Small and Medium Size Enterprises Environment
CHAPTER 4 SMALL & MEDIUM SIZE ENTERPRISE ENVIRONMENT

4.1 CHAPTER OVERVIEW

In the second chapter of thesis at the outset the MSME Act 2006, background and introduction of Small and Medium Size Enterprise (SME) is explained. This chapter gives an overview of the Small and Medium Size Enterprise (SME). It describes the origin and evolution of SME. The chapter tries to conceptualize meaning and definition of Evolution of SME, definition of SME. The chapter ends with the short summary.

4.2 HISTORY AND GROWTH OF THE MICRO SMALL AND MEDIUM ENTERPRISE

The small and medium enterprises (SMEs) are generally considered as proficient of producing huge number of jobs, reducing desperate rural-urban movement, catalyzing industrial dynamism and above all help achieving a balanced regional development. Hence, in India, a country known to be more diverse than most continents, SMEs have been assigned a key role in its National Innovation System that evolved over the years at the instance of state that focused of planned development. In fact, even before the genesis of India’s national innovation system (NIS), the National Planning Committee (1938-41) accorded a status of significance to small-scale industry (SSI) in India’s industrial development (Tyabji, 1980). Over the years, various institutional arrangements have been systematically made towards promoting learning innovation and competence building systems in the small scale sector. These included, but not limited to, reserving an increasing number of products for the small scale sector, specific policy measures to promote industrial clusters and ensure concessional finance for investment, exemptions from industrial licensing, provision of specialized
infrastructure and incentives for R&D, capital goods import and export promotion along with a range of tax incentives. As a result of the varied institutional interventions, the small scale sector (now called the micro, small and medium enterprise or MSME sector), engaged in the production of over 8000 products with significant contribution to output, employment and export earning, has emerged as a major player in India’s national system of innovation and production.

Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country.

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium.

The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises, are some of the other features of the Act. On 9 May 2007, subsequent to an amendment of the Government of India
(Allocation of Business) Rules, 1961, the erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/ facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and helps them to scale up.

4.2.1 Organisational Set-Up

The MSME is having two Divisions called;

1. **Small & Medium Enterprises (SME) Wing:**

   The SME Wing is allocated the work, inter-alia, of administration, vigilance and administrative supervision of the National Small Industries Corporation (NSIC) Ltd., a public sector enterprise and NIMESE the one autonomous national level entrepreneurship development/training organisations. The Wing is also responsible for implementation of the schemes relating to Performance and Credit Rating and Assistance to Training Institutions, among others.

2. **Agro & Rural Industry (ARI) Wing.**

   The ARI Wing looks after the administration of two statutory bodies’ viz. the Khadi and Village Industries Commission (KVIC), Coir Board and a Society called Mahatma Gandhi Institute for Rural Industrialization (MGIRI). It also supervises the implementation of the Prime Minister’s Employment Generation Programme (PMEGP), Scheme of Fund for Regeneration of Traditional Industries (SFURTI) and A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE).

   The implementation of policies and various programmes/schemes for providing infrastructure and support services to MSMEs is undertaken through its attached office, namely the Office of the Development Commissioner {O/o DC (MSME)}, National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), the Coir Board, and one training institutes viz., National Institute for Micro, Small and Medium Enterprises (NI-MSME); Hyderabad and Mahatma Gandhi Institute for Rural Industrialization (MGIRI), Wardha a society registered under Societies Registration Act, 1860.
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The National Board for Micro, Small and Medium Enterprises (NBMSME) was established by the Government under the Micro, Small and Medium Enterprises Development Act, 2006 and Rules made thereunder. It examines the factors affecting promotion and development of MSMEs, reviews existing policies and programmes and makes recommendations to the Government in formulating the policies and programmes for the growth of MSMEs.

4.2.2 Growth and Performance of Micro, Small and Medium Enterprises (MSMEs)

Performance of Micro, Small & Medium Enterprises (MSME) Sector in the country is assessed mainly:

a. By conducting of periodic All India Census of the Sector.

b. By collecting the number of Entrepreneur Memorandum Part-II (EM-II) filled at District Industries Centers (DICs). (Replaced with Udyog Aadhaar online filing system since September, 2015).

Since the conduct of Fourth All India Census of MSME, 2006-07, the trends in MSME sector is assessed with the help of number of EM-II filled at DICs over the years. However, estimates based on trends of Number of Working Enterprises, Employment, and Market value of Fixed Assets based on the Fourth All India Census of MSME is projected for latest years.

The latest census conducted was Fourth All India Census of MSME. The Census was conducted with reference year 2006-07, wherein the data was collected till 2009 and results published in 2011-12. The results made use of Economic Census, 2005 (EC, 2005) conducted by Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation (MoSPI) for activities excluded from Fourth All India Census of MSMEs: 2006-07 for Unregistered Sector, namely wholesale/retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage).
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4.3 DEFINITIONS OF SMES

4.3.1 Definition of SMEs in India

SME’s are the engines of growth of any country’s economy. They are an essential source of a country’s jobs, create entrepreneurial spirit and jobs in a country and are crucial for fostering competitiveness and employment.

According to the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified as:

1. **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation Act, 1951). The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.

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

With the recent pronouncement of the MSMED Act, 2006, the Indian government has explicitly recognized the dynamic role to be played by the MSMEs in an increasingly globalized world. The clear thrust of the recent policy initiatives has been three-fold: Enhance competitiveness through encouraging an innovative ethos amongst firms and being quality conscious; Increase links with multiple stakeholders with a view to benefit from networks both nationally and globally; and strive for a larger market presence beyond the domestic.

The policy attaches importance to networking with stakeholders both upstream and downstream in the entire global value chain, from raw material procurement to processing/manufacturing to marketing to customer services. For one thing, the Act has identified the category of ‘medium’ enterprises as a vital section in the manufacturing stream and, for the other, it has taken special note of distinct roles to be played by what are termed business service enterprises.
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Table 4.3-1 Definitions MSME

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in plant &amp; machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than ` 25 lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>Over ` 25 lakhs but not exceeding Rs 5 Crores</td>
</tr>
<tr>
<td>Medium</td>
<td>Over ` 5 Crores but less than Rs 10 Crores</td>
</tr>
</tbody>
</table>

Service Sector

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Investment in equipment’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Less than `10 lakhs</td>
</tr>
<tr>
<td>Small</td>
<td>Over `10 lakh but not exceeding Rs. 2 crores</td>
</tr>
<tr>
<td>Medium</td>
<td>Over ` 2 crore but not exceeding Rs. 5 crores</td>
</tr>
</tbody>
</table>

Source: http://dcmsme.gov.in/ssiindia/defination_msme.htm

4.3.2 Classification of SMEs

The SME can be classified into two types: Manufacturing enterprises and Service Enterprises. Which can be further classified as follows:

4.3.2.1 Manufacturing Enterprises

**Micro Manufacturing Enterprises**: The investment in plant and machinery does not exceed `.25 lakhs (Rupees twenty five lakhs only)

**Small Manufacturing Enterprises**: The investment in plant and machinery is more than twenty five lakh rupees but does not exceed ` 5 crores (Rupees five crores only).

