oriented SMEs.

Delayed Payment Act

Four Regional Facilitation Councils have been constituted at Coimbatore, Trichy, Madurai and Chennai where delay in payments to Small Scale Industries is adjudicated under the terms of the Delayed Payment Act.

Functional Industrial Estate

There are 8 Functional Industrial estates for Electrical and Electronic industries, which have been established by the Directorate of Industries and Commerce. The following is the list of institutions, which are dedicated to the objective of support and promotion to small, tiny and rural industrial sector in Tamilnadu.

- Directorate of Industries and Commerce.
- Tamilnadu Small Industries Development Corporation Limited
- Tamilnadu Small Industries Corporation Limited
- Tamilnadu Leather Development Corporation Ltd.,
- SIDO Offices and their functions in brief
2.8 Directorate of Industries & Commerce

The Directorate of Industries and Commerce is the nodal Government agency responsible for planning and implementation of various programmes for small scale and tiny industries. In the past, the role of the Directorate was most statutory and regulatory in nature, sanctioning license, and issue of raw materials during time of scarcity. It has acquired a development orientation now. Most of the operational powers have been delegated to the General Managers of District Industries Centers and time limits have been prescribed for various Government clearances necessary to an industry. In order to provide escort services to the SME units effectively, District Industries Centre have been reorganized and separate ESCORT support system has been introduced in each of the District Industries Centre.

The various activities undertaken by the Directorate are as follows:

- Registration and promotion of small scale, cottage & handicraft industries and Industrial Co-operative Societies.

- Sanction and disbursement of various subsidies and incentives such as State

- Capital Subsidy, Generator Subsidy, Power tariff subsidy, Interest Free Sales

- Tax deferral/waiver for existing units, Margin Money Assistance for sick unit among small scale industries.

- Offering various testing facilities for chemicals, metals, metallurgical, electrical, electronic gadgets and appliances.
• Implementation of Centrally sponsored schemes like self-employment programmes for the educated unemployed youth under Prime Minister's Rozgar Yojana scheme (PMRY).

• Conducting of Entrepreneur Development Programme (EDP).

• Creating awareness of the various policies and programmes of the Government through seminars and dissemination meets.

• Proving Escort Services to the Entrepreneurs.

• Maintenance of Special purpose Industrial Estates for Electrical and Electronics Industries.

• Providing entrepreneurial guidance through Data Bank and Information Centers and Technical Information Section attached to the DICs.

• Identification of new areas with growth potential, providing familiarization and Incubator facilities to promising entrepreneurs.

• Conducting of Techno-economic surveys.

• Conducting of sample and comprehensive surveys.

• Development and promotion of cottage and handicrafts industries Training facilities in the field of light engineering tool and die designing.

• Identification, Declaration and Assistance to sick units.
• Assistance for import of capital goods, machinery and scarce raw materials.

• Implementation of Quality Control Act on Electrical Household appliances, etc.

• Export promotion.

• Supervision of implementation of Special assistance schemes announced by Government in favour of small and tiny sector units.

• For the convenience of the entrepreneurs to know the details of schemes and activities of this Department, Internet Web-site facilities are available in the following address:

2.9 District Industries Centers

The District Industries Centers (DICs) are functioning in 28 Districts of Tamil Nadu, except Chennai District where a Regional Joint Directorate is set up, to render all help to the entrepreneurs to set up Small Scale Industries. DICs administer the various incentive programmes such as capital subsidies, fiscal incentives, raw material allocations, power subsidies and the like. The DICs are expected to function as key conduits for information flowing from various channels for dissemination to local enterprises.

To facilitate smooth establishment of Small Medium units and to reduce procedural wrangles, the Government has launched Single Window Scheme. The entrepreneurs are assisted in getting clearances from Local Bodies, Town Planning, Pollution Control Board, Public Health, Factories and other Departments and getting power connection by the Single Window authority.
2.10 SME Registration

