

MICRO, SMALL & MEDIUM ENTERPRISES IN GUJARAT

VOLUME TWO

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Globalization for MSMEs

The Micro, Small and Medium Enterprises (MSME) sector contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture.

MSMEs are complementary to large industries as ancillary units and this sector contributes significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. This volume gives an overview of the growth and performance of MSME Sector in the State of Gujarat and the country.

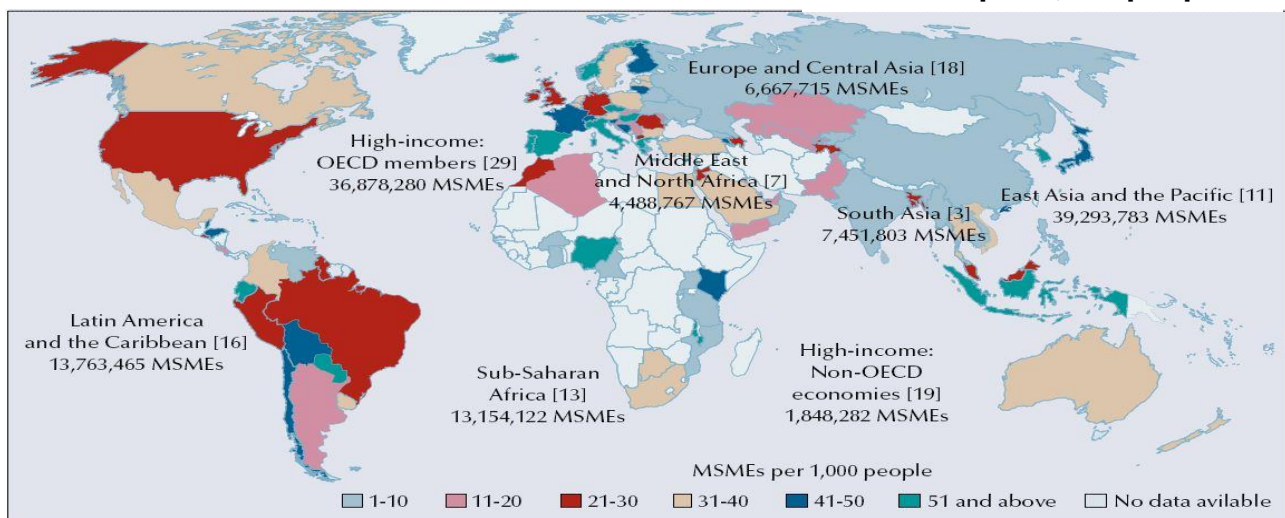
MSMES

Globally it is difficult to find a common definition for MSMEs. According to a report published by International Finance Corporation (a World Bank Group) based on a survey conducted in 132 countries on registered MSMEs the most common way MSMEs are defined is: Micro Enterprises: 1-9 employees, Small Enterprises: 10-49 employees, and Medium Enterprises: 50-249 employees.

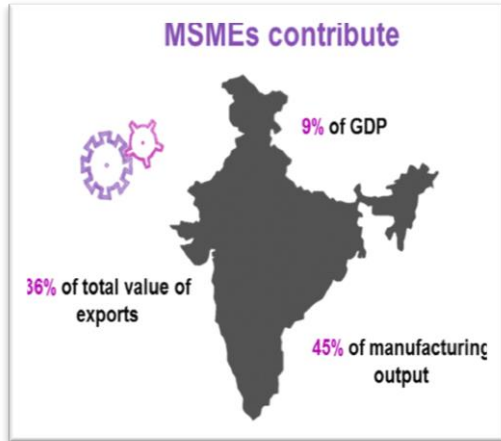
MSMEs constitute more than 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, MSMEs play an essential role in the overall industrial economy of the country. In recent years, the MSME sector has consistently registered higher growth rate compared with the overall industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive the recent economic downturn and recession.

MSME's are businesses that have a small or medium number of employees, usually less than 250. Worldwide, MSMEs have been accepted as the engine of economic growth promoting equitable growth and development. The major advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSME sector is much higher than that of the large enterprises.

MSMEs per 1,000 people



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MSMES IN INDIA

SME sector in India is the key driver of the nation’s economic growth with a contribution of over 40 percent of the country’s industrial output and about 35 % of direct exports and another 15 percent of indirect exports. In terms of employment it is a very crucial sector being the second largest sector after agriculture.

The growth recorded by SSI in India is 2% more than any other sector; it accounts for 40% of the country’s GDP, 35% of Direct exports, 15% of Indirect Exports (through Merchant Exporters, Trading Houses & Export Houses) and employs more than 20 million people.

It was felt that MSMEs from Gujarat are taking lead growth in their industry and ready for expanding their reach into the global markets.

Share of MSMEs in GDP

(Figures in Rs. Crores adjusted for FISIM³ at current prices)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in GVA (%)	Total GDP	Share of MSME in GDP (in %)
2011-12	2583263	-	8106946	31.86	8736329	29.57
2012-13	2977623	15.27	9202692	32.36	9944013	29.94
2013-14	3343009	12.27	10363153	32.26	11233522	29.76
2014-15	3658196	9.43	11481794	31.86	12445128	29.39
2015-16	3936788	7.62	12458642	31.60	13682035	28.77

Source: Central Statistics Office (CSO), Ministry of Statistics & Programme Implementation

It was also felt that if these MSMEs are provided effective exposure to international trade & investment and various international investors are given a platform for easy access to investment opportunities in MSMEs in Gujarat, they will create a further economic growth in the State and nation.