**Medium Manufacturing Enterprises**: The investment in plant and machinery is more than ` 5 crores but not exceeding ` 10 crores (Rupees ten crores only).

4.3.2.2 Service Enterprises

**Micro Service Enterprises**: The investment in equipment does not exceed ` 10 lakhs.

**Small Service Industries**: The investment in equipment is more than ` 10 lakh (Ten lakh rupees) but does not exceeds ` 2 crores.
**Medium Service Enterprises:** The investment in equipment is more than ` 2 crores but does not exceed ` 5 crores.

**Table 4.3-2 Definition of SMEs Worldwide**

<table>
<thead>
<tr>
<th>Country</th>
<th>Categories of Enterprise</th>
<th>No. of Employee</th>
<th>Turnover</th>
<th>Other Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Commission (EC)</td>
<td>Small</td>
<td>10-15</td>
<td>Less than € 10 (13.5 USD) million turnover</td>
<td>Balance sheet total: Less than € 10 (13.5 USD) million balance sheet total</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>Fewer than 250</td>
<td>Less than € 50 (67.6 USD) million turnover</td>
<td>Balance sheet total: Less than € 43 (58.2 USD) million balance sheet total</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Small</td>
<td>5 – 19</td>
<td></td>
<td>Annual value of sales of a maximum of IDR1 billion (110,000 USD)</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>20 – 99</td>
<td></td>
<td>Annual value of sales of more than IDR1 billion, but less than IDR50 billion (5.5 million USD)</td>
</tr>
<tr>
<td>Japan</td>
<td>Small and Medium</td>
<td>Less than 300</td>
<td>¥100 (1.1 USD) million assets</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>Small and Medium</td>
<td>Less than 300</td>
<td>Capital of 8 billion won or less</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>Small</td>
<td>5 to 50</td>
<td>Between RM 250,000 (75,000 USD) and less than RM 10 (3</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Small</td>
<td>Medium</td>
<td>USD) million</td>
<td>Details</td>
</tr>
<tr>
<td>---------------</td>
<td>---------------</td>
<td>--------------</td>
<td>--------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Philippines</td>
<td>Small</td>
<td>Medium</td>
<td>10-99</td>
<td>Between PHP 3 - 15 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50 to 150</td>
<td>Between RM 10 (3 USD) million and RM 25 (7.5 USD) million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Between PHP 15 - 100 million (330,000 - 2.2 million USD)</td>
</tr>
<tr>
<td>Philippines</td>
<td>Small</td>
<td>Medium</td>
<td>less than 300</td>
<td>&lt; ¥30 million (Business Revenue)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>100 - 199</td>
<td>Total Assets &lt; ¥40 million</td>
</tr>
<tr>
<td>China</td>
<td>Small</td>
<td>Medium</td>
<td>300-2000</td>
<td>¥30 million - 300 million (Business Revenue)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total Assets ¥40 million - 400 million</td>
</tr>
<tr>
<td>Australia</td>
<td>Small</td>
<td>Medium</td>
<td>5–19</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>20–199</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>Small</td>
<td>Medium</td>
<td>Fewer than 100 paid employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>At least 100 and fewer than 500 employees</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>Small</td>
<td>Medium</td>
<td>10 to 49 employees</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50 to 249 employees</td>
<td></td>
</tr>
<tr>
<td>European Union</td>
<td>Small</td>
<td>Medium</td>
<td>&lt; 50</td>
<td>≤ €10 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>&lt; 250</td>
<td>≤ €50 million</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Small</td>
<td>Medium</td>
<td>25</td>
<td>Assets Other than Land 50,000 - 50,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>50</td>
<td>Assets Other than Land 50,000 - 10,000,000,000</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>South Africa</th>
<th>Small</th>
<th>26</th>
<th>Assests Other than Land 50,000 - 50,00,001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>51</td>
<td></td>
<td>Assets Other than Land 50,00,000 - 10,00,00,001</td>
</tr>
</tbody>
</table>

Source: Prepared by Refering Literature from various Website

The above table illustrates a summary of SMEs definition in the manufacturing sector of selected countries. In most countries that are listed in Table the definition is applicable to all sectors of the enterprises. Different countries adopt different criteria such as employment, sales or investment for defining small and medium enterprises (Ayyagari et al., 2007). At present, there seems to be no consensus on the definition of SMEs. In the absence of a definitive classification, an agreement has developed around the European Commission (EC) criteria for SME classification (O’Regan and Ghobadian, 2004). This definition adopts a quantitative approach emphasizing “tangible” criteria, employee numbers (up to 250 employees), turnover and balance sheet statistics (Tiwari and Buse, 2007). While turnover and balance sheet statistics are part of the criteria, the overriding consideration in practice appears to be an employee number based. Even if all three criteria were afforded equal consideration, it could be argued that the definition fails to take into account the attributes of a modern day small firm than to the medium-sized firm.

4.4 SMEs AND NATIONAL ECONOMY

4.4.1 Overview of SME Sector

Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. As a result, MSMEs are today exposed to greater opportunities for growth and diversification across the sectors.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food
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Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing opportunities to enhance their business activities in core sectors.

Indian Small and Medium Enterprises (SME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. SMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural areas. SMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socio-economic development of the country. The Sector consisting of 36 million units, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The SME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

SMEs also play a significant role in Nation development through 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 thereby generating new entrepreneurs by providing knowledge and training.

Despite their high enthusiasm and inherent capabilities to grow, SMEs in India are also facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing domestic & global competition, working capital shortages, not getting trade receivables from large and multinational companies on time, insufficient skilled manpower, change in manufacturing strategies and turbulent and uncertain market scenario. To survive with such issues and compete with large and global enterprises, SMEs need to adopt innovative approaches in their operations. SMEs that are innovative, inventive, international in their business outlook, have a strong technological base, competitive spirit and a willingness to restructure themselves can withstand the present challenges and come out successfully to
contribute 22% to GDP. Indian SMEs are always ready to accept and acquire new technologies, new business ideas and automation in industrial and allied sectors.

The small and medium enterprises today constitute a very important segment of the Indian economy. The development of this sector came about primarily due to the vision of our late Prime Minister Jawaharlal Nehru who sought to develop core industry and have a supporting sector in the form of small scale enterprises. SMEs sector has emerged as a dynamic and vibrant sector of the economy. The Indian economy is expected to grow by over 8 per cent per annum until 2020 and can become the second largest in the world, ahead of the United States, by 2050, and the third largest after China and the United States by 2032.

SMEs can be rightly called as the backbone of the GDP of India. The SME sector in India is growing at an exceptionally fast rate due to which it is proving to be beneficial to the Indian Economy. Following are some of the current figures related to the SME sector in India:

These SME units contribute 35% to the Indian Industrial Export. SME units in India are being funded by foreign and local fund providers. The advancement in technology has also contributed highly to the SME sector. There are numerous business directories and trade portals available online that contains a rich database of manufacturers, sellers and buyers. To start and maintain these units, minimal investment is required. These SME units are now being funded by many government and private banks. The SME sector is one of the greatest contributors of domestic production as well as the export earnings. Many major mergers have taken place recently. Though the SME sector is flourishing and expected to grow further in the near future, there are however certain challenges that the SME sector will have to face.