The Primary objective of the Small Scale Industrial Policy approach of the Tamilnadu Government is to deregulate the sector with a view to remove all impediments in its growth and to ensure that the procedures and formalities do not affect the interests of the Small and Rural Enterprises. The SME registration forms have also been simplified for this purpose. The Registration procedures has been simplified and provisional registration can be secured even across the table on furnishing certain minimum required details. Lengthy process hitherto insisted for issue of permanent Registration certificate has also been rationalised. The term SME applied to units in which the total investment in plant and machinery does not exceed Rs.100 lakhs. In the case of Ancillary units, i.e., which are engaged in the manufacture of parts, components, etc., or rendering of services to the extent of not less than 50% of their production or services to one or more industrial undertakings, the limit on investment in plant and machinery also shall be Rs.100 lakhs. As per revised Policy, the Small Scale Industries that are having investment up to Rs.25 lakhs in plant and machineries (Original Purchase Price) is classified as Tiny enterprises. The target set for issue of permanent registration of SME certificates for the year 1999-2000 is 30,000 units and 50,000 units towards provisional registration. As on 31.03.2000, 27,798 permanent SME certificates and 43,817 provisional certificates have been issued (2.6).

Nucleus Cell

Nucleus Cell of this department is engaged in collection of statistics from the registered SME units through Census and to update the data collected in the Census by means of sample surveys. To facilitate the Third All India Census of SME units, the frame lists of SME units registered during the year 1992-93 to 1998-99 are completed. So far 3, 54,061 Small and Tiny Units are registered in Tamilnadu up to 31.3.2000.
Purchase preference to SME Units

Earlier, during 1997, Government issued orders that in respect of 474 items reserved for exclusive purchase from the Small Scale Industries units, 50% of the requirements shall be purchased by open tender and the balance may be purchased from Small Scale Industries units within the State at the lowest prices in the open tender. Subsequently, Government of India published a revised list of 350 items as reserved for exclusive purchase from the Small Scale Industries Units. Government of Tamilnadu reviewed its earlier orders taking into consideration the existing difficult phase through which the Small Scale Industries Units are passing through, and restored the purchase preference for Small Scale Industries units in the State which existed prior to February 1997 vide G.O. Ms. No.195, Finance (BPE) Department dated, 4.5.98 in respect of the revised list of 350 items. The Small Scale Industries all over the State have welcomed this policy stand as a measure of support during the crises hours (2.7).

2.11 Tamilnadu Small Industries Development Corporation Limited

Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO) a Government of Tamilnadu undertaking was established in October 1970 with the specific object of promoting and developing Small Medium Industries (SMEs) in Tamilnadu and to proliferate SMEs in backward and underdeveloped areas of the State. SIDCO has been implementing a number of schemes for the promotion of Small Medium industries, particularly with a view to generate self employment, technocrats, and educated (unemployed) youth and women entrepreneurs. Also with the development of Small Medium Industries additional job opportunities have been created, both direct and indirect, in the State. The main objective of this Corporation is to stimulate development of industries in the small scale sector with following promotional activities (2.8).
1) **Creation of Infrastructural Facilities & Provision of Work sheds**

One of the major activities of SIDCO is creation of infrastructural facilities like roads, drainage, storm water drains, electrical lights, water supplies etc., in the Industrial Estates. SIDCO identifies and develops Industrial Estates at various locations and provides factory sheds of various sizes along with developed plots with all basic infrastructural facilities and allots them on easy installment basis/outright sale basis, specially to entrepreneurs who are willing to start Small Scale Industries.

2) **Distribution of key/scarce raw materials**

The Corporation's endeavor is to ensure that the small scale units get their raw materials at competitive rate from its depots. It is also the policy of the Corporation to increase the coverage of basic raw materials in addition to opening more number of depots. SIDCO handles the following raw materials: Iron and steel, coke, wax, potassium chlorate, zinc, lead, paper and IPCL products.

3) **Marketing Assistance Scheme**

The Corporation has taken up this scheme to assist SME units to market their products at competitive rates without any working capital constraints. Under this scheme, the Corporation participates in the tenders floated by the State Government Departments. Sister concerns and DGS & D on behalf of the SME units and obtains orders with advance payment. SIDCO envisages executing orders worth of Rs.500 lakhs for the year 1999-2000.
4) **Bill Discounting Assistance**

This Scheme is intended to mitigate the financial problems faced by SME units due to delay in getting payment for their supplies to Government Departments/Undertakings. The scheme will cover bills raised by SME units for supplies affected to Government Departments/Undertakings. The period of credit to SME units may range from 45 to 90 days or the credit period provided for, in the purchase order. Under this scheme SIDCO makes payment to the units who have supplied the material to the Government Departments against accepted supply bills to the tune of 80% of the bill value and the balance amount is given after realization of the amount from the Government Departments. SIDCO charges a small commission for this. This new scheme is hoped to solve the severe working capital problems faced by the SME units.

