



Industrial View

First and only platform for MSMEs



VOLUME 01

ISSUE 02

HYDERABAD

JULY 2013

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Whose fault is it?





(L to R) Shankarachary, Cherlapally, ILA executive member and FSME-AP advisor, G Prasad Kumar, minister for HTLTSSI, APK Reddy, President, FSME-AP and editor, Industrial View, N Kiran Kumar Reddy, CM, AP, Sudheer Reddy, Secretary, ILA, Cherlapally and M V Rajeshwar Rao, CEO, CREDAI at the launch of the magazine at CM's chamber



A P K Reddy presenting a bouquet to CM N Kiran Kumar Reddy



Sankarachary and A P K Reddy share a joke with Chief Minister N Kiran Kumar Reddy at the magazine launch



FSME-AP

Launch of Industrial View

Chief Minister N Kiran Kumar Reddy launched Industrial View on 22 June, 2013. The CM handed over the first copy of the inaugural issue to MSME minister G Prasad Kumar.

Speaking on the occasion, the chief minister said, "A magazine for the MSME sector is a welcome development and the need of the hour."

M V Rajeshwara Rao, Former Secretary General FAPCCI and advisor to FSME-AP, Sudeer Reddy, Secretary, Cherlapally Industrial Local Authority, Sankarachary, Cherlapally, ILA executive member and FSME-AP advisor were also present on the occasion.



N.KIRAN KUMAR REDDY



Chief Minister
Andhra Pradesh

Hyderabad
12-06-2013

MESSAGE

I am happy to learn that Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) is coming out with a monthly magazine this month. I am told that the new magazine "Industrial View" would encompass issues pertaining to the sector. I am happy that the endeavour is to facilitate the services that meet the uncompromising standards of excellence. The vision is to become a valuable knowledge partner for key agencies and organizations operating in the sector.

I am happy to learn that the aim is to present the cutting-edge information on latest happenings, topical issues, current trends and burning topics in the most lucid and coherent way possible and reach out to the industrial fraternity by presenting information and starting a dialogue on contentious issues that plague the sector. I am happy that the magazine wishes to bring all stake holders on to one platform to voice opinions and find solutions

I wish the magazine all success.

Kiran Reddy.
(N.KIRAN KUMAR REDDY)

ANAM RAMANARAYANA REDDY

Minister for Finance, Planning,
Small Savings & State Lotteries



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MESSAGE

I am delighted to know that the Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) is launching a monthly magazine "Industrial View". I hope the magazine forms a platform to display the latest unveilings of cutting edge technologies. I hope the magazine will herald a new era in industrial publishing. I assume that the magazine serves as an encyclopedia containing a plethora of useful information.

Industrial sector is witnessing unprecedented technological advances which I hope will be showcased by the magazine for the industrialists, work force and all the end-users alike. I wish the magazine to grow with each issue and address the key issues plaguing the industry and suggest ways and means to the policy makers to solve them.

On this occasion, I congratulate the management and wish the magazine a grand success.

With best wishes and greetings.


(ANAM RAMANARAYANA REDDY)



D.K. Aruna

Minister for information &
Public Relations, Cinematography,
A.P Film, TV & Theatre Development Corporation
Government of Andhra Pradesh.



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A.P. Secretariat,
Hyderabad – 500 022
Off: 040 – 23450872
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Date: 19.06.2013

MESSAGE

I am happy to know that the Federation of Small and Medium Enterprises of Andhra Pradesh (FSME-AP) Is bringing out a monthly magazine with the name "Industrial View" to cater to the needs of the Small and Medium Enterprises Sector.

I hope that the endeavour would facilitate to offer service with high standards of excellence. I am happy to learn that the aim is to present cutting edge information on latest happenings, topical issues, current trends and burning topics in the most lucid and coherent way possible.

I wish the magazine all success

D.K. Aruna

G. PRASAD KUMAR

Minister for Handlooms & Textiles,
Spinning Mills,
Small Scale Industries,
K& VI Board



Room No.119, Ground Floor,
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23453631



MESSAGE

I am very glad to know that FSME - AP is coming out with a monthly magazine, the first dealing with issues of MSME and other small entrepreneurs in Andhra Pradesh.

I congratulate FSME-AP for brining out such a comprehensive magazine and all the best for success in this endeavor to protect MSME in industrial sector.

(G.PRASAD KUMAR)

G. Prasad Kumar
4/5/13

Dr. RAJAT KUMAR, I.A.S
Commissioner



**Department of Industries,
Commerce & Export Promotion**

MESSAGE

I am happy to note that Federation of Small and Medium Enterprises (FSME-AP) is bringing out a magazine dedicated to MSME sector.

Medium, Micro and Small Enterprises play a vital role in the economic development of the State and in the task of nation-building and also provide employment to both skilled personnel and unskilled labour besides opening up indirect employment avenues.

There are many magazines that cater to the needs of industries but very few dealing with the issues of MSME sector. I hope that this magazine acts as a voice for the sector and addresses all its relevant issues in a professional way.

I wish the magazine all success in the coming days.


RAJAT KUMAR

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SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA

Head Office: SIDBI Tower, 15, Ashok Marg, Lucknow - 226001

SIDBI is the apex financial institution for the Micro, Small and Medium Enterprises [MSME] in the country. It meets the credit needs of the MSME segment in various ways. A brief profile of the Bank is given below:

- Only financial institution dedicated exclusively for the MSME sector.
- Presence in all major commercial centers and MSE clusters.
- Provides all banking services to MSME units.
- State-of-the-art technology platform to provide efficient services to customers.
- Automated processes for quick decisions.
- Nodal agency for several GOI schemes.
- Flexible and innovative credit products.
- Specialized products for clusters and new technology businesses.
- Equity support to growth oriented SME units.
- Flexible products for large corporate having SME vendors and Suppliers.
- Collateral free assistance upon Rs.50 Lakh under CGTMSE Scheme.
- Attractive interest rates.
- Incentive for MSME units rated by SMERA.
- SIDBI is leveraging technology to provide customer services through website like information about products & services, contact information, downloadable application forms, status of loan applications online information about accounts of customers, etc. Submission of online application is also available.

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www.techsmall.com



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From the editor



APK Reddy

Few hits, lots of misses

Where have we gone wrong with SME sector? I often wonder, very well aware of the answer, which screams “Everywhere”. Having been brought up to believe that entrepreneurs prosper with the support of the government, it beats my logic to assess how almost 7,000 units in Andhra Pradesh could not survive.

In this issue we bring to you a comprehensive story on how and why small, medium and micro units are biting the dust in Andhra Pradesh. In spite of the recent measures by the State Government to solve the power crises, the industry is in doldrums. The lack of power in the last four years has hit entrepreneurs so hard that most have been declared NPAs.

Unless there is a total revamp in the industrial policy, the situation will not improve. While the neighbouring states have a Transparency Procurement Act, there is none in AP. The SMEs can only be protected if it is made mandatory for major industries to support smaller ones.

Why not have a separate ministry for the MSME sector? If there was ever a need for a ministry, it is now. A roadmap has to be chalked out to bail out the industry. The contribution of MSME sector is over 40 per cent to the economy and 80 per cent are employed in the SMEs. The MSME sector accounts for 40 per cent of the exports in India.

In Andhra Pradesh alone, seven lakh fam-

ilies are dependent on MSME sector and 40 lakh people are employed.

Even though the sector is in the doldrums, there are silver linings as well; the recent announcement by the government to revive the Malkapur Textile Park and the Autonagar Park in Nellore come like a whiff of fresh air.

This is the second issue of *Industrial View* and we once again wish to inform our readers that the aim of the magazine is to take issues to the government’s doorstep.