4.4.2 SMEs in India and Gujarat

Gujarat has registered an impressive industrial development since its formation as a separate state in 1960. As per the results of the Annual Survey of Industry (ASI), 2011-12 carried out by the Central Statistical Organization (CSO), under Ministry of Statistics and Program Implementation, Government of India, the findings are as shown below; The number of workers and employees increased by 6.83% and 6.83%
respectively in the State during 2010-11 to 2011-12. The fixed capital and invested capital increased by 14.99% and 14.37% respectively in the State during 2010-11 to 2011-12. The total input and total output increased by 27.36% and 23.75% respectively in the State during 2010-11 to 2011-12. Total rewards increased by 18.93% in the State during 2010-11 compared to 2011-12. The net value added decreased by 1.96% in the State during 2011-12 compared to 2010-11. The Gujarat State holds 3rd rank in respect of net value added in the country. Out of 22220 total number of factories 21427 (96.43%) are registered in Manufacturing sector. Manufacturing of chemicals & chemical products, Manufacturing of coke & refined petroleum products and Manufacturing of Food Product are main industry groups of Gujarat State. The aggregate shares of these three groups are fixed capital (49%), input (62%), output (61%) and net value added (51%) respectively. Manufacturing of chemicals & chemical products industry group has only 2058 factories (9.26%). However the shares added to these industry groups are of this industry group in fixed capital (16.52%), input (11.83%), output (13.28%) and net value added (25.49%) respectively. ‘The Manufacturing of textiles’ was earlier leading industry group in the Gujarat state. Now it ranked 6th in terms of share in net value added with Rs. 5310 crore, (6.05% to total NVA) but it is ranked first in providing workers. (i.e. 20.01%). Out of all NIC-2 digit levels industry groups, main seven industry group namely;

1. Manufacturing of chemicals & chemical products,
2. Manufacturing of coke & refined petroleum products,
3. Manufacturing of food product,
4. Manufacturing of machinery and equipment,
5. Manufacturing of other non- metallic mineral products,
6. Manufacturing of textiles,
7. Manufacturing of pharmaceuticals, medicinal chemical & botanical

have accounted 54.15% of total number of factories, 66.56% of fixed capital, 74.04% of total input, 74.24% of total output and 75.94% net value added of the State.
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Over a period of time, Gujarat has also succeeded in widening its industrial base. At the time of inception in 1960, the industrial development was confined only to four major cities namely Ahmedabad, Baroda, Surat and Rajkot and some isolated locations such as Mithapur and Valsad. Today, almost all the districts of the state have witnessed industrial development in varying degree. Such a massive scale of industrial development has been possible on account of judicious exploitation of natural resources, such as minerals, oil and gas, marine, agriculture and animal wealth. The discovery of oil and gas in Gujarat in the decade of 60s has played an important role in setting up of petroleum refineries, fertilizer plants and petrochemical complexes.

During the same period, the state government has also established a strong institutional network. Gujarat Industrial Development Corporation (GIDC), established industrial estates providing developed plots and ready built-up sheds to industries all across the state. Institutions were also set up to provide term finance, assistance for purchase of raw materials, plant and equipment and marketing of products. Later, District Industries Centers (DICs) were set up in all the districts to provide assistance in setting up industrial units in the form of Â support services. The state also developed infrastructure facilities required for industries, such as power, roads, ports, water supply and technical education institutions. The Government also introduced incentive schemes, from time to time, to promote industries mainly in the under-developed areas of the state to correct regional imbalances.

In the recent past, small companies have performed better than their larger counterpart. Between 2001-06, net companies with net turnover of Rs. 1 crore – 50 crores had a higher growth rate of 701 per cent as compared to 169 per cent for large companies with turnover of over Rs. 1,000 Crore (Business World Jan. 2007). The total SSI production, which had reached the all-time high of Rs. 189200 Crores in 1989-90 dropped dramatically in the next 10 years and only in 2001-02 the level of production was surpassed. But after 2002, the production has risen at a faster rate. Since 2000, there is a continuous growth in number of units, production, and employment and in exports. The average annual growth in the number of units was around 4.1%. Gujarat is one of the progressive industrial States on the map of our country. The State has a very wide industrial base comprising of large, medium and small enterprises spread over the whole State & actively engaged in the manufacturing activities. Most of the
establishments are doing good business even in the recession period. A number of important Public Sector Undertakings, State Undertakings and Departments are effectively operating in the State. Gujarat accounts for about 20% of India’s export with a strong presence in various sectors like Dyes & Intermediates, Chemicals, Pharmaceuticals, Textiles and Engineering products. Gujarat is poised to substantially increase its share in total exports with the completion of 10 more Ports in Joint & Private Sector. There exists a wide network of infrastructure for the industries. There are 33 Districts in the State of Gujarat which are well connected by road and rail with the neighboring States and 22 Districts are connected by broad gauge railway lines to big cities like Mumbai, Delhi, Jaipur, Bhopal, Indore etc. The meter gauge lines especially in the Saurashtra region are being converted in to the broad gauge.

The cities with major concentration of small scale units are Ahmedabad, Baroda, Rajkot, Bharuch, Surat, Jamnagar, Mehsana, Bhavnagar, Surendranagar, Banaskantha, Sabarkantha, Valsad etc. There are number of Industrial Clusters located at the respective cities are viz; Pharmaceutical Industry at Ahmedabad/Baroda, Dyestuff & Dye Intermediate Industry at Ahmedabad, Brass Parts Industry at Jamnagar, Diesel Engine Industry at Rajkot, Ship Breaking Units at Alang, Bhavnagar, Ceramic Units at Thangadh & Surendranagar, Wall Clock and Wall/Floor Tiles Industries at Morbi, Rajkot, Textiles & Jari industry at Surat, Electrical Porcelain Industry at Surendranagar, Refractory Industry at Wankaner, Rajkot, Crockery Industry at Himatnagar, Stone Processing Industry at Ambaji, Banaskantha, Oil Mills at Rajkot & Gondal, Spectacle Frames & Lenses at Baroda, Re-rolling Mills at Bhavnagar, Salt & Salt Based Industries at Bhavnagar, Foundry Industry at Rajkot & Ahmedabad, Diamond Industry at Surat, Isabgul Industry at Unjha, Machine Tool industry at Rajkot, Metallic Utensils at Ahmedabad, Textile Machinery parts at Ahmedabad, Weights & Measures at Savarkundla, Engineering Industry at Makarpura, Vadodara, S.S. Re-Rolling Mills at Ahmedabad, Ahmedabad Rice Flakes Industry, Ahmedabad, Textile Machineries & Accessories, Ahmedabad, Gems & Jewellery, Surat & Ahmedabad, Pumps & Valves, Ahmedabad, Road Construction Machinery & equipment, Ahmedabad, Chemical Industry, Ahmedabad & Vapi, Readymade Garments, Ahmedabad.
4.4.3 SMEs Contribution in Employment

The total employment in the Micro, Small and Medium Enterprise (MSME) sector has increased over three times to 805.24 lakh in the Fourth All India Census of Small Scale Industries as compared to 249.33 lakh in the Third MSME Census.