5) **Export Marketing Assistance**

A new scheme has been inaugurated on 2.11.1998 for assisting the small and medium units to find export marketing. SIDCO, in collaboration with TANSTIAFNF, shall assist the units enrolled with SIDCO by developing web-sites for them and displaying their products on the web-sites and then marketing them effectively.

SIDCO has also been participating in the India International Trade Fair being conducted at New Delhi every year for generating Export enquiries for the benefit of SME units.

6) **Captive Power Plants**

Realizing the need for uninterrupted and good quality power supply, SIDCO has taken up the issue of establishing Captive Power Plants in major Industrial Estates. Till recently SIDCO has Branch Offices only at District level. In
order to be easily accessible to the entrepreneurs and budding industrialists, SIDCO has opened more Branch Offices at most of the prominent Industrial Estates (2.9).

2.12 Tamil Nadu Small Industries Corporation Limited

Tamilnadu Small Industries Corporation Limited (TANSI) is a conglomerate of Small Industries Units started during initial Plan periods spread all over the State. TANSI has been supplying goods and services to the State and Central Government Departments, Public Sector Undertakings as well as to general public. Presently there are 31 production units, 3 project cells, and 6 sales centers in TANSI’s fold. Apart from the above units, TANSI is having two subsidiary companies viz., Tamil Nadu Paints and Allied Products Limited (TAPAP) and State Engineering and Servicing Company of Tamil Nadu Limited (SESCOT).

Labour Relations

Presently there are about 1218 employees including factory workers. Cordial industrial relation is being maintained.

Re-organisation

To tone up the administration and to improve the performance of the organisation, re-organisation/ re-structuring at Corporation Office, Regional Office as well as the production units is under way.

2.13 Tamil Nadu Leather Development Corporation Limited

Tamil Nadu Leather Development Corporation Ltd., (TALCO) was incorporated as a Government Company in March 1983 with an authorised
share capital of Rs.10 crores. The equity participation by Government of Tamil Nadu as on date is Rs.250 lakhs.

Products

The product lines of TANSI can be grouped as below:

**TABLE – 2.2.4**

<table>
<thead>
<tr>
<th>Group</th>
<th>Product Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structurals</td>
<td>Heavy structural, required by sugar mills, cement factories, thermal power stations, tower components required for high tension transmission lines, microwave towers, etc.</td>
</tr>
<tr>
<td>Engineering</td>
<td>Light Structurals for factory sheds, cinema theatres, school buildings, godowns, etc. Line materials for Electricity Board such as angle cross arms, sheet metal fabrication, manufacture of Bunks, stalls, etc.</td>
</tr>
<tr>
<td>Foundry</td>
<td>Machined and non-machined components, C.I.pipes and specials.</td>
</tr>
<tr>
<td>Furniture</td>
<td>Wooden furniture, interior decoration, paneling, etc., Steel furniture for domestic, office and hospital uses</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Manufacture of India Mark-II Deep well and VLDN hand pumps, spirit based products such as gasket shellac, picture Varnish, assembly of watches of TITAN.</td>
</tr>
</tbody>
</table>

**2.14 SME Development Institute and its Branches Background**

Small Industries Service Institute (SME), Chennai functions under Small Industries Development Organization (SIDO) set up in 1954, under Ministry of Industry, Government of India. SIDO is a wing of the Ministry of Small Scale Industries and Agro & Rural Industries and is headed by Additional Secretary &Development Commissioner (SME). SIDO is the apex body concerned with formulating the policy and co-coordinating the institutional activities both at Central and State levels for implementing the programmes for development of
small scale industries and creation of infrastructure for sustained and organised growth of small scale industries. It aims at achieving these through a network of Small Industries Service Institutes (SMEs), Branch SISIs, Regional Testing Centres, Specialised Training, Research Development and Design Institutes, Tool Rooms and Foot-wear Training Institutes situated in various States and Union Territories. The SISI at Chennai covers Tamilnadu and Union Territory of Pondicherry. It has branches at Coimbatore and Tuticorin with a Workshop functioning at Tirunelveli under the SME, Tuticorin (2.10).

