

## **India's MSMEs unable to make a dent in the global market; bogged down by regulatory compliances & lack of finance: FICCI-Grant Thornton Survey**

**NEW DELHI, May 13, 2013.** India's Micro, Small and Medium Enterprises (MSMEs), the backbone of the country's industrial economy, hardly have a global presence worth the name, with a minority undertaking exports or having operations in other countries, a **FICCI-Grant Thornton survey on 'Integrating MSMEs with the Global Value Chain'** reveals.

The survey results based on responses from over 100 MSMEs shows that while almost 90% of the respondents are looking to expand their business in the future and 97% of Indian organisations that are looking at expansion opportunities are targeting their expansions within the next three years, only 39% of the respondents were exporting to other countries or had operations in other countries besides India. There were also respondents who were only outsourcing some of their work to other countries, whereas a majority of them did not have any international presence.

Industries are hindered by a variety of factors, with the primary factor being difficulty in establishing contacts with the global players. This is where it is believed that the Government of India and industry organisations can play a key role.

The survey results point to the need for a greater role of the Government of India, as regulatory compliances and availability of finance have been identified as the primary constraint being faced by Indian industry.

Micro, Small and Medium Enterprises (MSMEs) play a significant role in the global economy and particularly in our country where MSMEs constitute nearly 94% of the industrial enterprises in the economy. The sector contributes 36% of the total value of exports of the country and employs over 80 million people. The contribution of the MSME sector to the output of the country is 40% and to the GDP is over 8%. In recent years the MSME sector has consistently registered higher growth rate compared to the overall industrial sector.

The following are some of the other highlights of the survey findings:

Only 31% of the respondents believed that the Government was playing a key role in enhancing competitiveness in their business areas, highlighting the need for the Government to introduce policies and procedures to address this gap to foster further growth.

The respondents that were able to secure business with Multinational corporations more than 80% identified Quality and Competitive Pricing as the reasons for Multinational Corporations to collaborate with them, while regulatory requirements being the reason for only 3% of the respondents.

More than 60% of the respondents to whom the Ethical Trading practices were applicable responded that they were certified with their global partners for Ethical Trading.

The survey results highlight the exceptional potential that Indian industries have to integrate into the Global Value Chain . Indian industry at large has been able to invest in the right channels like distribution networks, product development through Research and Development and new technologies to be able to exploit opportunities offered by the Global Value Chain. With an increasing intent of Indian industries to look at expansion opportunities in the near future and availability of skill and capital with them, it presents to them an ideal time for greater participation into the Global Value Chain and contribute to the value addition activities being carried out in the value chains.

Another pivotal factor that augurs well for the Indian industry and which would also encourage global players to partner with Indian organisations is that the Products and Services offered by Indian organisations to their Global Partners have been rated very highly by the Global players. The Indian organizations, however, felt that the compliance procedures of global organisations were too stringent and economically non-viable for them. Indian organisations also fare very well on the Ethical Trading practices parameter which is increasingly gaining importance in the international trade arena.

**The FICCI- Grant Thornton report will be unveiled at the FICCI MSME Summit 2013 here on Tuesday (May 14, 2013).**

In order to highlight the imperatives of becoming a part of the global value chain as well as the opportunities to align MSMEs' operations and processes with the value chain, the "FICCI-Grant Thornton Report" highlights specific models and approaches that MSMEs could explore to plug into new market opportunities. The report also provides an insight into innovative marketing tools, along with ways in which traditional strategies could be sharpened as companies strive to become globally competitive.

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