



# MSMEs: The Global Scene and the Outlook

## **Introduction**

More as a fashion than anything else (because numbers matter a lot in the present era of democracy!) the popular media, and the professional and political platforms alike, discuss the “crucial” role of micro, small and medium enterprises (MSMEs)<sup>1</sup> today. The fact that many people talk about a particular subject, can perhaps, mean two things: 1) its strategic relevance; and 2) its irrelevance, or relevance out of convenience. Regarding MSMEs, one need to set the debates moving from this point of relevance. Why for should we discuss it? Where we discuss “sustainable development” as the crux of development discourses, how does MSMEs figure in? This, and several other related questions should form the compass of debates in this area today, especially in a context where the world economy is passing through another crucial but difficult phase in its history.

### **1.0. The Small Enterprise Debate**

The context in which the role of SMEs is debated, demand a much deeper examination of the background, logic, and processes of economic transition. Such a discussion should obviously start from the debates on industrialization.

Industrialisation is central to most development debates. Development Economics discusses the problem of industrialization against the background of three models that are associated

with three corresponding historical phases: 1) Structuralism (early 1940s to 1960s); 2) Classical revival-emergence of attachment theory (mid-1960s to 1970s); and 3) mid 1980s-1990s. In the simple models of economic growth and development, there is often the description of an emerging modern sector, which co exists with a large traditional sector. The traditional sector is characterized by traditional techniques of production, along with institutional structures that are relatively primitive. The modern sector, on the other hand, has the advantage of modern technology, and corresponding institutional support.

Based on the above arguments, a modernization theory emerged. The focal theme of this theory is that, industrialization in developing countries demand growth of SMEs, and that the SMEs need to remain competitive. Technology was identified as the key agent of enhancing competitiveness. The technology gap, however, was considered to be significant between the developed and developing countries, leading to the arguments in favour of technology imports.

However today, with the advance of technology in general, and because of the nullification of distance as a critical constraint, the difference between the modern and the traditional sectors, as it was perceived in early literature, is progressively coming down. Thus, the argument that developing countries are technology -scarce, and that modern technology from developed

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