**Industrial Management Division**

It has been ensured that Entrepreneurship Development Programmes are organized in all the districts of the State every year for the benefit of educated unemployed men and women. Issue of certificates has been computerized. The specially designed software “Training Information System” is an effective tool to keep track of the follow up activities. The follow up action taken on the EDPs has also been streamlined and is being given a higher level of priority. Management Development Programmes on specialized fields like marketing, finance, communication skills, etc., are conducted to benefit the existing industrialists. Apart from these motivation seminars need-based training programmes at the behest of SIDBI, NABARD, TAHDCO and other agencies are also organized. Training programmes of varied duration are organized in General Engineering, Screen Printing, Leather products and carpentry.

**Export Promotion**

This division is devoted to dissemination of information on export possibilities to the small industries, arranging seminars and conducting export oriented programmes, identifying export worthy products and initiating measures for export promotion.
**Chemical/G & C/Metallurgy Divisions**

These divisions undertake all promotional work in their respective field like preparation of project profiles, technical consultancy, organising workshops, feasibility study, in-plant study, etc. and also provide many short-term training programmes in the field like Screen Printing, Simple Chemicals, Metal Finishing, etc.

**Mechanical Engineering Division**

This division undertakes all promotional work pertaining to mechanical engineering industries like preparation of project profiles, technical consultancy in the relevant field, organising workshops/conducting feasibility study, in-plant study, etc., pertaining to mechanising discipline.

**Ancillary/SENET Division**

The Tamilnadu Sub-Contract Exchange of the Ancillary/SENET division has been created to render services to both small and large scale industries and also with a view to augment the scope of development of ancillary and subcontracted industries. The division organises periodical buyer-seller meets, develops, vendors for large scale industries, organises transfer of technology through Technology Bureau of Small Enterprise (TBSE) registering and computerizing the data on spare capacities of the small scale industries and exchanging it with the medium/large scale industries. Marketing assistance to small scale industries is provided by mailing to the members of computerized tender information for the demand of Railways and other Government departments and public sector undertakings. Complete data on the qualitative and quantitative potential of 2000 and odd small scale industries registered as members of the Exchange is computerized and monitored by the Exchange. SENET is Small Enterprises Information and Resource Centre Net Work – an
Inter Net Project launches by Office of the Development Commissioner (SME), New Delhi in April 1997. SENET aims to pioneer, create and promote databases and provide information services on products for small enterprise -sectors. UNIDO (United Nations Industrial Development Organisation) has chosen TNSX of SISI as pilot subcontract for global Sub-contract Net work. UNIDO normally engages NGOs only, but on the basis of performance, they made an exception to choose TNSX, Chennai.

Courses Offered in the Training Centers of SME

- Computer Training Courses
- Management Courses
- Travel & Tourism
- Personality Development Programme
- Interior Designing
- Executive Secretary ship
- Catering Technology
- Bakery & Confectionery
- Fashion Designing
- Textile Designing Printing & Dyeing
- Front Office Management & House Keeping
- Cookery & Bakery
- Cosmetology
- Food Production
- Food & Beverage Service
- Modern Knitting Technology
- Knitwear Quality Control and
- Tailoring
**Workshop Division**

The Workshop is equipped with various machinery for undertaking job works in machining, milling, thread cutting, surface grinding, cylindrical grinding, planning and shaping operations. The Workshops has also been equipped with CNC Wire Cut EDM for undertaking Die works and other jobs requiring higher accuracy. Besides undertaking job works, the workshop also provides advanced training in the operation of machines for 6 months apart from inspection and quality control courses of 6 months duration. There is a section for Metal Finishing and other trades like Screen Printing, Leather Products, Carpentry, etc.

**Co-ordination Division**

These division co-ordinates NSIC enlistment cases and also forwarding viability reports on proposals to banks whenever referred by the banks.