The Government monitors the employment in the MSME sector in the country by conducting All India Census of the sector, periodically. As per the latest Census (Fourth Census), conducted (with base reference year 2006-07), wherein the data was collected till 2009 and results published in 2011-12, as well as data extracted from Economic Census 2005 conducted by by Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), for activities excluded from Fourth Census, namely wholesale/retail trade, legal, educational & social services, hotel & restaurants, transports and storage & warehousing (except cold storage); the total employment in the sector increased to 805.24 lakh as compared to 249.33 lakh in the Third All India Census of Small Scale Industries, conducted with reference year 2001-02, which is seen growing at 26.42 percent annually, taking into account additional coverage under the sector.

MSME sector employs close to 40 percent of India's workforce and contributing 45 percent to country's manufacturing output, MSMEs play a critical role in generating millions of jobs, especially at the low-skill level. As per the revised methodology suggested by CSO, MoSPI, on the basis of the data on Gross Domestic Product (GDP) published by CSO, MoSPI and final results of the latest Census (Fourth Census), conducted (with base reference year 2006-07), wherein the data was collected till 2009 and results published in 2011-12, the estimated contribution of MSME sector (including service segment) to GDP during 2010-11, 2011-12 &2012-13 are 36.69 percent, 37.97 percent & 37.54 percent respectively.

Based on the export data maintained by Director General of Commercial Intelligence & Statistics, Ministry of Commerce and the information available with this Ministry about MSME products having significant export, the share of MSME in India total export, for the year 2011-12, 2012-13 and 2013-14, has been estimated as 43.00 percent, 43.00 percent and 42.40 percent respectively.
Government aims to increase the growth and performance of the MSME sector by implementing various schemes / programme on regular basis. The major schemes / programme are Prime Minister's Employment Generation Programme, National Manufacturing Competitiveness Programme, Credit Guarantee Scheme, Credit Linked Capital Subsidy Scheme, Cluster Development Programme, Market Development Assistance Scheme, and Vendor Development Programme for Ancillarisation.

The informed that as per the Prime Minister's Task Force Report on MSMEs (2010), the banks shall have to achieve 20 percent year-on-year growth in credit to micro and small enterprises (MSEs), 10 percent annual growth in the number of micro enterprise accounts and also have to allocate 60 percent of the MSE advances to the micro enterprises.

The fulfillment of these provisions is being regularly monitored by the Reserve Bank of India and Government of India. In addition, to facilitate easy flow of Collateral free credit to Micro, Small and Medium Enterprises (MSMEs), the Government has been operating Credit Guarantee Fund Scheme for Micro and Small Enterprises.

The Reserve Bank of India (RBI) has also issued guidelines for banks to mandatorily dispense with collateral requirement for loans up to Rs.10.00 lakh to MSEs. The Ministry also implements Prime Minister's Employment Generation Programme and Credit Linked Capital Subsidy Scheme, wherein margin money and capital subsidy are given to bring down the effective cost of loan. The Government is promoting MSME sector units which are self-financed or funded by non-institutional sources through Marketing Development Programme, Cluster Development.

As per the last Census (Fifth) of Micro, Small and Medium Enterprises data collected with reference to base year 2006-07, as well as data extracted from the Economic Census 2005 conducted by Central Statistical Office (CSO), Ministry of Statistics & Programme Implementation (MoSPI), for activities excluded from Fourth Census, namely wholesale/retail trade, legal, educational and social services, hotel & restaurants, transports and storage & warehousing (except cold storage), the total employment in the MSME sector was 805.24 lakh. Details of targets fixed and achieved in respect of employment generation under Prime Minister’s Employment Generation...
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Programme (PMEGP) during the last three years and the current year in the country is given below:

*Table 4.4-1 Employment Generation by MSME in India*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers of Employment Generation</td>
<td>703492</td>
<td>516232</td>
<td>434758</td>
<td>406272</td>
</tr>
</tbody>
</table>


4.4.4 The Economic Growth and SMEs

The key to ensure that SMEs are able to grow in tandem with the economy in this age of increasing globalization is to reckon the issues faced by most of them. The government recognizes the importance of SMEs for the overall development of the country, and already has measures in place to harness the erupting issues associated with them.

4.4.4.1 Financing

The major hindrance in the expansion of SMEs is the unavailability of sufficient and timely funds to finance their growth plans. Measures proposed by the government would ensure availability of adequate funds to MSMEs to power their growth. Small Industries Development Bank of India (SIDBI), the country’s apex development bank, has targeted 18–20 per cent Year over Year (YoY) growth in disbursement of credit to microfinance institutions (MFIs); with this, the total credit disbursed during FY11 would total INR10 billion. In order to garner more funds for MSMEs, the government is drawing the attention of private equity (PE) firms and venture capitalists (VC) towards these units. The Ministry of Micro, Small and Medium Enterprises (MSME) has plans to network major PEs through informal meetings to invest in MSMEs. Furthermore, in July 2011, the secretary of Department of Industrial Policy and Promotion (DIPP) announced plans to offer incentives to VCs on their investments in SMEs.
Also, SMEs will now have greater exposure to public funds given the recent launch of an SME exchange at the Bombay Stock Exchange (BSE). The BSE SME Exchange commenced operations in March 2012 and senior BSE officials expect about 100 companies on its trading platform by mid-FY13. The exchange is set to be a key source of low cost equity capital for SMEs to aid their growth and expansion plans.

4.4.4.2 Infrastructure Issues

Policy focus on infrastructure will be instrumental in boosting growth in SMEs manufacturing activities as it brings markets closer. Government infrastructure spending is set to touch USD1 trillion under the 12th Five-Year Plan (2012–17), up from USD514 billion in 11th Five-Year Plan (2007–12). Much of this investment will be directed at the development of roads, bridges, ports, power, railways, airports and urban infrastructure, among others. Apart from spending from its own coffers, the government is keen to engage the private sector as well. Successful implementation of numerous infrastructure projects through the Public-Private Partnership (PPP) model has encouraged the government.

4.4.4.3 Empowering SMEs to facilitate growth

The main barrier in the growth of SMEs is the lack of resources. SMEs require support from government and industry bodies to overcome the limitations. In line with this, the National Manufacturing Competitiveness Council (NMCC) has announced 10 schemes for developing global competitiveness of the Indian MSMEs in the sector. These schemes cover most of the key areas related to the manufacturing activity –

- Lean Manufacturing Competitiveness Scheme: Implemented under the Public Private Partnership (PPP) mode with 42 Lean Consultants, the project aims to reduce manufacturing waste, and increase productivity and competitiveness.
- Design Clinic Scheme: This is a platform to enable MSMEs to avail expert advice and cost-effective solutions for real-time design issues. The scheme includes two projects, namely Design Awareness and Design.
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4.4.4.4 Project Funding

- Marketing Assistance and Technology Upgradation: The scheme focuses on upgrading technology for increasing competitiveness in marketing. Activities include technology upgradation for packaging, competition studies and development of marketing techniques.