The time has come for all concerned, right from associations, federations and the government to rise and work in unison. A separate power policy for small, medium and micro sector will do wonders. A clear policy with targets for growth and handholding is paramount.

The most appalling case is the apathy shown to the sector. What can be more alarming than the fact that the last SLBC meeting on MSME was held way back in 2006.

The MSME sector needs a better deal and if the turnaround does not come about now it may be too late. Out of the 1,948 sick units that were reported to be potentially viable, only four units are being considered for rehabilitation. A task force on the lines of one at the center is what is required for the sector. Is anyone listening?

Will the magic of Ajay Kallam work for Kiran Kumar Reddy?

Going by his past credentials, it seems his magic will have an effect at least on the economic front



The chief minister N Kiran Kumar Reddy handpicked senior bureaucrat Ajay Kallam and appointed him as principal secretary. This comes at a time when there is a lot of political hara-kiri going on in the corridors of power.

Politics apart, it is a tough time for the industries, especially the MSME sector and the appointment comes as a breather to the state government.

The 1983 batch officer, who was on deputation as chairman of Visakhapatnam Port Trust, joins back in the state service. Though he still had time in the port trust till November, the CM is said to have asked Kallam to join his peshi immediately.

Will Kallam turn the tide for industries?

The appointment of Kallam augurs well for the industry. He has been at the helm of affairs as MD, APSFC in the past? The senior bureaucrat has a sound understand-

ing of the issues and problems of the industry as he was also been agricultural commissioner.

The business community is looking forward to him to turn the tide. The issues that are burning at the moment and need to be taken in earnest are:

- Rs 20,000 crore arrears by AP-TRANSCO
- The central government came up with a restructure policy which needs to be implemented.
- The 203 GO spells out the rehabilitation programme under the Andhra Pradesh State Small Sick Industries Revival Scheme (APSSSIRS). It needs to be implemented.
- Rs 7 crore funds are lying with APSFC but not a single unit has been rehabilitated.
- The Reserve Bank of India (RBI) conducts a SLIIC meeting every quarter but no effective implementation of the decisions take place. Some measures need to be taken to

make them accountable.

- Industries those are heavily dependent on power need to be protected and revived. A special package needs to be in place.
- There is a need for a separate power policy that needs to be introduced keeping the present state of affairs.
- Neighbouring states have the Transparent Procurement Policy but AP doesn't have one.
- There should be a separate MSME ministry in the state.

All hail the appointment

Senior bureaucrats, academicians, political pundits and seasoned journalists all have praised the appointment and are of the view that it is the right decision by the chief minister. Kalam's integrity and good working relationship with elected representatives and his past achievements have propelled his comeback.

The chief minister was on the

lookout for the right man to handle key segments in the state administration and he turned to the chairman of Vizag Port, Kallam. Kallam has been entrusted with important subjects, including revenue, energy, health and infrastructure. All these sectors are crucial for the overall economic growth of the state.

Kallam has been given the responsibilities to closely monitor the flagship programmes and welfare schemes, the pet projects of the chief minister such as sub-plans of the SCs, STs named Indiramma Kalalu, Bangaru Talli and Amma Hastham. He is given the mandate to ensure the proper implementation of these programmes by achieving the set targets on time.

As the chairman of Vizag Port, Kallam has a vision. He was confident that the port would cross a throughput of 70 million tonnes by 2013-14 and 83 million tonnes by the end of the 12th Pan Period, 2016-17. By the turn of the decade, he said that the port's throughput would cross 100 million tonnes.

Ajay Kallam is known for turning around sick and ailing sectors, as the chairman of Vizag Port he took a slew of measures to boost output and productivity. The deepening of the inner harbour channel to accommodate 14 mt draft vessels and outer harbor to 18 mts draft. New berths with merchandised handling facilities for liquids, chemicals, coal and cok.

Given his past credentials, Ajay Kallam is all set to give a new lease to the programmes of the state government. His induction is viewed to give a boost to the projects of the state government ahead of the elections in 2014.

While the government has appointed him to look into all the pet projects, industrialists too wait in anticipation to see what he will do to pull the ailing sector out of crisis.

Will the Kallam magic work? Waits to be seen.

In Brief

\$4-m project launched to promote clean energy among SMEs

The MSME Ministry has launched a \$4-million project in association with the Global Environment Facility (GEF) to promote energy efficiency and renewable energy among small and medium enterprises.

At a FICCI conference, MSME Secretary Madhav Lal said, "Of the total funding, the ministry will provide \$3 million and grant of \$1 million will come from the GEF for a period of three years to help small units to use clean energy and become energy efficient." Stating the need for these SMEs to become globally



competitive, the MSME Secretary said, "We are considering using industry associations as the platform for creating awareness among their members about saving energy and benefits of adoption of green technology innovation."

The key activities of the Cleantech programme include mentoring and training, linking of value chain, technological transfer and upgradation, access to capital and scaling up.

"We aim that by 2025 all energy consuming MSMEs in the country shall be energy efficient and will be using clean energy," Development Commissioner in the MSME ministry Amarendra Sinha said.

The project will adapt an inter-disciplinary approach involving SME clusters, national ministries, industrial associations, state governments, partner agencies and autonomous research centres in India and abroad to promote innovative technologies in energy-intensive SME clusters.

In Conversation »»



Dr Rajat Kumar,
Commissioner of Industries
speaks to **A P K Reddy** about the
general state of affairs and on the
plans for the Small & Medium
Enterprises

**“We will put forward
a proposal for transparency
procurement act”**

On the need to improve infrastructure of industries in districts

In 1978 all over India a scheme was started to facilitate the infrastructure development. The capital was provided by the government and operations handed over to districts. It is a fact that over the years there has been no up gradation.

Now there is an effort to improve the infrastructure at DICs. A meeting was also held on June 5. Computers, internet connectivity, estimates for all buildings are underway. There is a plan to also spruce up the office of the commissioner. It is a heritage building; the plan is to revamp it in the next nine months.

As regards to the state of the buildings some are good, for instance at Vishakhapatnam and Cuddapah. There is a need for a new building at Warangal as they are presently functioning out of a rented space.

On industrial promotional officers

The most important aspect is to define work for Industrial Promotional officers. There are 110 IPOs recruited as on date. We have written to the respective panchayats for space and the response is positive. The need of the hour is to identify activities suited to specific areas. The issues such as backward linkages, natural resources and human resources need to be taken into account.

Constituency wise planning is going on with the available data and a report is being prepared.

On lack of staff at the Commissioners office

There is a shortage everywhere but the commissionerate has been doing its job. This office disburses eight types of incentives. Today with the 6000 mee seva centres entrepreneurs can claim incentives.

On CGTMSE

The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) is a flagship programme and is an inclusive scheme. Loans upto Rs 52,000 crores have been disbursed at all India level, it is far from satisfactory in Andhra Pradesh.

On the allegation that the office of the commis-

sioner of industries is an advisory body and banks are not heeding to its advice

We have been making appeals all forums, be it SLBC, SLIC and even at the district levels. There is also a need to question why banks are not giving loans? Entrepreneurs need to show viable projects along with marketing potential. Once credible projects are tabled, banks are bound to be interested.

The commissionerate has been playing an active role and is taking up the cause of the industry at all given times. There are several technical issues and in many instances the office cannot take decisions beyond its purview. We do agree that there is a need to streamline and monitor GMs at the district level. We will be conducting meetings with DIPCs, Collectors, DLCs, and GMs.

Many states have Transparency Procurement Act but AP does not

It is a fact that AP does not have one; the office of the commissioner of industries will put forward the proposal.

Big industries like Mahindra and Mahindra have set up industry in the outskirts of Hyderabad but locals are not being benefitted

It is too early to make a judgment. It is noticed that when big industries set up plants they come with their ancillaries. According to a recent survey it is expected that 35 ancillaries would come up in Andhra Pradesh.