**2.15 Details of Consultancy Services Provided by SME**

a. **General Consultancy**

SISI, Chennai provides general consultancy at its premises itself whenever visitors call on the experts at SME. It also provides consultancy services through correspondence whenever the needy write to SME. Consultancy is also given by the experts at the premises of the firms by visiting the same.

b. **Consultancy at Tamilnadu Small and Tiny Industries Associations (TANSTIA)**

TANSTIA has got an arrangement with SISI according to which officers of SISI sit in the premises of the Association at regular intervals to counsel the parties contacting TANSTIA for technical consultancy.
c. Consultancy for ISO 9000

14 officers of SME, Chennai have been trained as Lead Auditors for ISO 9000. These Lead Auditors extend advice to the units seeking award of ISO 9000 certification. The rates charged are nominal when compared to the prevalent market rates. Guided by the Lead Auditors of SISI 16 units have so far been awarded ISO 9000 certification and 92 units are in the process of obtaining the certification. Awareness programme on ISO 9000 are conducted periodically.

d. ISO 14000

20 officers of SISI trained and certified by Environmental Auditors Registration Association (UK) through Safety Environment Quality Management Ltd. (SEQM), UK are authorized as Team Members for Environmental Impact Assessments/Statements for industrial establishments at nominal rates.

e. Energy Auditing

SISI, Chennai has been listed as authorized Energy Auditors by Tamil Nadu Electricity Board, SISI, Chennai undertakes Energy Auditing even for large and medium units at a nominal charge. Ten units have undergone Energy Audits by SISI, Chennai so far.

f. Other Activities

Under consultancy services, SME, Chennai also undertakes Study of units for enlisting for NSIC. In the process, SME assesses the capacity and capability of the manufacturers for products against standard specifications. SISI, Chennai also study the units at the request of the bankers for assessing technical feasibility and market viability for products. In plant study has also
been undertaken to suggest modernization or energy conservation, etc., Sick units are being studied for rehabilitation and reports forwarded to the appropriate authorities by the SME. SME, Chennai is also offering consultancy on identification of product line and preparation of project reports.

f. Library

SME, Chennai has got a Library, which has 3,000 numbers of volumes with most modern books on Small Industry Management. 1,683 Ready-made project reports are kept in the Library for ready reference to entrepreneurs to select project reports. The Library is open to public for reference. Library is also equipped with Audio/Video equipments and also modern office automation equipments like Photocopier, etc., Publications of various government departments are also available in the library, where visitors can take copies of the extract of the publications at nominal cost. Latest Power Point equipments with screen, etc., are also available for making presentation. These services are being availed at State Government departments also.

SME Development Institute

Br. SME, Coimbatore and Tuticorin do all the activities mentioned above with special emphasis to local needs. Testing: Br. SME, Coimbatore has full-fledged testing Centre for Pumps and Motors apart from testing foundry items and chemicals. The testing laboratory is recognised by BIS. These services are availed by small industries of Coimbatore, where cluster of units manufacturing pumps and motors is predominant. On the whole, SME, Chennai has been making significant contribution of the SME by its quadrilateral of activities.
2.16 SMEs in India

According to Micro, Small and Medium Enterprises Development (SMED) Act 2006, the earlier concept of Industries has been changed to Enterprises. Enterprises have been classified broadly into:

1. Enterprises engaged in the manufacture/production of goods pertaining to any industry;

2. Enterprises engaged in providing/rendering of services. Manufacturing enterprises have been defined in terms of investment in plant and machinery (excluding land & building) and further classified into:

   - Micro Enterprises – Investment up to Rs.25 Lakhs
   - Small Enterprises – Investment above Rs.25 Lakhs & up to Rs.5 Crore
   - Medium Enterprises – Investment above Rs.5 Crore & up to Rs.10 Crore
   - Service enterprises have been defined in terms of their investment in equipment (excluding land & building) are further classified into:
     - Micro Enterprises – Investment up to Rs.10 Lakhs
     - Small Enterprises – Investment above Rs.10 Lakhs & up to Rs.2 Crore
     - Medium Enterprises – Investment above Rs.2 Crore & up to Rs.5 Crore

Hence an SME can be defined as any Manufacturing enterprise whose investment in plant and machinery is up to Rs.5 Crore and in case of Service enterprise whose investment is up to Rs.2 Crore.

With the advent of planned economy from 1951 and the subsequent industrial policy followed by Government of India, both planners and Government earmarked a special role for Small Medium industries and medium scale industries in the Indian economy. Due protection was accorded to both sectors, and particularly for small scale industries from 1951 to 1991, till the
nation adopted a policy of liberalization and globalization. Certain products were reserved for Small Medium units for a long time, though this list of products is decreasing due to change in industrial policies and climate. SMEs always represented the model of socio-economic policies of Government of India which emphasized judicious use of foreign exchange for import of capital goods and inputs; labour intensive mode of production; employment generation; non concentration of diffusion of economic power in the hands of few (as in the case of big houses); discouraging monopolistic practices of production and marketing; and finally effective contribution to foreign exchange earning of the nation with low import-intensive operations. It was also coupled with the policy of de-concentration of industrial activities in few geographical centers. It can be observed that by and large, SMEs in India met the expectations of the Government in this respect. SMEs developed in a manner, which made it possible for them to achieve the following objectives.