- Technology and Quality Upgradation: The scheme aims to encourage MSMEs to adopt global standards for improving the quality of goods.

- Promotion of Information and Communication Tools (ICT): The scheme focuses on encouraging the adoption of ICT technology by SME clusters, which have been delivering world-class products and, therefore, have potential for growth in exports. The scheme covers building E-readiness infrastructure and web portals and linking it to national level portals for reaching global markets, training MSME personnel for ICT applications, and the development of software solutions for efficient management of production at clusters, among other measures.

- Tolling and Training Centers: This includes incorporation of tool rooms and training centers as a facility to MSMEs.

- Improving Quality in Products: In order to improve the product quality of the MSE (Micro and Small Enterprise) sector, this scheme covers various activities such as – 1) Introduction of appropriate modules for technical institutions, 2) Organizing awareness campaigns, 3) Organizing competition watch (C-Watch), 4) Implementing quality management standards and quality technology tools in selected MSEs, 5) Monitoring international study missions, and 6) Impact studies of the initiatives.

- Awareness on Intellectual Property Rights (IPR): The scheme aims to foster Indian MSMEs to attain leading positions globally, and seeks to empower these units with the IPR tools to protect their innovations.

- Barcode Certification: The certification enables higher export price realization. The adoption of Barcode certification is being encouraged among MSMEs under this scheme by reimbursing 75 per cent of the annual certification fee (recurring) in the initial three years.
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- Nurturing Innovative Business Ideas: The “Support for Entrepreneurial and Managerial Development of MSMEs through Incubators” scheme is aimed at nurturing the innovative idea of an entrepreneur by providing technical assistance through various institutions. Funds up to INR 625,000 are offered per idea as assistance to commercialize the innovation and establish the enterprise through guidance by relevant associations. Currently, 76 business incubators have enabled the approval of 190 business ideas.

Few more schemes have been designed to boost the growth of MSMEs:

- Cluster Development Programme for Enhancing Productivity: The Ministry of MSMEs announced this programme, which aims at increasing the productivity, competitiveness and capacity of MSEs. Clusters are provided financial assistance for the preparation of Diagnostic Study Report and infrastructure development of the Common Facility Centre. This programme has proved beneficial for the clusters. For instance, the Brass and German Silver Utensils Cluster registered a three-fold growth in revenues.

- Prime Minister’s Employment Generation Programme (PMEGP): Considering the importance of MSMEs in the nation’s employment generation, a national level credit-linked subsidy scheme was announced by the Khadi and Village Industries Commission (KVIC). The programme had a total outlay of INR 44.85 billion during the last four years (2008–09 to 2011–12) of the 11th Five-Year plan. This scheme covers financial assistance for setting up of microenterprises. The Ministry of MSME is also contributing to this initiative of the KVIC. The programme is estimated to have enabled the generation of 442,000 jobs.

4.5 GDP TREND IN INDIA

The Indian economy expanded 7.9 percent year-on-year in the first three months of 2016, higher than a downwardly revised 7.2 percent growth in the previous quarter and much better than market expectations of a 7.5 percent increase. It is the best performance in six quarters as the farm sector rebounded and grew 2.3 percent and manufacturing jumped 9.3 percent. Considering full 2015/2016 year (April to March), the GDP in India advanced 7.6 percent, higher than 7.2 percent in the previous year.
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GDP Annual Growth Rate in India averaged 6.07 percent from 1951 until 2016, reaching an all-time high of 11.40 percent in the first quarter of 2010 and a record low of -5.20 percent in the fourth quarter of 1979. GDP Annual Growth Rate in India is reported by the Ministry of Statistics and Programme Implementation (MOSPI).

*Figure 4-1 Growth Rate of India’s GDP*


The Indian economy expanded 6.3 percent year over year in Q3, above a 5.7 percent in Q2 which was the lowest in nearly 3 years, but below expectations of a 6.4 percent. A rebound in investment and inventories offset a slowdown in both private and public spending.

Gross fixed capital formation went up 4.7 percent, much faster than a 1.6 percent increase in the previous quarter and inventories jumped 6.7 percent, above 1.2 percent in the previous period. On the other hand, a slowdown was seen in household consumption (6.5 percent compared to 6.7 percent) and government spending (4.1 percent compared to 17.2 percent). Exports increased 1.2 percent, the same as in the previous period while imports rose at a much slower 7.5 percent (13.4 percent in the previous period).
The Gross Value Added, that is, GDP excluding taxes, rose 6.1 percent year-on-year, above 5.6 percent in the three months to June. Faster expansion was reported for manufacturing (7 percent compared to 1.2 percent in the previous quarter), utilities (7.6 percent compared to 7 percent) and construction (2.6 percent compared to 2 percent) while mining recovered (5.5 percent compared to -0.7 percent). On the other hand, a slowdown was seen for trade, hotel, transport, communication & services related to broadcasting (9.9 percent compared to 11.1 percent); financial, insurance, real estate & professional services (5.7 percent compared to 6.4 percent) and agriculture, forestry & fishing (1.7 percent compared to 2.3 percent).

4.5.1 GDP from Manufacturing

GDP from Manufacturing in India increased to 4908.33 IND Billion in the first quarter of 2016 from 4337.69 IND Billion in the fourth quarter of 2015. GDP From Manufacturing in India averaged 4207.56 IND Billion from 2011 until 2016, reaching an all-time high of 5407.38 IND Billion in the second quarter of 2015 and a record low of 3455.83 IND Billion in the fourth quarter of 2011. GDP From Manufacturing in India is reported by the Central Statistical Organization, India.

Figure 4-2 India GDP from Manufacturing
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4.5.2 Contribution of MSME Sector in the Gross Domestic Product

The Indian economy flourishes through the process of creation of enterprises. The MSMEs have been contributing to development of entrepreneurial culture through business innovations. The MSMEs are widely spread through sectors of the economy, producing varied range of products and services to meet demands of local as well as global markets. The contribution of MSMEs in GDP is 6%, 33% in manufacturing sector and 45% in export (MSME Annual Report 2016-17).

It shows the valuable contribution that the MSME sector is making in the economy, both in terms of manufacturing and services. Source of data on MSMEs is available from All India Census of MSMEs connected by Ministry of Micro, Small and Medium Enterprises and Economic Census conducted by Central Statistics Office (CSO), Last All India Census of MSMEs was conducted for the year 2006 and results were published in 2011.

