EXECUTIVE SUMMARY

BUSINESS PERCEPTION STUDY OF INDIAN INDUSTRY WITH A SPECIAL FOCUS ON MICRO, SMALL & MEDIUM ENTERPRISES

Some Important Revelations:

1. **Sectoral Business Growth prospects**
    - *Sectorally optimism remains high, though pharma, textile and chemical firms are not as optimistic on the future.*
    - ***Infrastructure and capital goods** sector **seem upbeat** about **medium term** prospects of economic growth while food processing, auto components and chemical sectors are less confident.*
    - ***Lower turnover firms** are **more confident** about the future of the economy in both terms (short as well as medium) than larger firms.*
    - ***Smaller firms** are **optimistic** on increase in **utilization of capacity** while larger firms don't believe that utilization will increase anymore than it already has.*

2. **Only 4% of sample companies availed of government schemes**
   The reasons provided for such a low percentage include, delays, lengthy processes, strict collaterals and corruption

3. **The study has devised a ranking system to rank effectiveness of schemes**

   Rank 1 implies highest importance

   Rank 2 implies second highest and so forth.

    - *For Credit Link subsidy scheme, firms with a lower turnover deemed this more important, ranking it at 1, than larger turnover firms, which ranked it at 2.*
    - *Credit Guarantee Fund Scheme (CGTSME) - firms with lowest employment sizes gave rank of 1 along with firms employing 50-99 workers. 18.8 percent of firms in the higher employment range ranked the scheme at 2.*
    - *The Rajiv Gandhi Udyami Mitra Yojana (RGUMY) got low ranks across the board. Firms with both low and high turnovers ranked this scheme at 6, effectively calling the scheme a failure.*

- *MSE-CDP scheme was ranked 2 by firms with turnover of less than 50 crores. Firms in the higher turnover range ranked it between 4-5.*

4. Only 3% companies have linkages with academic system

Firms believe that academic institutions cannot impart practical knowledge and 70 percent agree that academic institutions cannot make any impact on production conditions. While larger firms are more open toward links with academic institutions, it is observed that smaller firms are completely closed to the idea.

5. Impediments to business growth

- *49 percent believe that the **tax structure** be a strong obstacle to business growth*
- ***Inflation** is perceived to be an obstruction to growth by 41 per cent of the respondents*
- ***Union Excise duty** is considered by 30 percent of firms to be a challenge to business growth,*
- ***Exchange rate volatility** as obstruction to business growth is perceived by 33 per cent of the respondents.*
- *Almost 50 per cent of the respondents have suggested rolling out of **GST***
- *Cost of raw material is primary cause of slowdown more than corruption or uncertainity.*

6. Financial Assistance / Credit Requirement by MSMEs

- *36 percent of firms are availing financial assistance while the majority of them, **64% refrain**. Smaller firms tend to seek financial assistance while larger firms do not. Reasons for not taking financial assistance include, bank formalities, large collaterals and lengthy documentation procedures.*
- *In the group of lending institutions providing term loans and working capital loans, **HDFC and SBI are the primary sources of funding** respectively. These lending institutions though only account for **0.1 percent** of sources of loans that firms use towards financial assistance.*
- ***65%** to **75%** firms have availed loan both working capital loan and term loan respectively from the credit guarantee trust fund scheme of the government.*

7. Technology Upgradation

- *Technological upgradation for increase in productivity is important to most firms. The study observed that upto **44 percent** of firms opt for technical upgradation. These upgradations are usually **imported from countries like USA, Japan, China and UK.***
- *The study discovered that most firms, **51.6 percent** of the **lower turnover category do not have investment plans**, though this trend reverses as firm size by turnover grow. **Expansion** though **seems important** to respondents **much more than investment plans***

8. **Major Export Destinations**

- *51 per cent of the firms target their exports to the European countries, while around 32 per cent to the other Asian countries, 12.2 per cent to USA and 3.4 per cent to the African nations.*
- *The distribution clearly shows that the global economic crisis erupting in the European nations can potentially have a negative impact on the majority of the trade oriented firms.*

9. Sectoral Break up of firms surveyed

- ***Textiles and Apparel** firms have the highest representations **(14.6%)** in the survey, followed by **electronics and equipment (11.4%)** and **infrastructure and capital goods (9.6%)**. The other categories are combined representation is 19.5 per cent.*
- *The distribution of the **firm-size based on turnover** range shows that **62 per cent** of the firms reported turnover of **less than Rs. 50 crores**, followed by 16 per cent of the firms with turnover between Rs. 51 to Rs. 100 crores.*