Significance of SMEs

What is the issue?

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Export growth is necessary for sustaining high growth and to create jobs in labour-intensive activities of the Small and Medium Enterprises (SMEs).

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What is the importance of SMEs?

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- 43% of jobs created in emerging economies are from SMEs.
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- They could attract FDI, making India a hub for Global Value Chain (GVC).
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- As a result they are likely to play a big role in promoting exports.
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What are the issues with Indian SMEs?

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- **Limited Access -** Indian SMEs lag behind due to limited access of information and technology.
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- Workforce of Indian SMEs lacks the necessary skills to operate in a high-tech GVC environment.
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- **Quality Standards -** Due to their inability to meet international product quality standards, demanded by an increasingly sophisticated international buyer, they have difficulty to be part of the GVC.
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- **Location -** Unlike the large enterprises, several SMEs operate outside the main cities and suffer from lack of business environment and access to trade services.

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- **Representation -** SMEs are also poorly represented in apex chambers of commerce and industry in India, which are dominated by large enterprises, who receive preferential access to trade services.
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- **Private sector -** There is lack of private sector participation in the supply of trade services.
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What needs to be done?

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- Institutional reforms in trade policy are urgently required to make SMEs effective in promoting exports directly.
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- The Ministry of MSME have no role in export promotion. This should be altered.
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- An enlarged Department of Industrial Policy and Promotion could replace the Ministries of Commerce and Industry, Heavy Industry, and MSME, and promote development of industry, especially SMEs.
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- Enterprises need to periodically train their workers in new design and packaging that satisfy fast-changing consumer trends.
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Source: Business Standard

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