*Table 4.5-1 Contribution of SMEs in GDP*

<table>
<thead>
<tr>
<th>Year</th>
<th>MSMSE Manufacturing Output ((^{`}) In Crore)</th>
<th>Share of MSME Manufacturing Output in Total Manufacturing Output (%)</th>
<th>Share of MSME GVA to GVA/GDP at Constant Price for Base year 2011-12 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>MSME Manufacturing Sector</td>
<td>MSME Service Sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In GVA</td>
<td>In GDP</td>
</tr>
<tr>
<td>2011-12</td>
<td>2167110</td>
<td>33.12</td>
<td>6.64</td>
</tr>
<tr>
<td>2012-13</td>
<td>2385248</td>
<td>33.22</td>
<td>6.77</td>
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<tr>
<td>2013-14</td>
<td>2653329</td>
<td>33.27</td>
<td>6.79</td>
</tr>
<tr>
<td>2014-15</td>
<td>2783433</td>
<td>33.4</td>
<td>6.63</td>
</tr>
</tbody>
</table>

Source: Annual Report 2016-17 Ministry of Micro Small and Medium Size Enterprise Government of India
4.5.3 Leading SME Sector

Table 4.5-2 Products of MSMEs

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Percentage of Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and Equipment</td>
<td>4.66</td>
</tr>
<tr>
<td>Furniture</td>
<td>6.36</td>
</tr>
<tr>
<td>Textile</td>
<td>6.78</td>
</tr>
<tr>
<td>Repair and Maintenance</td>
<td>12.18</td>
</tr>
<tr>
<td>Fabric Metal Products</td>
<td>8.96</td>
</tr>
<tr>
<td>Waring Apparel</td>
<td>13.67</td>
</tr>
<tr>
<td>Food Products</td>
<td>14.26</td>
</tr>
<tr>
<td>Wood and Wood Products</td>
<td>3.53</td>
</tr>
<tr>
<td>Other</td>
<td>29.59</td>
</tr>
</tbody>
</table>

Source: Annual Report MSME (2016-17)

Figure 4.3 Products of MSMEs

Source: Annual Report MSME (2016-17)
4.6 SMES FROM MANUFACTURING

4.6.1 Textile SMEs of India

India has the second largest manufacturing capacity globally. The Indian textile industry accounts for about 20% of the world’s spindle capacity and 10% of global rotor capacity. India has the highest loom capacity (including hand looms) with 59% of the world’s market share. India accounts for about 13% of the world’s production of textile fiber and yarn and is the largest producer of jute and cotton, and the second largest producer of silk. A strong production base of a wide range of fiber/yarn from natural fibers like cotton/jute, silk and wool to synthetic/man-made fibers like polyester, viscose, nylon and acrylic. Increased penetration of organized retail, favorable demographics and rising income levels to drive textile demand. India enjoys a comparative advantage in terms of skilled manpower and cost of production over major textile producers.

Abundant raw material and increasing demand for exports to boost fiber production. Abundant availability of raw materials such as cotton, wool, silk and jute. The sector contributes 14% to industrial production, 4% to India’s GDP and constitutes 13% of the country’s export earnings. With over 45 Million people, employed directly, the industry is one of the largest sources of employment generation in the country. The domestic textile and apparel industry in India is estimated to reach USD 100 Billion by 2016-17 from USD 67 Billion in 2013-14 Exports in textiles and apparel from India are expected to increase to USD 65 Billion by 2016-17 from USD 38 Billion (provisional) during 2014-15. The total fabric production in India is expected to grow to 112 Billion sq.mts by 2016-17 from 64 Billion sq.mts in 2014-15. India’s fiber production in 2014-15 is 7 Million Tonnes and is expected to reach 10 Million Tonnes in 2016-17.

Rising per capita income, favorable demographics and a shift in preference for branded products is expected to boost demand. Favorable trade policies and superior quality will drive textile exports. Increase in domestic demand is set to boost cloth production. Pointed and favorable policies instituted by the government will give the industry a fillip. With consumerism and disposable income on the rise, the retail sector has experienced rapid growth in the past decade, with many global players entering the
Indian market. The centers of excellence focused on testing and evaluation as well as resource centers and training facilities have been set up. As per the plan for 2012-17, the Integrated Skill Development Scheme aims to train over 2,675,000 people up to 2017, covering all sub-sectors of the textile sector – textiles and apparel, handicrafts, handlooms, jute and sericulture. Changing lifestyles and increasing demand for quality products are set to fuel the need for apparel.

Technology Upgradation Fund Scheme has infused investment of more than INR 2,687 Billion in the industry. Support has been provided for modernization and upgradation by providing credit at reduced rates and capital subsidies. Scheme for Integrated Textile Parks provides world-class infrastructure to new textile units. To date, 57 Textile Parks have been sanctioned with an investment of INR 60 Billion. By 2017, 25 more textile parks are to be sanctioned. Integrated Processing Development Scheme for sanctioning processing parks has been initiated. INR 5 Billion has been earmarked for this scheme. Integrated Skill Development Scheme has provided training to 1.5 Million people to cover all sub-sectors of textiles such as textile and apparel, handicrafts, handlooms, jute and sericulture.

Allocation of INR 500 Million towards the setting up of a trade facilitation center and a crafts museum to develop and promote handloom products and carry forward the rich tradition of the handlooms of Varanasi. Allocation of INR 2000 Million towards the proposed setting up of mega textile clusters at Bareilly, Lucknow, Surat, Kuttch, Bhagalpur and Mysore and one in Tamil Nadu.

Allocation of INR 300 Million towards the setting up of Hastkala Academy for the preservation, revival and documentation of the handloom/handicraft sector in PPP mode in Delhi. Allocation of INR 500 Million towards the setting up of Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu & Kashmir. The duty-free entitlement for import of trimmings and embellishments used by the readymade textile garment sector for manufacture of garments for exports is being increased from 3% to 5%.

Non-fusible embroidery motifs or prints are being included in the list of items eligible to be imported duty-free for manufacture of garments for exports. The list of
specified goods required by handicraft manufacturer-exporters is being expanded by including wire rolls so as to provide customs duty exemption on import by handicrafts manufacturer-exporters. Fusible embroidery motifs or prints, anti-theft devices, pin bullets for packing, plastic tag bullets, metal tabs, bows, ring and slider hand rings are being included in the list of items eligible to be imported duty-free for manufacture of handloom made ups or cotton made ups or man-made made ups for export.

Specified goods imported for use in the manufacture of textile garments for export are fully exempt from Basic Customs Duty (BCD) and Countervailing Duty (CVD) subject to conditions that the manufacturer produces an entitlement certificate from the Apparel Export Promotion Council or from the Indian Silk Export Promotion Council.

India’s textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India’s exports with approximately 11 per cent of total exports. The textiles industry is also labor intensive and is one of the largest employers. The industry realized export earnings worth US$ 41.4 billion in 2014-15, a growth of 5.4 per cent, as per The Cotton Textiles Export Promotion Council (Texprocil). The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world. Market Size of the
Indian textiles industry, currently estimated at around US$ 108 billion, is expected to reach US$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India’s gross domestic product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

The Indian textile industry has the potential to reach US$ 500 billion in size according to a study by Wazir Advisors and PCI Xylenes & Polyester. The growth implies domestic sales to rise to US$ 315 billion from currently US$ 68 billion. At the same time, exports are implied to increase to US$ 185 billion from approximately US$ 41 billion currently.

