



MSMEs: The Transition and Growth Agenda

1.0. Introduction

Promotion of start-up through active policy measures is a major component of labour market intervention strategy in most countries of the world today. While 'active labour market' itself is essentially a priority of the developed countries, in the developing and emerging economies, start-up has more recently been considered as a fashionable concept. Hence, in many parts of the world today, the term 'start-up' is used as a misnomer and fashion associated with the growth of the 'new economy'. While promotion of start-ups has become a fashionable concept, in the so-called 'development' oriented democratic politics, the sustainability of enterprise and entrepreneurship, has often taken a back seat. For India's growing economy, it is vital to have both start-up and growth strategies as two sides of the same coin. While India remains insulated significantly from the recent global crisis, this is opportune time for the country, as the Prime Minister rightly put it, to work on effective enterprise development strategies. That requires, development of a growth and transition agenda for the MSME sector, against the overall policy thrust of 'Make in India'. What happens to every enterprise that are born today? Do they die or survive? If they die, why? If they survive, how healthy are they? Answers to these questions are crucial for the effective management of the economy as well. Having introduced 'Udyog Aadhar' as a national head-count system for enterprises, public policy need to move forward on such a foundations, and must aim at an effective knowledge system.

2.0. Growth and Transition: Why Discuss them?

Why is it so important to discuss transition and growth of MSMEs? For all organisms, growth and transition

are just biological processes, which cannot be ignored. However, in the case of MSMEs, there are much more solid reasons:

- 1). SMEs are carriers of the lowest form of entrepreneurship. Therefore, in order to nurture and sustain entrepreneurship, one need to meticulously follow their growth and transition processes as well.
- 2). Size- based linkages are crucial in the process of economic development. While small businesses mostly serve the immediate local market, they must grow in order to cater to a larger market, or to gain a wider customer base.
- 3). In the present day scheme of global production, scale of production and its expansion, on a 'Fordist' mode, are not always essential. In fact, production strategies of the 21st century are essentially SME based, as it is demonstrated in the case of countries like China.
- 4). The traditional argument for small- scale production was seriously constrained by the low productivity argument. Therefore, choice of technique and scale of production were discussed in relation to a trade -off between the economic objective of high productivity, and the social objective of employment promotion. Today, there is an increasing convergence between the two. MSMEs stand up as a key item in the agenda of 'inclusive development strategies.

3.0. SME Growth Theory: An Overview

There are different established enterprise growth theories focussing on static and dynamic concepts and

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