On Facilitation Council

I am a member of the council and will be writing for five new councils in other parts of the state.

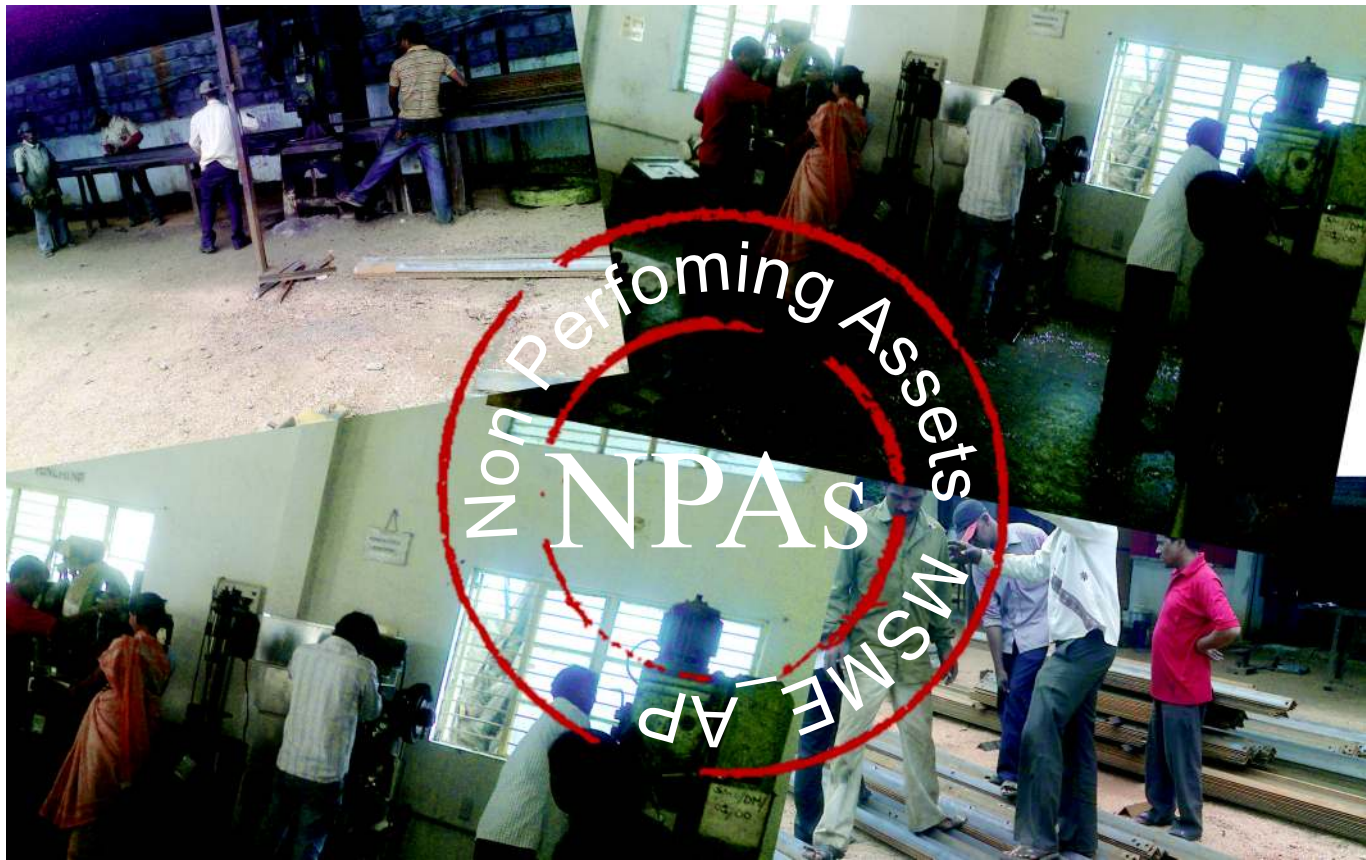
On allotment for small industries

It is under consideration. That is all I can say at the moment.

On granite industry

There are many unresolved issues pertaining to the granite industry. Power, royalty, mining leases and Chinese competition. The commissionerate is ready to meet the representatives of the granite industry and chalk out a plan.

Cover Story >>>



NPAs whose fault is it?

The MSE target in terms of share of credit to Micro stands at an impressive 60 per cent as per projections by the Prime Minister's Task Force. However, the ground realities are far from the recommendations considering that as of March 30, 2013 it stands at an abysmal 35.23 per cent. Even more tragic is that of the 1,948 sick units that were reported to be potentially viable, only four units are being considered for rehabilitation. Who is to be blamed for this sorry status? The government of the day, the ministry of industries or will it be the hapless entrepreneur, who will shoulder the burden after being made the scapegoat?

APK Reddy

Cover Story >>>

The fact of the matter is that the government gives with one hand and takes away more than that with the other. The double standards are glaringly on show and depressingly lamentable. On the one hand, one wants industries to grow so as to thrust to the economy. Banks, as a contributory obligation, magnanimously dish out loans, quite sparingly at that. Unfortunately, the system is such that during crisis times rather than bail out the industry-customer, the banks very ruthlessly serve notices cautioning against seizure of assets for continued non-payment.

The State Government vowed uninterrupted power but industries received just three days of supply in a week for over 18 months. Orders piled up but entrepreneurs could not deliver and for obvious reasons. The supply was always short of the demand because of non-productivity in the absence of the required power supply.

“Instead of coming to our aid, the government imposed FSA. The hike was 24 to 40 per cent for small and medium enterprises. Over all, the proposed industrial tariff was 60 per cent higher than the cost of service against the 20 per cent that has been recommended by the National Tariff Policy,” rues Ramesh, an entrepreneur from Cherlapally.

There is a rehabilitation package scheme but it is not implemented in letter and spirit. The Reserve Bank of India (RBI) meets every quarter but the decisions taken in the meetings are never implemented and remain more of lip service.

The Union Government has mandated that banks improve the percentage of micro advances to MSEs to 60 % as envisaged by the

PMs Task force. Andhra Pradesh cuts a sorry figure on that count. As of June 25, 2013, the percentage, which was 36.35 in the previous fiscal, nosedived to 35.23. What is more appalling is the lack of a willingness to enforce the grandiose schemes.

Situation alarming

The total number of sick units in Andhra Pradesh for the quarter ending March 2012, stood at 54,799 with an outstanding credit of Rs 927.71 crores as against 7,352 sick units with outstanding amount of Rs 787.77 crores as of December 31, 2012.

Banks included service sector units as part of the rehabilitation of sick Micro and Small enterprises. However, it is only in numerical terms as there is an increase in the number of units in the package but nothing beyond that. There are 45,553 units for which viability is yet to be decided, although the same has to be gone about within three months from the date the unit report sick.

The banks are advised to improve the disbursement ratio, which stood at 65.21 per cent for the year ended March 31, 2013 against the target ratio of 96.55 per cent. Of the 3,126 projects targeted, only 3,018 projects were sanctioned and 1,968 disbursed.

Scheme only on paper

The Small Scale Sick Industries Revival and Rehabilitation Fund (APSSSIRS) mandates that the government should earmark budgetary allocations for rehabilitating sick SSIs. The entire fund shall be drawn before the end of the third quarter and kept at the disposal of Commissioner of Industries. Nec-

essary funds to operate the scheme on behalf of the agencies shall also be provided in the budget allocation of Industries and Commerce Department. Sadly, not even a single unit has been rehabilitated till date. Although Rs seven crore fund is available with APSFC, it is yet to bail out a single unit. SLIC meetings a mere formality.