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US$ 1.77 billion during April 2000 to September 2015. Some of the major investments in the Indian textiles industry are: Reliance Industries Ltd (RIL) plans to enter into a joint venture (JV) with China-based Shandong Ruyi Science and Technology Group Co. The JV will leverage RIL’s existing textile business and distribution network in India and Ruyi’s state-of-the-art technology and its global reach. Giving Indian sarees a ‘green’ touch, Dupont has joined hands with RIL and Vipul Sarees for use of its renewable fibre product Sorona to make an ‘environment-friendly’ version of this ethnic ladies wear.

Grasim Industries has invested Rs 100 crore (US$ 15 million) to develop its first fabric brand, Liva’, which it will distribute through 1,000 outlets as part of a plan to stay in sync with changing consumer behaviour. Snapdeal has partnered with India Post to jointly work on bringing thousands of weavers and artisans from Varanasi through its website. “This is an endeavor by Snapdeal and India Post to empower local artisans, small and medium entrepreneurs to sustain their livelihood by providing a platform to popularise their indigenous products,” said Mr Kunal Bahl, CEO and Co-Founder, Snapdeal. Welspun India Ltd (WIL), part of the Welspun Group has unveiled its new spinning facility at Anjar, Gujarat - the largest under one roof in India. The expansion project reflects the ethos of the Government of Gujarat’s recent ‘Farm-Factory-Fabric-
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Fashion-foreign’ Textile Policy, which is aimed at strengthening the entire textile value-chain. American casual fashion retailer Aéropostale, Inc. has inked a licensing agreement with Arvind Lifestyle Brands Ltd to open standalone stores in the country. Aéropostale will open 30 stores and 25 shop-in-shop locations over the next three years. The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route. Some of initiatives taken by the government to further promote the industry are:

The Government of India has started promotion of its ‘India Handloom’ initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products. The Ministry of Textiles launched Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years (from 2010-11 to 2011-12 in the 11th five year plan and 2012-13 to 2014-15 in 12th five year plan) with a total fund outlay of Rs 200 crore (US$ 30 million). The objective of TMTT is to promote technical textiles by helping to develop world class testing facilities at eight Centres of Excellence across India, promoting indigenous development of prototypes, providing support for domestic and export market development and encouraging contract research.

The Government of India is expected to soon announce a new National Textiles Policy. The new policy aims at creating 35 million new jobs by way of increased investments by foreign companies, as per Textiles Secretary Mr S K Panda. Subsidies on machinery and infrastructure. The Revised Restructured Technology Upgradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textiles for 5 per cent interest reimbursement and 10 per cent capital subsidy in addition to 5 per cent interest reimbursement also provided to the specified technical textile machinery under Revised Restructured Technology Upgradation Fund Scheme(RRTUFS). Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to Rs 40 crore (US$ 6 million). Under this scheme the technical textile units can also avail its benefits.
The major machinery for production of technical textiles receives a concessional customs duty list of 5 per cent. Specified technical textile products are covered under Focus Product Scheme. Under this scheme, exports of these products are entitled for duty credit scrip equivalent to 2 per cent of freight on board (FOB) value of exports. The Government of India has implemented several export promotion measures such as Focus Market Scheme, Focus Product Scheme and Market Linked Focus Product Scheme for increasing share of India’s textile exports. Under the Market Access Initiative (MAI) Scheme, financial assistance is provided for export promotion activities on focus countries and focus product countries.

Under the Market Development Assistance (MDA) Scheme, financial assistance is provided for a range of export promotion activities implemented by Textiles Export Promotion Councils. The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports resulting in faster clearance of import and export cargo. The Ministry of Textiles has approved a ‘Scheme for promoting usage of geotechnical textiles in North East Region (NER) in order to capitalize on the benefits of geotechnical textiles. The scheme has been approved with a financial outlay of Rs 427 crore (US$ 64.1 million) for five years from 2014-15. A Memorandum of Understanding (MoU) has been signed between India and Kyrgyzstan seeking to strengthen bilateral cooperation in three fields - Textiles and Clothing, Silk and Sericulture, Fashion.

4.6.2 Diamond (Gems and Jewellery) Industry in India

The Gems and Jewellery sector plays a significant role in the Indian economy, contributing around 6-7 per cent of the country’s GDP. One of the fastest growing sectors, it is extremely export oriented and labour intensive. Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote ‘Brand India’ in the international market. India is deemed to be the hub of the global jewellery market because of its low costs and availability of high-skilled labour. India is the world’s largest cutting and polishing centre for diamonds, with the cutting and polishing industry being well supported by government policies.
Moreover, India exports 95 per cent of the world’s diamonds, as per statistics from the Gems and Jewellery Export promotion Council (GJEPC).

The industry is projected to generate up to US$ 35 billion of revenue from exports in 2015. India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. The Indian government presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route. The gems and jewellery market in India is home to more than 500,000 players, with the majority being small players. India is one of the largest exporters of gems and jewellery and the industry is considered to play a vital role in the Indian economy as it contributes a major chunk to the total foreign reserves of the country. UAE, US, Russia, Singapore, Hong Kong, Latin America and China are the biggest importers of Indian jewellery. The overall gross exports of Gems & Jewellery in December 2015 stood at US$ 2.06 billion, whereas exports of cut and polished diamonds stood at US$ 1.20 billion. Exports of gold coins and medallions stood at US$ 23.19 million and silver jewellery export stood at US$ 147.33 million in December 2015. The overall gross imports of Gems & Jewellery in December 2015 stood at US$ 2.23 billion.

According to a report by Research and Markets, the jewellery market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of 15.95 per cent over the period 2014-2019. The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000-December 2015 were US$ 751.37 million, according to Department of Industrial Policy and Promotion (DIPP). During April-December 2015, India imported US$ 17.33 billion worth of raw material for gems and jewellery. With an 8 per cent share in polished diamonds, India has become the world's third largest diamond consumer.

The Gems and Jewellery sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Consumers are demanding new designs and varieties in jewellery, and branded jewelers are able to fulfil their changing demands better than the local unorganized players. Moreover, increase in per capita income has led to an increase in sales of jewellery, as jewellery is a status symbol in India. Major
mining companies such as Rio Tinto, De Beers and Alrosa have decided to participate in the Indian Diamond Trading Centre (IDTC) which has been set up to eliminate the middlemen in diamond trade and allow Indian manufacturers to deal directly with miners. India Bullion and Jewelers Association (IBJA) has signed an pact with the Bombay Stock Exchange (BSE) for setting up India’s first bullion exchange through a Special Purpose Vehicle (SPV), wherein IBJA and its constituents will hold 70 per cent and BSE will hold 30 per cent stake. Global luxury brand Montblanc International has entered into a joint venture with India’s largest watch maker Titan Co Ltd and plans to start the retail operations in India by opening five Montblanc boutiques in Mumbai, Delhi, Hyderabad and Pune. Jewellery major Joyalukkas plans to invest Rs 1,500 crore (US$ 220.08 million) on setting up 20 stores in India and 10 overseas. The new stores, which will come up almost in a year’s time, will add to the Thrissur-headquartered company's existing 95 outlets.