**High contribution to domestic production**

- Significant export earnings
- Low investment requirements
- Operational flexibility
- Location wise mobility
- Low intensive imports
- Capacities to develop appropriate indigenous technology
- Import substitution
- Contribution towards defense production
- Technology – oriented industries
- Competitiveness in domestic and export markets
At the same time one has to understand the limitations of SMEs, which are

- Low Capital base
- Concentration of functions in one / two persons
- Inadequate exposure to international environment
- Inability to face impact of WTO regime
- Inadequate contribution towards R & D
- Lack of professionalism

In spite of these limitations, the SMEs have made significant contribution towards technological development and exports. SMEs have been established in almost all-major sectors in the Indian industry such as:

- Food Processing Agricultural Inputs Chemicals & Pharmaceuticals
- Engineering; Electrical; Electronics Electro-medical equipment
- Textiles and Garments Leather and leather goods Meat products
- Bio-engineering Sports goods Plastics products
- Computer Software, etc.

As a result of globalization and liberalization, coupled with WTO regime, Indian SMEs have been passing through a transitional period. With slowing down of economy in India and abroad, particularly USA and European Union and enhanced competition from China and a few low cost centers of production from abroad many units have been facing a tough time. Those SMEs who have strong technological base, international business outlook, competitive spirit and willingness to restructure themselves shall withstand the present challenges and come out with shining colours to make their own contribution to the Indian economy (2.11).
2.17 SMEs Recent Trend in India

India’s small and medium enterprises (SMEs) are a key driver of India’s current double-digit industrial growth, which is the longest cyclical upswing underway since the second quarter of 2002. Their importance derives from fact that they account for a substantial 39 per cent of industrial production, contribute directly 34 per cent to India’s exports and employ 20 million people. Even so, they remain far from the spotlights of global attention, for that matter, that is more focused on India, daring forays internationally through big-ticket mergers and acquisitions (M&As) in recent times.

2.18 Employment Growth of SMEs in India

The Growth of Entrepreneurship creates wider employment opportunities. The root cause for unemployment in India is over growing population which has out paced the development of industry and agriculture.

For the countries like India with a limited financial resources and huge reservoir of human resources, SMEs meant for solving the unemployment problem. Self -employment is also provided by entrepreneurship. In all the industrial policy resolutions the small scale sector was given special role for creating additional employment with low capital intensity. Heavy industrialization with intensive capital base has provided minimum opportunities for employment - growth. The large scale sector has provided 14.3 percent employment only for the total number of workers engaged in various segments in the country. Hence it is an urgent need to develop employment opportunities in non -farm sector. It is gratifying to observe that the SMEs sector along with the cottage and village industries has provided larger opportunities for expanded growth of potentials in employment to the people in this sector.
### TABLE: 2.1.5

