



## MSMEs in India-Focal Themes in 2015

### 1.0. Introduction

India, the world's largest democracy, decides its own destinies through the wise decisions of its electorate that run into millions in size. Every five years, the country chooses on how it should be governed, and the broad contours of economic policy that must guide its destinies also undergo change. As a natural corollary of this, the country has chosen, from time to time, governments of varying political ideology and predilections. However, since 1990, the economic policy of the country, and the policies relating to micro small and medium enterprises, have followed a path of liberalization, with much less role for government, both regulatory and promotional. Of late, the 2014 elections came up with an absolute majority for a coalition, making it possible for the government in power to initiate radical changes in economic policy in general. The focal themes that influence and affect MSMEs must be understood against such an objective background.

### 2.0. The State of the Indian Economy

The state of the Indian economy, as in 2014-15 and afterwards, explain the recent political transition and the developmental implications thereon. The major sources of information, on which one can draw some meaningful conclusions, are provided by the Ministry of Finance and the Reserve Bank of India

#### 2.1. GDP Growth Behaviour

India is set to become the fastest-growing big economy in the world, edging past China. It is set to clock a 7% rise in GDP in 2017 compared with 6.9% for bigger rival China, the World Bank says in its flagship publication, Global Economic Prospects. Global growth is expected

to rise moderately to 3.0% in 2015 from 2.6% in 2014 and further increase to 3.3% in 2017, the report said, pointing out that there will be significant divergence in trends and that the "oil price collapse will result in winners and losers".

According to the Economic Survey, the earlier perception about slow industrial growth during the last three years is at variance with the latest gross domestic product estimates, based on a new methodology and with 2011-12 as the base year. The latter indicates an industrial recovery led by mining and manufacturing. However, in the current year, credit growth, corporate performance, and the Index of Industrial Production continue to point towards slow industrial growth. Infrastructure growth in terms of eight core industries has been higher than industrial growth since 2011-12, and this trend is expected to continue. The Economic Survey also noted that, The number of macro level and sectoral initiatives undertaken to improve industrial growth are expected to yield results over time.

Corporate sector performance of listed manufacturing companies in the private sector in terms of growth of sales and net profit appeared to turn around in Q1 of 2014-15. However, performance in Q2 of 2014-15 dampened the expectations of sustained improvement. There was no discernible improvement in capacity utilization in the first two quarters of 2014-15, as per the twenty-seventh round of the Reserve Bank of India's (RBI's) Order Books, Inventories and Capacity Utilisation Survey.

In infrastructure, the focus has been on resolving long-pending issues like pricing of gas, establishing processes and procedures for transparent auction of

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