London-headquartered Gemfields, a multi-national firm specializing in color gemstones mining and marketing, is planning to acquire colour gemstone mines in Odisha and Jharkhand, and participate in the exploration of the Kashmir sapphire mines in Jammu & Kashmir. The India arm of US private equity (PE) firm Warburg Pincus picked up a minority stake in Kerala-based Kalyan Jewellers for Rs 1,200 crore (US$ 176 million). The jeweler plans to use the proceeds to fund its retail and manufacturing expansion plans. Creador, a PE firm focused on long-term investments in growth-oriented businesses in Indonesia, India, Malaysia and Singapore, invested Rs 135 crore (US$ 20.28 million) for a minority stake in PC Jeweler Limited. Indian exports will now receive concessional duty treatment in the US as it has renewed the Generalized System of Preferences retrospectively from August 1, 2013 – December 31, 2017.

The Reserve Bank of India has announced norms for gold monetization scheme, which allows individuals, trusts and mutual funds to deposit gold with banks in return for interest, to help reduce gold imports and alleviate pressure on trade balance. The Reserve Bank of India (RBI) has liberalized gold import norms. With this, star and premier export houses can import the commodity, while banks and nominated agencies can offer gold for domestic use as loans to bullion traders and jewelers. Also, India has signed a Memorandum of Understanding (MoU) with Russia to source data on diamond trade between the two countries. India is the top global processor of diamonds, while
Russia is the largest rough diamond producer. The Government of India is planning to establish a special zone with tax benefits for diamond import and trading in Mumbai, in an effort to develop the city as a rival to Antwerp and Dubai, which are currently the top trading hubs for diamond. Due to shortage of skilled manpower, the Gems and Jewellery Skill Council of India is planning to train over four million people till 2022.

The council aims to train, skill and enhance 4.07 million people by 2022. The council plans to tie-up with the existing training institutes including Gemological Institute of America (GIA) and Indian Gemological Institute (IGI), along with setting up of new institutes in major diamond cutting and processing centres, Gems & Jewellery Export Promotion Council (GJEPC) said in a statement here. In September 2015, the Government of India approved the gold monetization plan in the form of revamped Gold Deposit Scheme (GDS) and the Gold Metal Loan (GML) Scheme to mobilize tones of gold stored in households and temples across the country. The Union Cabinet also approved the introduction of Sovereign Gold Bond Scheme, under which gold bonds denominated in grams of gold will be issued to individuals by the Reserve Bank of India (RBI), in consultation with Ministry of Finance.

4.6.3 Industry size and Growth of the Diamond Industry (Gems and Jewellery Sector)

The Diamond Industry (Gems and Jewellery sector) plays a significant role in the Indian economy, contributing around 7 per cent of the country’s GDP and 15.71 per cent to India’s total merchandise exports (Reports of IBEF 2018). It also employs over 4.64 million workers. One of the fastest growing sectors, it is extremely export oriented and labour intensive. Based on its potential for growth and value addition, the Government of India has declared the Gems and Jewellery sector as a focus area for export promotion. The Government has recently undertaken various measures to promote investments and to upgrade technology and skills to promote ‘Brand India’ in the international market. India is deemed to be the hub of the global diamond jewellery market because of its low costs and availability of high-skilled labour. India is the world’s largest cutting and polishing center for diamonds, with the cutting and polishing industry being well supported by government policies. India exports 75 per cent of the world’s polished diamonds, as per statistics from the Gems and Jewellery Export
promotion Council (GJEPC). India's Gems and Jewellery sector has been contributing in a big way to the country's foreign exchange earnings (FEEs). The Government of India has viewed the sector as a thrust area for export promotion. The Indian government presently allows 100 per cent Foreign Direct Investment (FDI) in the sector through the automatic route. Investments/Developments: The Gems and Jewellery sector is witnessing changes in consumer preferences due to adoption of western lifestyle. Consumers are demanding new designs and varieties in jewellery, and branded jewelers are able to fulfil their changing demands better than the local unorganized players. Moreover, increase in per capita income has led to an increase in sales of jewellery, as jewellery is a status symbol in India.

Table 4.6-1 Net Export of Gems and Jewellery

<table>
<thead>
<tr>
<th>FY</th>
<th>Export in (US $ Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>15.7</td>
</tr>
<tr>
<td>2006</td>
<td>16.7</td>
</tr>
<tr>
<td>2007</td>
<td>17.2</td>
</tr>
<tr>
<td>2008</td>
<td>20.9</td>
</tr>
<tr>
<td>2009</td>
<td>24.9</td>
</tr>
<tr>
<td>2010</td>
<td>29.4</td>
</tr>
<tr>
<td>2011</td>
<td>43.1</td>
</tr>
<tr>
<td>2012</td>
<td>43.2</td>
</tr>
<tr>
<td>2013</td>
<td>39.1</td>
</tr>
<tr>
<td>2014</td>
<td>35</td>
</tr>
<tr>
<td>2015</td>
<td>36.2</td>
</tr>
<tr>
<td>2016</td>
<td>32.6</td>
</tr>
<tr>
<td>2017</td>
<td>35.6</td>
</tr>
<tr>
<td>2018*</td>
<td>11.1</td>
</tr>
</tbody>
</table>


The cumulative Foreign Direct Investment (FDI) inflows in diamond and gold ornaments in the period April 2000 - September 2017 were US$ 1,045.58 million, according to Department of Industrial Policy and Promotion (DIPP). Some of the key investments in this industry are; an international diamond exchange will be set up in Surat by October 2020 at a cost of Rs 2,400 crore (US$ 372 million). Companies such as PC Jewelers, PNG Jewelers, Popley and Sons, are planning to introduce a virtual-reality (VR) experience for their customers. The customer will have to wear a VR headset, through which they can select any jewellery, see the jewellery from different angles and zoom on it to view intricate designs.
4. SMALL & MEDIUM SIZE ENTERPRISE ENVIRONMENT

Government Initiatives: The Government of India would notify a new limit for reporting about transactions in gold and other precious metals and stones to authorities, to avoid the parking of black money in bullion. The Bureau of Indian Standards (BIS) has revised the standard on gold hallmarking in India from January 2018. The gold jewellery hallmark will now carry a BIS mark, purity in carat and fitness as well as the unit’s identification and the jeweler’s identification mark. The move is aimed at ensuring a quality check on gold jewellery. The Government of India has planned to set up a Common Facility Center (CFC) at Thrissur, Kerala.

4.7 CHAPTER SUMMARY

This chapter of thesis begins with History and Growth of Micro Small and Medium Size Enterprises. The chapter discussed the definition of MSME in India and MSME in world. The chapter also discussed SMEs and National Economy, GDP Trend in India and the chapter ends with the Contribution of manufacturing SMEs i.e. Textile Manufacturing SMEs and Diamond (Gem and Jewellery) Manufacturing SMEs