The meetings that the Reserve Bank of India conducts every quarter have turned into a mere formality. They spell out recommendations but no concrete steps are taken to get them implemented. In the process, the Commissioner of Industries has turned into just an advisory body, bereft of any administrative power.

Unless a proper plan is put in place and powers be bestowed upon the Commissioner of Industries, the situation would remain as pitiable as it exists now. The neighbouring states have a Transparency Procurement Act in place. But, the Andhra Pradesh Government is still to consider such an Act, which could actually help in saving the small, medium and micro enterprises that constitute the backbone of the economy. More than advising the banks to extend loans, concerted efforts ought to be taken to put the decisions taken at SLIC meetings into action. For that to happen, a revamp of Office of the Commissioner of Industries is the order of the day.

Rehabilitation-What is that?

We present case studies of some units that have tremendous potential but are now struggling to survive in the absence of State support and the unrest over Telangana.

Sharada Mechanical Engineering

Established in 1990 in Cherlapally, with an initial capital of Rs 25,000, the unit has grown by leaps and bounds in its 25 years of existence. It stands out as a classic example of how a determined small entrepreneur can survive the odds. Manufacturers of microwave towers, V Sat Grid & Patch Panel and other communication antennas, Sharada Engineering commanded awe as a success story.

But that appear to be from a distant past as it is struggling to survive and for no fault of theirs. It is not that they defaulted on any aspect but became a victim of the crisis that has hit the industrial sector. The accounts have been frozen while the receipts were adjusted to recover 'dues'.

T Veeraswamy, its proprietor, laments "in accordance with the existing government policy, the unit has to be rehabilitated to ensure its smooth functioning. If I fail to bring the unit to normal functioning after rehabilitation, let them take away my property." What he implies is that they need a helping hand and reasonable time to get back on rails. What comes in its favour is Sharada Engineering enjoy tremendous goodwill. The clients are willing to give orders but in the meantime it requires bank loans. After classifying the account as NPA in October last, Syndicate Bank issued a demand notice for repayment of dues, which is approximately Rs 4, 46, 65,579.79.

HIT BY DELAYED PAYMENTS BY CENTRAL GOVT DEPT



Veeraswamy
proprietor

The gathering storm

A major cause for the crisis has been the inadequate power supply for the past 18 months. In financial terms, if it owes around Rs 4.47 crore, then it is yet to receive almost Rs 4.5 crore from its clients, including BSNL. A simple reasoning is that had there been enough power supply, the situation would not have risen to the present levels. Who is to be blamed for this—the entrepreneur or the government? The company had urged the bank to permit it to operate the account up to the extent of payment of statutory liabilities such as salaries, duties and taxes by converting 50 per cent outstanding paid LCs to term loan. The management rues that in spite of having good credentials in the market, the company has been declared as NPA.

Sharada Mechanical Engineer-

ing is one of the three firms in the state empanelled to take up work pertaining to towers. Today, it is in such a situation that due to the NPA tag it is not in a position to participate in tenders.

Veeraswamy says "Recently the Railways called for a tender pertaining to signal towers, which was worth Rs 5 crore but we could not participate in the tender."

A unit that has credibility and has proof of the receivable payments is not being taken up for rehabilitation. Veeraswamy says, "The OD and BG account is frozen. I have paid Rs 1.2 crore in the last six months out of which Rs 50 lakh went towards payment of interest. Unless banks come to the rescue of entrepreneurs, the units cannot be saved."



Industries affected by power crisis

Hyderabad, Ranga Reddy :

Ferro alloys, pharma, steel, foundries, Forgings biscuit-making units, plastics, industrial moulds, general engineering

Nalgonda : Rice Mills, cement, clinker

Khammam, Warangal, Karimnagar, Prakasam : Granite-related industries

Anantapur, Kurnool : Shahabad stone

Mahbubnagar : Handlooms, power looms

Chittoor : Food-processing

East Godavari : Rice mills, paper recycling units, Sago mills

Guntur : Spinning mills

Krishna : Automobiles, ancillary industries

Nellore : Rice mills, Engineering



Harinadha Reddy (MD)

Virupaksha Aluminium Pvt Ltd

Here is yet another instance of a vibrant unit having become powerless because of the Government's lackadaisical approach. Virupaksha Aluminium Pvt Ltd is heavily dependent on continuous power supply. It is to such an extent that even a 60-minute load shedding can lead to insurmountable losses. If one were to understand the predicament of the entrepreneur one needs to look into the production process and decide whose fault it is.

Read on:

Aluminum ingots and scrap in

oil fed furnace is melted continuously for 7 hours; after melting, the aluminum casting will take one hour. In case of a power shortage of more than an hour, the tempozizer will come down and the total metal will settle at the bottom of the surface.

It will again take five hours to melt and to finish casting in the shape of logs. In the second step, the logs are turned into cut size billets and are to be pre heated in a billet heater up to 450 degrees centigrade and loaded in to extrusion press container which is also

Cover Story >>>



**Rs.30,000 crore
production loss in
Andhra Pradesh
in 2012-13**

heated to 450 degree centigrade. Established in the APIIC Growth Centre in Gunlapally of Prakasam district, Virupaksha enjoyed the patronage of clientele from Tamil Nadu, Karnataka and Kerala in a span of two years. But the erratic power supply hit it the hardest and it is in dire straits ever since.

Whose fault is it?

For a unit that has enough orders and a good reputation, Virupaksha is not able to meet deadlines and is not in a position to even to meet 30 per cent of its production. Unable to use generators, which cost Rs 15-17 per unit, it is limping into oblivion.

P Harinadha Reddy, director, Virupaksha Aluminum, reasons, "We had very good orders and were running efficiently till the time power crisis grounded us badly. Even more alarming is the monthly FSA charges of Rs 1, 50,000." In the last 21 months, Virupaksha has been incurring

losses of Rs 15,00,000 every month. The working capital is exhausted and in the process it is not in a position to pay installments and interest.

Virupaksha has a workforce of 95, who earn their livelihood from the manufacturing unit. The promoters are seeking reduction of interest rate by minimum 3 per cent on the existing rates on both term loan and cash credit apart from rescheduling by 12 months. The credit of Rs 4 crore has touched Rs 4.5 crore.

Why Virupaksha should be saved?

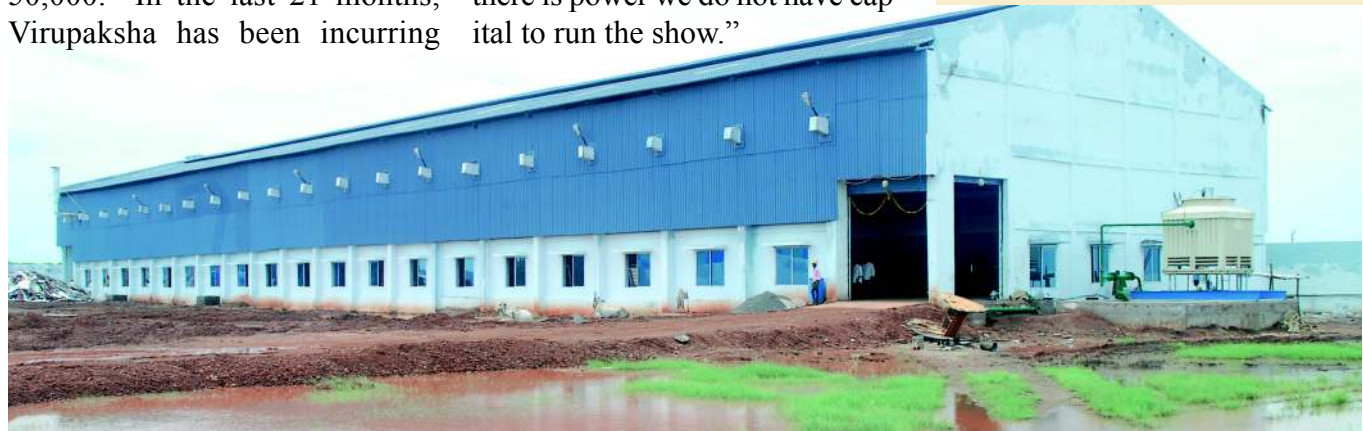
Virupaksha has more than 15 clients who are ready to give orders worth 20-40 tonnes of extrusion order. It is not able to take them because of the NPA tag. The Catch-22 situation has been described appropriately by Harinadha Reddy, "When we had capital there was no power; when there is power we do not have capital to run the show."

