



Beyond 2015: India's MSME Perspectives

1.0. Introduction

The basic purpose of the 'India MSME Report' series at the Institute of Small Enterprises and Development is to bring to the lime light a scholarly view of the latest scene of MSMEs in India, besides presenting a pointer to the emerging scene. This reporting exercise, over the last seventeen years, has done a significant job relating to this primary task, besides initiating a role of bringing together the relevant stake holders in a single platform. India MSME Report 2015 should be understood as an important addition to this innovative exercise. It has, undoubtedly, helped to trigger a debate on the key issues of MSME development in India. The purpose of our discussion in the following pages is to add to this lengthy debate. The ISED Small Enterprise Observatory hopes this exercise to play a constructive role in drawing the development agenda on MSMEs in India.

2.0. How to Understand MSME Role in 2015

The MSME problem in India is multi-dimensional. It need to be understood in relation to the overall changes in the Indian economy, as also the global changes that influence the country's experience. Having understood this interrelationship, it is important that the specificities relating to MSMEs are captured. While attempting to do so, we have the experience of two distinct approaches: The first approach, too macroeconomic, is often associated with the financial institutions of the country. A micro economic view is often associated with the State governments, wherein , they emphasize on infrastructure and employment creation.

Beyond the above two, there is a more recent view that is based on a spill-over argument. According to this spill-over argument, investment is the king pin

of development, and that, provided there is massive investments into a particular region, employment will automatically follow. While the 'investment illusion' has resulted in the organization of 'Global Investor Meets' by various State governments, such Meets often do not properly care for the role of MSMEs in the new investment regime they visualize.

A balanced view of MSME development, in terms of its macroeconomic and local linkages, is crucial for triggering an effective policy process. The country needs to dream on the future role of the MSME sector, and to shape its policy and strategies around that. The examples of countries like Japan deserve close examination in this regard. While MSME development is a public policy priority in India since Independence, there has had often been a continuous policy dilemma. It is important to understand and analyse such a dilemma, and a policy consensus need to be arrived at. Or else, the country cannot move forward with a clear cut agenda relating to this vital sector of the economy. Let us examine the political economy underlying the public policy thrust on the subject:

2.1. The Question of Numbers

In India democratic system, numbers matter much, and therefore, one cannot simply ignore the MSME role, as it means good politics. During the era of compulsory registrations, the performance of the State governments was measured in terms of the number of MSMEs registered. Though voluntary registration has become the rule, this remains as a yardstick

2.2. Politics of Convenience

Considering India's hegemony of the public sector, in an overall context of mixed economy, the government has

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