MSMES IN GUJARAT

Over a period of time, Gujarat has registered a sizeable growth of SME sector. There were only 2169 small industries in 1961 at the time formation of the state. The number of SSIs increased continuously and has reached to over to 312,000 by September 2006. There are at present over 345,000 MSMEs in Gujarat*.

(*Source: India Brand Equity Foundation – IBEF& Industries Commissionerate)

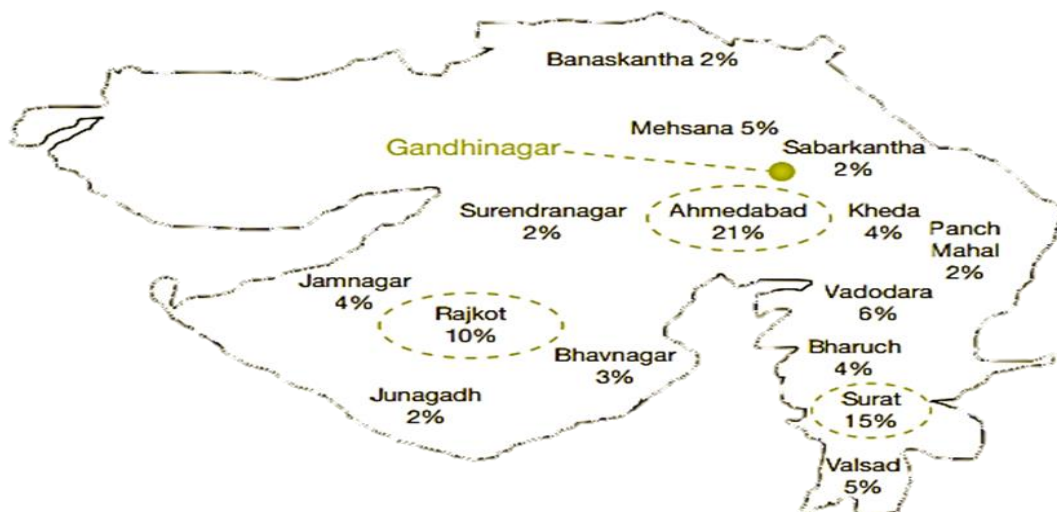
Gujarat accounts for 15.14% (US \$ 114.52 bn) of total investment in India, the highest across the States in India.

With a 6 % of India's geographical area, the State is home to 41 ports and handles about 25% of current sea cargo. Gujarat contributes significantly to India's economy across the key sectors, including production of Soda Ash, Diamond Processing, Drug & Pharmaceuticals, Petroleum products, and Chemicals & Petrochemicals.

MSME sector in Gujarat plays a vital role in economic and social development of the state after acting as nursery of entrepreneurship and innovation. MSME also plays a key role in development of economy with their effective, efficient, flexible and innovative entrepreneurial spirit. MSME sector not only plays a crucial role in providing employment opportunities at comparatively lower capital costs than large industries, but also helps in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national economy and wealth.

(Source: ijirs.com/vol3_issue-5/10.pdf)

% of MSMEs in Gujarat





Globalization for MSMEs

Globalization signifies technology transfer and knowledge, free labor movement, opening doors for FDI. Markets now become globalized / internationalized with impressive performance.

So, in this context globalization is needed in MSME sector because it brings all the entrepreneurs at one platform to be abreast with International Standard and Quality Production. Indian Industries, MSMEs in particular are undoubtedly boosted and pushed for desired GDP by adapting to PPP, FDI and WTO standards.

Gujarat is contributing significant volume of exports of cut polished diamond, organic and inorganic chemicals, readymade garments, marine products, dyes and intermediates, drugs and pharmaceuticals etc. According to a report Gujarat contributes about more than 17% of the total exports of the country.

Gujarat has already started encouraging new industrial clusters and offering specialized facilities to small business units or entrepreneurs for upgrading the MSME sector in Gujarat. The State Government started offering policy incentives to companies undergoing technology up-gradation, modernization & expansion, promoting and encouraging linkages between both industry and R&D Centres in both India and Abroad.

For doing business in Gujarat, International firms find many positive aspects in doing trade in Gujarat. Some are as follows:

Infrastructure: Good infrastructural facilities in terms of proper road connectivity, rail connectivity, ports, airports, better education facilities, power facility and telecommunication facility are the sectors in Gujarat attracting International Firms to do trade in Gujarat.

Fast Reform Process: Even though bilateral trade between India and Abroad has been growing at a steady pace, India has made very steady progress in recent years on trade liberalization and in improving market access for goods and services.

About this Series:

The purpose of this communiqué is to provide informative reading on economy in India.

This is compiled and edited by the communications division at Eduprogress, published in fortnight editions of knowledge papers.

We are sure; this information will be useful and will also serve as a useful guide to entrepreneurs and industry leaders.

We always welcome your suggestions, write – up’s and ideas on how we can make this communiqué more informative.



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