

1 MSMEs and the Economy: The Global Kaleidoscope

1.0 Why Discuss MSMEs?

It is too much of a fashion to discuss the “crucial” role of micro, small and medium enterprises (MSMEs) today. More as a fashion than anything else (because numbers matter a lot in the present era of democracy!) the popular media, the professional, and the political platform alike, discuss it. One need to ask some key questions in this regard. Why for should we discuss it? Where we discuss “sustainable development” as the crux of development discourses, how do 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 cyclical phase in its history.

Businesses come in different sizes, and there is no clear or universal way of defining what constitutes a small, medium or large enterprise. This confusion exists even within individual countries, and across associations and SME-related bodies (Fox, 2005). SMEs account for about 90% of businesses worldwide, employing 50-60% of the world’s workforce (CRI, 2008).

The economic linkages of the SME sector are, by no means, simple. Their forward linkages are dual in nature. On the one hand, they are directly linked with the large sector. Besides, they are directly, and often indirectly, linked with the larger enterprises and markets abroad. SMEs are often differentiated and classified based on distinct stages of relationships with SME support networks as follows:

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