

Business Development Services for MSMEs

ISED Policy Briefs



Institute of Small Enterprises and Development



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**Business Development
Services for MSMEs**

Business Development Services for MSMEs

by

ISED Small Enterprise Observatory

jointly with

ISED Centre for Public Policy Studies

Institute of Small Enterprises & Development

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Preface

The purpose of this Policy Brief is to bring to light some of the least known aspects of the area of Business Development Services(BDS). It is also meant to initiate a wider discussion on the subject, so that it may contribute to public policy exercises and formulation of strategies.

There are a lot of government programs meant for the MSME sector today. They are mostly relating to functional areas such as, marketing, technology, and entrepreneurship. However, an integrated understanding of real services as also a mechanism for effective delivery, are areas that deserve immediate attention. A major reason for the relatively unsatisfactorily performance of many of these national programs, as indicated by the findings of some evaluation studies, is this critical gap relating to 'real services'. The primary task of a new policy approach should be to pitch this gap. While rapid technology and organisational changes take place, the very survival of SMEs would depend upon, not simply access to such technologies and organisational changes, but more importantly, how the changes are delivered. Developing a new horizon on business development services is important to take the country's MSME sector to the next level.

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Cochin

February 23, 2017

P.M.Mathew

Business Development Services for MSMEs

Abstract

India has many public programmes meant for the development of its micro, small and medium enterprises (MSMEs). They mostly relate to functional areas such as, marketing, technology, and entrepreneurship. However, an integrated understanding of 'real services', as also a mechanism for their effective delivery are areas that deserve immediate attention. The findings of many evaluation studies indicate this critical gap. The primary task of a new policy approach should be to pitch this gap. While rapid technology and organisational changes take place, the very survival of SMEs would depend upon, not simply access to such technologies and organisational changes, but more importantly, how the changes are delivered. Developing a new horizon on business development services (BDS) is important to take the country's MSME sector to the next level. The focus of this paper is on two major areas: a) organisational strategies; and b) BDS products. This dual focus is important, as none of the policy studies by expert committees and researches by individual scholars in the past have ever attempted such an approach.

Key Words: Business development services, real services, voucher scheme, District Industries Centres

1.0. Introduction

The role of 'real services' as a commitment of enterprise development, has been widely recognized around the world. Though, in India, the role of business development services (BDS) has been widely recognized since the setting up of public Technical Consultancy Organizations (TCOs) in the early 1970s, the so called 'real services' necessary for start-up, growth, and performance improvement of MSMEs still remains a badly neglected area of policy attention. Some of the earlier expert committees have highlighted BDS as a focal area demanding immediate policy attention (e.g.: Chakrabarty Committee, Madhav Lal Committee).

The concept of Technical Consultancy Organisations is based on a World Bank recommendation to Government of India, to create appropriate structures and systems to extend dependable and affordable professional consulting services to Indian SMEs. With this background, Government of India has initiated and proposed setting up of the TCOs. IDBI pioneered the effort to set up the first TCO in Kerala (1972) jointly with IFCL, ICICI, Government of Kerala and the State Bank of India.

2.0. Business Development Services: Scope and Coverage

Business Development Services (BDS) providers play a very important role of support to the development of MSMEs by providing a range of business advice, information and assistance to the sector, as well as stimulating sustainable MSME development by improving the general business environment. BDS are effectively a range of services designed to assist MSME entrepreneurs to operate efficiently and grow their businesses with the aim of contrib-

uting to economic growth, employment generation and poverty alleviation.

2.1. Scope

An important task before us is to have a clear understanding of the scope, and an effort to have an operational definition for the concept of business development services. In available literature, the term has been used essentially in a narrow sense, often with or without a *ceteris paribus* clause. The assumption is that business development services are those services that are confined to the operational and strategic support services that are essentially confined to the lifecycle of the enterprise. This definition of the Donors Committee (1997), which has been widely quoted by most authors confine to this limited area. However, for the sustainable growth of enterprises, the imperatives are not simply the life cycle based operational and strategic support services (OSSS) but also several facilitation services that are having an indirect bearing on the OSSS.

In order to have clarity on these two categories of services, ie. operational and strategic services, it would be instructive to arrange the various types of services according to the above two domains. They can be arranged in the following manner:

2.1.1. Services Provided by Facilitator

The facilitator largely operates in the external environment. The services provided by the Facilitator include the following:

- **Market access:** Market information, Trade fairs, Product exhibitions, Advertising, Market research, Marketing trips and meetings;

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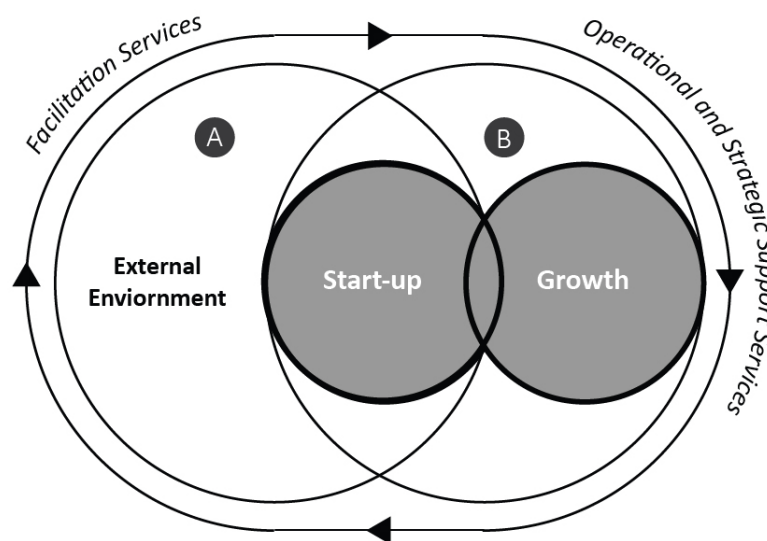
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Figure 1: Business Ecosystem and BDS



Source: ISED Small Enterprise Observatory