Swatti Pushpam P Ltd

This is a tragic instance of a plate being served but one is forbidden from partaking of the food, a so near yet so far irony. Into manufacturing of toothbrushes at Turka Yamjal, the biggest dilemma confronting Swatti Pushpam is lack of working capital. After being declared NPA by Bank of India, its revival plan came up for discussion at the SLIIC sub-committee meeting. Despite it being recommended for infusion of additional working capital after stock-assessing trip, no action has been taken. On the contrary, notices were served to the owner.

Dilip Kumar Raja, proprietor, Swatti Pushpam says, "What we are asking for is withdrawal of the recall notice and to cede pari passu in favour of Bank of India to enable them to grant additional working capital."

The committee inspected the unit and came to the conclusion that the sickness was due to dearth of funds. Hence, it recommended sanction of Rs 42 lakh as additional working capital to run an additional two shifts to off-load the accrued orders.



Pearl loses its lustre

It was in 2005 that the Government of the day graciously conferred on him the 'Pearl of Andhra Pradesh' honour in recognition of his entrepreneurial skills and contribution to the industry. Two years later, he was bestowed a national award in the best entrepreneur category. Displaying relentless pursuit, M M Reddy built an industry brick-by-brick in three decades. Today, he is languishing and the awards that adorn his drawing room are grim reminders of a golden period gone astray. His 30 years of labour have gone down the drain in a matter of 20 months. The villains of the piece are power crisis, mismanagement by the Department of Industry and lacklustre attitude of the Union and State governments.

MMadusudhan Reddy, a young Mechanical Engineer started his entrepreneurial journey at a tender age by taking over a sick unit. Fluidcheck Valves P Ltd was shut down due to financial and labour problems. Since taking over, he brought it back to good times and also ensured supply to all the major mining projects across India. Taking note of the shortage of quality raw materials and castings, Reddy set his eyes on backward integration, which led to the founding of Maks Casting P Ltd in IDA Uppal, a foundry that is into the manufacture of Gray and Ductile Iron Castings. It took just four years for Maks Castings to get accreditations from ISO and other international status symbols. The unit grew phenomenally by five times in production capacity and was not only meeting its own castings needs but also catering to major refrigeration, machine tools and automobile industries. Exporting quality castings to USA, Singapore and UAE was a natural extension of the growth indices. Taking advantage of the vibrant industrial policy announced by APIIC and armed with orders from the loyal clientele, Reddy started the expansion

HIT BY LACK OF POWER



Cover Story >>>

process by setting up a plant with a capacity of 10,000MT

per year. The unit achieved 65 per cent of its production capacity in a couple of years. Mks Group in 2011 was producing 9000MT of castings and supplying to domestic and global customers. Industry left high and dry. The bolt from the blue came in September 2011 when the Government of Andhra Pradesh announced massive power restrictions on industries.

With only 50 per cent of power available, the capacities of foundry units came down by 50 per cent while the overheads remained the same.

The unit was in no position to supply castings at the existing rates leading to several customers based out of Andhra Pradesh looking for suppliers from other states.

The Government of Andhra Pradesh failed to bring in major engineering and automotive indus-

tries to the State. Consequently, the foundry industry had to depend on customers from other States. It was boom-time for those based in Maharashtra, Chhattisgarh and Gujarat where the industry enjoys 100 per cent power supply and at a cheaper rate.

Foundry being a power intensive unit, they were unable to purchase from private players due to the exorbitant costs. Naturally, they failed to deliver the orders. With all the overheads increasing and the reduced capacities adversely impacting sales, the units were unable to sustain leading to a gradual decline. Adding to the torture was the imposition of a revised FSA. To stay afloat, M M Reddy started infusing money to the tune of Rs 35 lakh per month hoping that the government would provide power to the industry at affordable costs in the not too distant

future.

M M Reddy, who strived for 30 years to build an industry, which employed 450 personnel, lost his earnings within 20 months due to the ineptness of the State and Union Governments and the utter lack of vision. Whose fault is it? Is the entrepreneur who risked his finances, time, energy, paid taxes diligently and helped 450 families to earn their livelihood to be blamed for the ills? Is he paying a heavy price for his passion to help in the nation-building exercise? Is he to be blamed for swearing by the blue print of the ambitious Andhra Pradesh Industrial policy? Like many others, even M M Reddy is groping in the dark searching for an answer and perhaps light at the end of the tunnel that could illuminate him and others like him who feel cheated by the policy makers.

Points to Ponder



APK Reddy, FSME-AP President, Rajat Kumar, Commissioner of Industries, Pradeep Chandra, Principal Secretary, Industries, K S Rao, Regional Director, RBI, representatives of banks and financial institutions at the SLIIC meeting held on June 25 at RBI, Hyderabad

Points to Ponder

SLIC – Has no teeth

The State Level Inter Institutional Committee meets every quarter at the Commissioner of Industries office. Right from the Regional Director, RBI, Principal Secretary, Industries, Commissioner of Industries, APIIC, SLBC convenor, bank managers and representatives of SIDBI, KVIC industrial associations and federations take part in the meetings.

Several decisions are taken in the meetings and in-depth discussions take place on the ailing industrial units but in the last 10 years not a single industrial unit has been rehabilitated.

It has become merely an advisory body, if the decisions taken at the meetings are not implemented there is no action and no one is accountable.

Preventive NPA Proposal and sanction

At the time of sanction, the term loan and working capital are separated but the moment a unit is declared an NPA, banks just transfer the funds. The entrepreneur has every right to be informed.

The bank manager should have the right to transfer the funds from term loan and working capital towards interest.

There is a dire need to incorporate a corpus fund and the banks should make it mandatory right at the proposal stage itself before sanctioning loans. A corpus fund will also boost the confidence of the entrepreneur.

Distinguish between ‘wilful’ and non-wilful’ defaulter

There is a need to distinguish between ‘wilful’ and ‘non-wilful’ defaulter. To paint everyone with the same brush tantamount to injustice. There are several industrial units that have been declared NPA but whose credentials are good. Due to reasons which were not under their control they have turned into NPAs. Many industrial units who had orders in hand could not deliver due to power crises and fell into the NPA trap.

Previously banks would declare an industrial unit after closely monitoring for a year; it was then reduced to 180 days to 90 days. Today just after 30 days, banks start monitoring. The Nayak and Chakravarty committee recommendations have no meaning today.

The Sarfaesi Act should be used sparingly and banks should first analyze under what circumstances the industrial unit defaulted. Many a time the entrepreneur has payments pending even from the central and state governments. The banks should look into the credibility, order book and payments to be received before implementing Sarfaesi.

Exit policy

There is a need for an exit policy for the MSME sector. Once a unit becomes an NPA, it is doomed. There is a need for introducing a proper exit policy. With no window to exit, the land mafia is buying the assets in auctions at throw away prices.