Employment Growth of the SMEs in India

<table>
<thead>
<tr>
<th>S. No</th>
<th>Year</th>
<th>Employment in Lakhs</th>
<th>Increased Over the Previous Year</th>
<th>% Growth Over the Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1994-1995</td>
<td>191.40</td>
<td>9.09</td>
<td>4.09</td>
</tr>
<tr>
<td>2</td>
<td>1995-1996</td>
<td>197.93</td>
<td>6.53</td>
<td>3.41</td>
</tr>
<tr>
<td>3</td>
<td>1996-1997</td>
<td>205.86</td>
<td>7.93</td>
<td>4.01</td>
</tr>
<tr>
<td>4</td>
<td>1997-1998</td>
<td>213.16</td>
<td>7.30</td>
<td>3.55</td>
</tr>
<tr>
<td>5</td>
<td>1998-1999</td>
<td>220.55</td>
<td>7.39</td>
<td>3.47</td>
</tr>
<tr>
<td>6</td>
<td>1999-2000</td>
<td>229.10</td>
<td>8.55</td>
<td>3.88</td>
</tr>
<tr>
<td>7</td>
<td>2000-2001</td>
<td>239.09</td>
<td>9.99</td>
<td>4.36</td>
</tr>
<tr>
<td>8</td>
<td>2001-2002</td>
<td>249.09</td>
<td>10.00</td>
<td>4.18</td>
</tr>
<tr>
<td>9</td>
<td>2002-2003</td>
<td>260.13</td>
<td>11.04</td>
<td>4.43</td>
</tr>
<tr>
<td>10</td>
<td>2003-2004</td>
<td>271.36</td>
<td>11.23</td>
<td>4.32</td>
</tr>
<tr>
<td>11</td>
<td>2004-2005</td>
<td>287.55</td>
<td>16.55</td>
<td>5.31</td>
</tr>
<tr>
<td>12</td>
<td>2005-2006</td>
<td>299.85</td>
<td>12.30</td>
<td>4.72</td>
</tr>
<tr>
<td>13</td>
<td>2006-2007</td>
<td>312.52</td>
<td>12.67</td>
<td>4.02</td>
</tr>
</tbody>
</table>

**Source**: Annual report of the ministry of Commerce and industry, New Delhi Office of the Development Commissioner (MSME)

* Estimates based on definitions prior to enactment of MSMED Act, 2006

Table (NUMBER) Highlights the employment by SMEs during the study period from 1994-1995 to 2008-2009. The progress made by the SMEs shows that there is an increasing trend year by year. The total employment of SMEs was 191.40 lakhs in 1994-1995 and it has been increased to 312.52 in 2006-2007. It has the minimum increased value was 3.41 percent in 1995-1996 and maximum increased value of 5.31 in the year 2004-2005.
A small Medium industry with the inherent nature of labor intensiveness has been providing employment at an increased rate which is evident from the table above. It is understood that the employment generated by the small medium industries increases year by year. The number of persons employed in the year 1994-1995 is 15,73,226 which has increased to 5294500 in the year 2008-2009.

Even on that account, however, SMEs happen to be an important part of India’s Inc’s global thrust. Ajay Dua, secretary, Department of Industrial Policy and Promotion, has observed that India Inc had invested US$ 23 billion abroad in January-February 2007 which was more than they invested in 2006 as a whole! Speaking at a recent Confederation of Indian Industry (CII) national conclave on expansions and consolidations: ‘Towards creating globally competitive enterprises,’ he added ‘SMEs are increasingly acquiring companies to gain the advantages of quick scale-up, technology acquisition and the benefits of innovation’.

Scarcely a day passes, in fact, without a reference in the business press to small Information Technology (IT) or auto components companies making overseas acquisitions – like the Bangalore-based Sobha Renaissance Information Technology which is buying the California-based Agilent Technologies’ stake in a global supplier of telecom operations support systems for US$ 100 million. Although there is no size-wise break-up of M&As, Jaya Prakash Pradhan of the Institute for Studies in Industrial Development (ISID), estimated that SMEs accounted for 26 per cent and 41 per cent of India’s overseas foreign direct investment (FDI) approvals in manufacturing and services respectively, in 2001 (2.12).

This is where policy can make a difference. Strengthening SMEs domestically is imperative so that they hold their own and more of them can leverage the benefits of globalisation. SMEs face much greater domestic pressures since liberalisation kicked in since the early 1990s -- a ‘shift from
much protection to intense competition’, to borrow an expression from Neelam Singh, who teaches at Lady Shriram College and has researched India’s automobiles industry. From an SME point of view, for instance, since mid-2006 there is no Small Medium industry reservation for auto components, ancillaries or garage equipment.

Further, most of the global auto majors have set up shop in the country and have been accompanied by their preferred suppliers. They have also established local offices for procurement of auto components. All these developments have major implications for the operating environment faced by SMEs. Yet at the same time, the latest Automotive Mission Plan for 2006-2016 envisages India emerging as a global auto hub, a destination of choice for the manufacture of autos and auto components. The big question then is how to enable more SMEs to integrate into global supply chains to realise this vision. (2.13).

SMEs, in fact, confront similar challenges across the spectrum of clusters that they typically locate in. Policy interventions are needed to ensure that they survive in an increasingly liberalised domestic environment and seize the emerging opportunities in sunrise industries like pharmaceuticals, IT, biotechnology, to name a few, that are seeking a place in the global sun. Besides ensuring availability of adequate credit, there is also a critical need for a more facilitative intellectual property (IP) rights regime -- like availability of petty patents for autos, new use and drug delivery patents for pharma, etc.

