



India's MSMEs in 2015: Lessons from the Subsectors

1.0. Introduction

Size -based categorisation of enterprises is often considered as a convenient method of understanding and analysis. While, from the point of view of programme implementation, this offers some convenience, for analytical purposes, the results often get blurred, or become mechanical. The purpose of our discussion here is to offer 'subsector' as an alternative analytical approach for understanding and analysing the MSME space in the Indian context. It also specifically looks into the relevance of this approach in the context of the emerging paradigm of globalisation, where MSMEs are not at all stand alone. Global value chains are decisive in shaping their destinies. Where are these enterprises placed in the global value chain? How are they impacted by the changes in global tastes and preferences? A subsectoral understanding and analysis of enterprises can offer meaningful answers to such questions.

2.0. Why Sub sectoral Understanding is Crucial?

Unlike the conventional approach to industry analysis, the 'subsector approach' enables a particular enterprise activity to be seen and analysed in terms of its totality. What is a sub sector all about- its nature, conduct and potential contribution to development of small and medium enterprises? How such understanding of the enterprise economy help us from the point of view of analysis and policy? The term 'subsector' can be approached as: 1) a set of activities; 2) related set of rules governing those activities; 3) a conceptual way of viewing problems of economic organisation; and 4) a way of organising research.

The term 'subsector, has been variedly defined. It can be viewed as: 1) a set of activities; 2) related set of

rules governing those activities; 3) a conceptual way of viewing problems of economic organisation; and 4) a way of organising research. The following pages will elaborate on these aspects and will further examine them with the help of case studies.

How best can we understand the MSMEs as individual entities, or as part of a group? This question has been repeatedly raised from various quarters. The answer very often, is the latter. The 'subsector approach' is a "systems" approach to the study of economic activity, where, the emphasis is on the interdependence of economic units, particularly those involved in the production and distribution processes. This interdependence play a central role in understanding the dynamics of change and evolution. It can also be used as a tool for comparative static analysis, examining the implications of alternative development patterns and alternative policy changes or project interventions.

The term "subsector", in economics literature, originally appeared in Shaffer (1973). Focusing on individual commodities (ie, commodity subsectors within the agricultural sector) the term came to apply to the entire set of vertical transformation and distribution channels through which a commodity flowed en route to its final consumer(see, the example of the global wood subsector) . The term is somewhat misleading, since a "subsector" does not refer to a sub component of an individual sector of the economy. On the other hand, it includes a set of economic activities that cuts across several sectors, often the agricultural, industrial and commercial sectors at least. As a descriptive term, "trans-sector or "cross-sector would be more accurate, correctly portraying the cross-cutting nature of the flows across sectors. The tools of subsector research are similar to that of economics and

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