Points to Ponder

Term loans and working capital

The moment a unit is declared NPA, banks are forcing the entrepreneur to pay up interest and the money is taken from the working capital. This is in spite of the collaterals. At the tie of sanction the bank provides a provision for separate sections for term loan, working capital, bank guarantee and letter of credit. But after a unit is declared as an NPA, bankers just remove the funds from the above as part of interest.

**Delay
Payment Act**

Many of the units in MSME sector supply a variety of manufacturing goods to the central and state government. In many cases, the payments take months and at times years. Banks need to consider this aspect before declaring a unit NPA.

**Marketing the bane of the
SME sector**

The SME sector relies to a great extent on major industries and supplies products. For instance, the foundries rely heavily on the automobile sector. The Transparency Procurement Act which has been implemented in other states is non-existent in AP. There is an urgent need to make it mandatory in AP. Instead of giving orders to the SMEs, multinational companies are given priority. The government issued GOs for major industries to give orders to MSME sector, but it is not mandatory. When officials are questioned they blame it on 'beneficiary choice.'

Need for a sub-plan for MSME

The ailing MSME sector needs a sub plan on the lines of SC, ST in AP. The sector has potential, what it lacks is a strategic road map to take it to greater heights.

Infrastructure

Land should be allotted at low rates if the industry is to grow.

Preventive NPA

There is a need to make the preventive NPA to come into force. The District Industries Promotion Committee (DIPC) headed by the Collector who is the chairman along with District Level Banking Committee (DLBC) need to become proactive.

Industrial Policy

Every five years an industrial policy is announced but there is no clarity in several issues such as: cash, tax incentives, land, power. Neither is there a budget nor targets for the MSME sector. From 2003 to 2013 not a single industrial unit was rehabilitated, although Rs 7 crore budget was allotted.



R Karikal Valaven,
former Commissioner of Industries

Where have the proposals gone?

The former Commissioner of Industries, R Karikal Valaven sent a number of proposals to the Reserve Bank of India for rehabilitation package for crisis driven MSEs. His term is over, yet the proposals that he sent are gathering dust, forgotten and ignored. The proposals that he sent to RBI and the State Government in August 2012 still stand good.

Here we present his fourteen points:

1. Grant of Interest Term Lone repayable in 3 years with quarterly repayments. The ITL should carry simple interest at 12% p.a. There should be a moratorium period of one year. There shall be no penal interest.
2. The principal both in cash credit and installments' in term loans to be packaged as a second Term Loan repayable in 5 years. Interest on this blocked Term Lone should be no more than 12% p.a. and it should be as per the original agreement.
3. In all the cases their original limits of sanction should be restored and cash credit or demand lone released immediately.
4. Loans should be provided to all MSMEs for purchasing of DG Sets with simple interest to enable the industry to survive during Power crisis.
5. Those units that are on the export markets but have lost them due to recession, packaging credit facilities should be provided for accessing those markets again whenever feasible.
6. Those units that would need Technology infusion should be granted separate fresh Term Lone for such period as the Technology access and its productive life demands keeping in view the cash generation capabilities.
7. All those packages should be covered under CGTMSE package for all MSE units up to Rs. One Crore limit.
8. Since units have no cash on hand, Margin Money or their contribution should not be insisted upon.
9. Demand for collateral security should be highly need-based.
10. For all units whose loan requirements are below 1 Crore, external credit rating may not be insisted upon.
11. All units located in clusters where common infrastructure facilities exist and where the cluster agent is active, you may please examine the prospect of extending concessionary interest rates after they demonstrate the cohesion in their activities with assured markets.
12. Cash credit loans may be sanctioned based on their projected cash flow and assured work orders instead of on balance sheet ratio analysis and past performance.
13. Re-schedulement of loan without effecting status of the industry.
14. No unit should be made N.P.A during this period.



Ramamurthy and Madhavi whose unit is declared as NPA are virtually on the streets today



Khammam granite industries in dire straits



By D Ravi Kumar, FSME-AP, District Convenor

Pending investment subsidies for granite industry entrepreneurs

S.No	Investment Subsidy	General	No of Units	Amount sanctioned
1	Investment Subsidy	General	65	Rs: 13,02,02,681=00
2	Power Reimbursement	---do---	342	Rs:7,73,62,890=00
3	Pavala vaddi Sachem	---do---	81	Rs:3,54,92,463=00
4	Sales Tax	---do---	12	Rs:74,38,024=00
5	Stamp deity	---do---	03	Rs: 1,56,562=00
1	SCP	SC's	19	Rs:1,58,68,160=00
2	TSP	ST's	26	Rs:2,09,74,100=00

Mallapati Madhavi a women entrepreneur, who owns Saptagiri Minerals, was once a proud lady who made it good in the granite industry, today she is finding it difficult to make both ends meet. The lack of protection by the government abnormal taxes and weightage system has thrown many entrepreneurs into a quandary.

While the sales tax in neighboring states is 4 % in AP it is 14.5 %. “How can one expect the granite industry to do well in such a



(Top) State Granite Industries President, Royal Nageshwar Rao at the round table conference at Khammam. (Left) District Granite Industries President, S Ramesh Reddy organised the conference.

scenario,” asks Ramamurthy, husband of Madhavi.

The Khammam granite industry has always been a major contributor to the state exchequer and a notable feature of the industry is that 48 % of the entrepreneurs are women. However, in the recent past, due to the lack of power the industry has fallen on bad times.

Today, Saptagiri Minerals is under Sarfaesi and is struggling to come out of the trap.

There are thousands of acres for quarries in Khammam and 30,000 families dependent on the granite industry. Almost 70 per cent of the units are in trouble due to government’s lackadaisical attitude.

Demands

The entrepreneurs are demanding for the removal of 50 % royalty, weightage system should be removed as well. Another issue that affects the entrepreneurs is obtaining no objection certificates for new quarries. Getting NOCs is a cumbersome task and want the government to simplify the procedure. Above all what is hitting the quarry owners hard is the high sales tax.

The trend of owners turning MPs too is a cause for worry say locals as they are only bothered to consolidate their position without looking into the welfare of the industry.

Officials promise action will be taken

Industrial View and FSME-AP have made representation to the Commissioner of Industries and he promised to visit Khammam and study the problems. (See interview on P XX)



Srinivas Naik GM, DIC

Recently a round table conference was held in Khammam where Sadu Ramesh Reddy, President, Khammam Granite District Association, Y Srinivas Rao, Founder President, state President R Nageshwar Rao, TDP district President K Koteswar Rao, Kothagudam MLA, K Sambasiva Rao, G Narsiah of CPML New Democracy and others participated.

Srinivas Naik, GM, DIC said that he would be writing to the Commissioner of Industries. FSME-AP too has been pursuing the matter in the District Industries Promotion Committee.



Y Srinivas Rao, Founder President, District Granite Industries Association speaking at the conference. Also seen in the picture are leaders of all political parties



A state level handloom and handicraft artisans meet was held at MCRHRD auditorium recently. Union minister for Handloom and Textiles, K Sambasiva Rao, G Prasad Kumar, Minister for Handlooms and Textiles Govt of Andhra Pradesh, D Srinivasulu, Principal Secretary, Handloom Textile and Mining took part in the seminar. Seen in the photograph is A P K Reddy, President, FSME-AP presenting a bouquet and a representation on Malkapur Textile park. The ministers promised support for the park. (Left) A P K Reddy asked the government to provide collateral free loans to MSME sector.





Malkapur Park gets Rs 2 crore sanction

Subsequent to the report in Industrial View magazine and representation by FSME-AP, the central as well as state government sanction funds for the revival of the textile park

In the inaugural issue of Industrial View in June, an article titled ‘Malkapur Textile Park crying for attention’ was featured where a detailed report on the state of the park was reported. It was followed by a representation by Federation of Small Medium Enterprises Andhra Pradesh (FSME-AP) to the central and state government to revive the park. In a meeting held recently in Hyderabad, G Biksham, President, Malkapur Textile Park, M K D Prasad, Secretary, representatives of FSME-AP and other government officials briefed the Union minister for Handloom and Textiles, K Sambasiva Rao, state minister for Handloom and Textiles, G Prasad Kumar about the state of affairs of the park.