For a sense of perspective, there are 388-odd modern industrial clusters that define the SME universe. In addition, there are 400 handloom, 3,000 handicraft and 2,800 micro-enterprise clusters around the country. According to the Micro Small and Medium Enterprises Development Act, 2006, a medium enterprise in manufacturing has an investment in plant and equipment more than US$ 1.2 million but does not exceed US$ 2.4 million at current exchange
rates. For a small one, this is more than US$ 60,000 but does not exceed US$ 1.2 million, while for micro enterprises the limit does not exceed US$ 60,000.

What should concern policy makers in India is that, while some of the small and micro enterprises may be viable over the long-term, a large portion is not. With greater liberalisation since the 1990s, domestic and external competitive pressures have raised manifold. In this milieu, many traditional SMEs face closure. So, too, do SMEs in modern activities. Back to the example of the auto component manufacturers, many SMEs even in the domestic market have to drastically upgrade quality standards to get out of the syndrome of low quality, low price and aftermarket supplies or fold up.

The medium enterprises, for their part, face fewer constraints that the small scale or micro enterprises do. They are relatively more flexible, have greater dynamism and many of them graduate into larger enterprises often through the inorganic route of expansion (M&As). In the auto component industry, the outstanding success stories of such graduation are Bharat Forge, Sundram Fasteners, Sona Koyo Steering to name a few. The big challenge for policy is to facilitate graduation from the ranks of Small Medium units and the bottom-of-the-pyramid of micro enterprises that manage to survive on the margin. (2.14).

For starters, a big difference that policy can make is to address a major constraint that perennially afflicts SMEs as a whole, notably, that of adequate and timely finance. This problem is more acute for small and micro enterprises as the larger medium enterprises appear to have relatively fewer problems accessing bank financing. For instance, repeated hikes in interest rates by the Reserve Bank of India (RBI) to control inflation are bound to impact the profitability of SME auto ancillaries who plan to invest US$ 1.5 billion over the next 10 years. There are no prizes for guessing that this impact will more on the smaller and micro units.
By contrast, the bigger SME enterprises -- defined by banks to have a sales turnover between US$ 23.9 million and US$ 47.7 million -- don’t face such problems.

With such SMEs experiencing much higher growth in sales, operating and net profitability than larger companies with US$ 239 million turnover, with some of them also having being rated by agencies like SME Rating Agency of India Limited (SMERA), banks have made a beeline to fund them! ‘These are no longer SMEs as perceived in the past’, argued Abheek Barua, chief economist of ABN AMRO that has branches in the Moradabad brassware, Tirupur hosiery and Panipat clusters.

Since most of the bigger SMEs have a high export-orientation as well, their financing requirements goes beyond that of vanilla banking. Bankers believe that they are beginning to get more ‘adventurous’ as well as they are open to doing a derivative and external commercial borrowings. There are no prizes for guessing that it is such SMEs that are making forays abroad for strategic acquisitions, using the expertise of foreign banks that have branches in several countries. Barua argues that such SMEs have come of age, thanks to the concept of clusters that has helped them overcome problems of scale. (2.15).

Policy can also strengthen SME dynamism by evolving an appropriate IP regime so that they can leverage the benefits of globalisation. Ms Singh notes in her work that intellectual property issues are acquiring greater importance in the auto industry as well: ‘We find that having a trademark improves the likelihood of export participation, and being an Original equipment manufacturer (OEM)/Tier level exporter.’ IP issues are also coming to the fore in a big way in IT and pharma where SMEs are on the threshold of seizing global opportunities that are opening up, thanks to important changes in technology and global industrial structure.(2.16).
A profile is the subject matter for every research based on the principle here in above the researcher collected and provided necessary related information about SMEs. Based on the profile of SMEs the researcher came to an idea that the HRM practices during the pre and post independence period is entirely different from the modern technical oriented period. LPG is the gateway for exorbitant level of improvement over the SMEs. Since the opinion about experts, various scholars and other similar researcher in addition to the profile is essential for the study to make the research in an effective manner. Therefore all these opinions are compiled in the next chapter as review of literature.

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