Lack of infrastructure, training and government apathy reduced the park to a near abandoned state. But based on the report in Industrial View and subsequent effort of FSME-AP, the state government woke up and sanctioned Rs 2 crore for the revival of the park.

Union minister for Handloom and Textiles, K Sambasiva Rao promised full support for the park after the state minister for Handloom and Textiles, G Prasad Kumar sanctioned Rs 2 crore. The central minister said that the centre would bear the extra cost.

A separate committee would be making a visit to Malkapur soon to make an in-depth study and submit a report.



Rs 2 crore sanctioned for Autonagar Park, Nellore

Post the publication of an article ‘Nellore autonagar Industrial Park loses gear’ in Industrial View and representation by FSME-AP, Autonagar Park in Nellore received a Rs 2 crore sanction from Andhra Pradesh Industrial Infrastructure Corporation (APIIC). Entrepreneurs at the Autonagar Park have been left to fend for themselves without proper roads, buildings, water and power. Many set up make shift tents and are running business inside the park. Industrial View reported on the sad plight of the entrepreneurs. It later took up the cause and made a representation to APIIC and submitted a report. In a welcome move, APIIC sanctioned Rs 2 crore, out of which Rs 1 crore has been granted. It has to be mentioned that the new MD Jayesh Ranjan took immediate action.

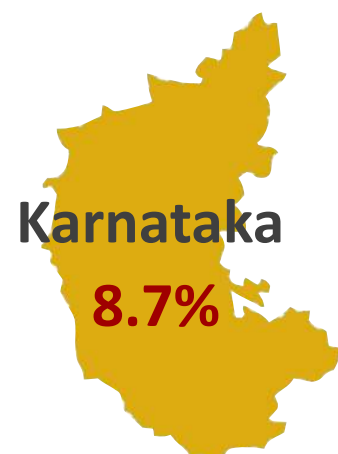
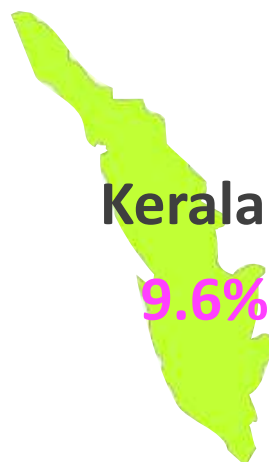
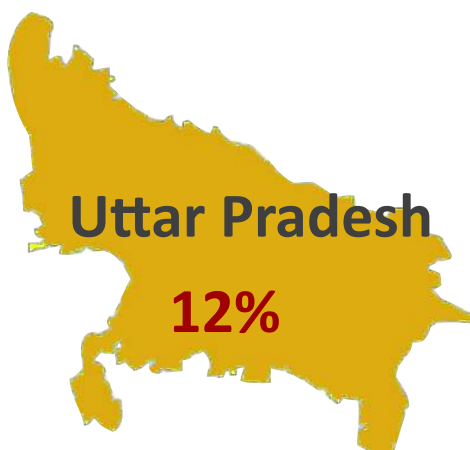
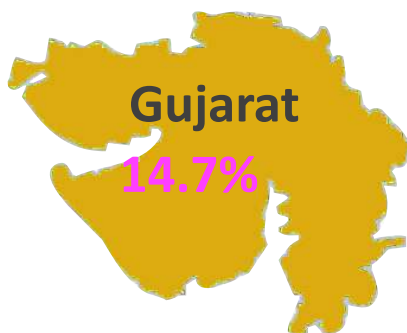
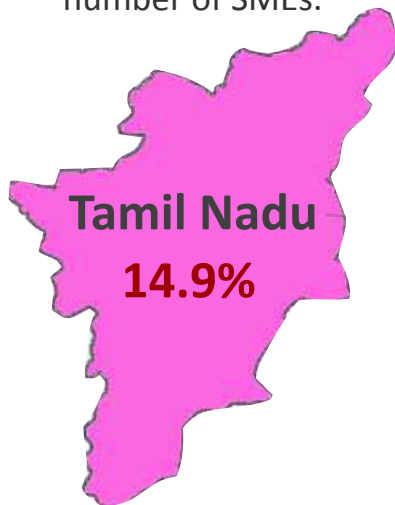
Entrepreneurs hail the decision
The entrepreneurs at Nellore Autonagar have hailed the decision and said that it is an unprecedented move from APIIC. In the past ten years, several representations were made but to no avail. Sudeer, an entrepreneur said, “We have hope that the park will get a new lease of life. There is a great need to improve infrastructure inside the park.”





Where are the SMEs in India?

Majority of the SMEs are located in Tamil Nadu and Gujarat. Sadly Andhra Pradesh does not figure anywhere close. Even Kerala and Karnataka have more number of SMEs.



Small can be Big

Though SMEs employ 40 per cent of India's workforce, they contribute a meagre 17 per cent to the GDP. SMEs can do much more than that provided the government of the day rises to the occasion and gives fillip to the sector, whose contribution towards the economic well-being is second to none



The Father of the Nation rightly observed that India lives in its villages and it is the small scale and cottage industries that have the potential to propel the nation forward. Even after having gained independence 66 years ago, the pearls of wisdom hold good.

Unfortunately the political successors and the economists toeing their line have only made a mockery of the visionary, who espoused the cause with a serious understanding of the country's vast resources and the potentialities of the small scale sector.

Unfortunately, in the name of modernity and industrialisation, the country's men of destiny have opened the floodgates to multinationals,

which have grabbed huge tracks of land to serve their materialistic interests while making the lives of skilled and unskilled labour, most from the small sector, miserable and pathetically woeful.

The Power of SME

First things first! There is no denying the overwhelming fact that by employing close to 40 per cent of the country's workforce and contributing 45 per cent to the annual manufacturing output, SMEs play a decisively critical but crucial role in various aspects.

The country's 1.3 million SMEs account for 40 per cent of India's total exports.

SMEs can work wonders because they have the potential, talent and more importantly the drive to deliver at all levels.

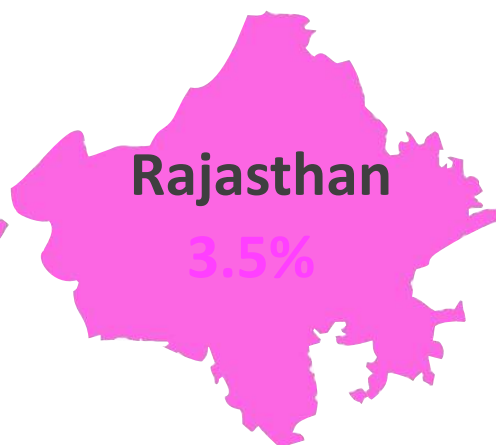
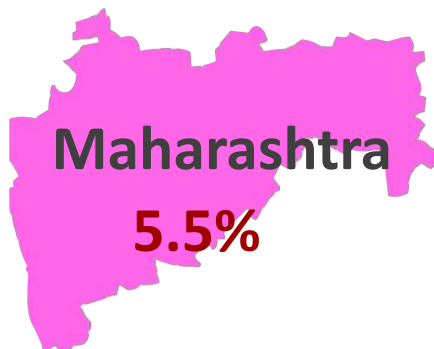
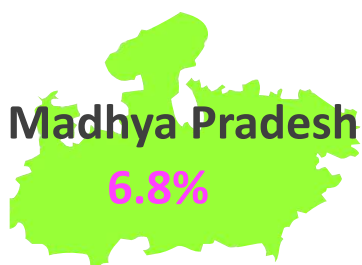
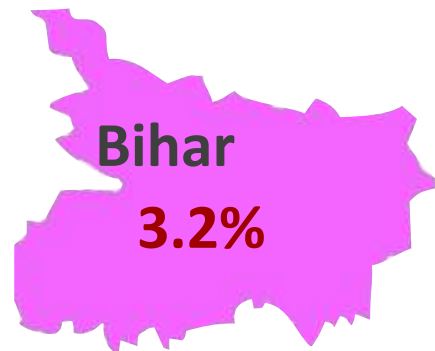
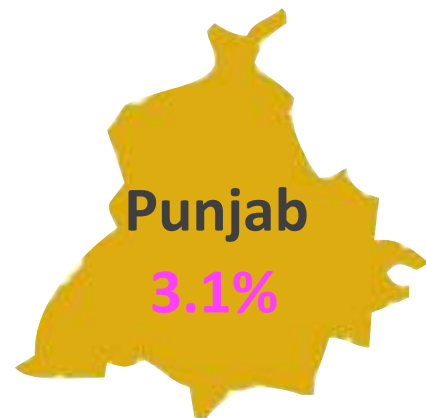
Unfortunately, they are confronted with the biggest fallacy from the manufacturers' point of view-low to poor adoption of technology.

This has resulted in a stagnant productivity. Introduction of technology without causing a dent to the labour force would be a presentable scenario.

Too many firms stay small and remain unregistered in the unorganized sector in order to save on

Others

18%



taxes and not come under the purview of stringent regulations. They neither upgrade skills of the temporary workers nor pump in money for capital equipment.

Raising finances is a huge challenge and is one of the reasons why many a SME has closed shop, lock, stock and barrel.

The use of technology can give a new lease of life because introduction of ultra-modern but cost-effective equipment and skill development can revive their dwindling fortunes.

India's largest employer

With 48 million workers, India has the second largest number of people working in SMEs in the world. China leads with 50 million.

The SME sector may not be the most favoured because it lacks the visibility of the major industries.

Informal workers are increasing in India

In the last five years it is the strength of the informal workers that is increasing. Many jobs are created in the informal category. From a mere 59.5 in 2006-07 to 81.2 per cent in 2012, the rise is phenomenal.

Food products and beverages top the SME sector

One of the reasons why SME sector is lagging behind is the Indian entrepreneur is caught in the roti, kapda and makaan vortex. Food processing and textiles are attracting a lot of entrepreneurs as they are relatively safer bets. Contrast this with China, which employs 50 million workers in the SME sector. It has wisely invested in all sectors on an even basis.

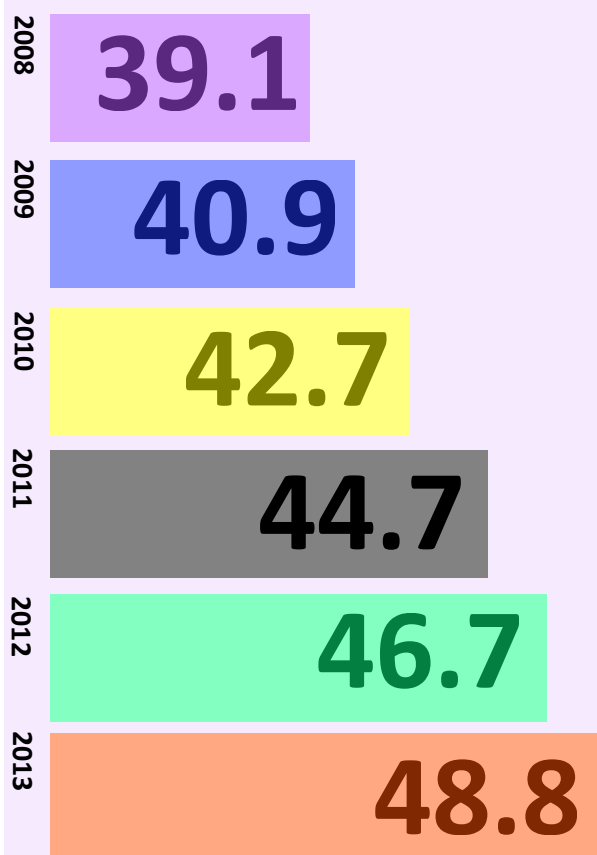
If Indian SMEs are to come anywhere close to China, than wiser counsel tells that exploring fields like electronics and manufacturing would be the best viable option.

Seed plants, organic farming, horticulture and solar also hold immense potential. They may be challenging but that is what trade and commerce is all about.

The SME story in figures

Number of SMEs in million

If one were to see the growth of SMEs in India, it is growing but not to the desired extent and to the likeliness of industry pundits. The need of the hour is to make them realise to bring them out of the unorganised sector and to look ahead and think big.



Food products & Beverages	Apparel	Fabricated metal products	Repair and maintenance (Household products)	Textiles	Furniture	Machinery & equipment	Other non-metallic mineral products	Repair & maintenance (Motor vehicles)	Wood & wood products
14.3%	13.75	9%	8.5%	6.8%	6.4%	4.7%	3.8%	3.7%	3.5%

Small SMEs rule the roost

Mahatma Gandhi had said that it is better to become self-sufficient because economic development happens in circles starting from bottom to the top rather than the other way.

More SMEs in urban areas

There are more SMEs in urban areas. According to the findings of the Zinnov and Economic Survey, 55 per cent are located in urban areas.

It would be worthwhile if SMEs specializing in fabric, textiles, wood and apparels are located in the interiors.

Which State attracts what?

Some States have developed into hubs for certain products because of the quantum of the availability of resources. Gujarat and Karnataka are synonymous with textiles while Maharashtra and Tamilnadu stand for Auto ancillaries.

Andhra Pradesh, however, lags behind on most fronts barring the pharma sector.

Gujarat and Karnataka- Textiles

Uttar Pradesh- Cement

Tamil Nadu – Auto & auto ancillaries

Maharashtra- Auto ancillaries

Haryana-Auto

Andhra Pradesh –Pharma

Kerala- Traditional industries

States with top manufacturing clusters

Over the past five years, the number of clusters in Gujarat has grown the fastest—from 115 in 2006-07 to 369 today

Gujarat	369
Uttar Pradesh	359
Tamil Nadu	350
Kerala	259
Madhya Pradesh	228
Karnataka	227
Punjab	82
Bihar	81
Rajasthan	77
Maharashtra	69

Upgrading infrastructure key to SMEs success

If it has clicked in other developing countries, so it will in India.

It is never too late if there is an honest soul-searching and a rethink on the industrial policy. The key to development is in evolving and making use of state-of-

the-art infrastructure. Industrial parks and SEZs need to have proper infrastructure and be backed by a vibrant generation of entrepreneurs. On their part, the financial institutions and regulatory bodies have to play a more pro-active role in protecting the interests of this crucial sector by nurturing SMEs on a more consistent basis.

How AP can make it big?

Andhra Pradesh has all the natural resources to make it big. It has a good coastline, forests and fertile lands. AP has also seen good growth with IT, Pharma and Biotech sectors. Districts like Kadapa, Ranga Reddy and Vishakapatnam the industry contributes more than one-third of their district domestic product.

The state government should ban the resale of land allocated in APIIC Parks for establishment of industrial units. After allocation of land a time line should be set up for initiation of the industry establishment process.

The state government should consider the feasibility of developing at least one industrial centre/estate/cluster for each mandal or for a cluster of mandals in all districts and equip them with all the required infrastructure facilities (Roads, energy, sanitation, water, common waste treatment and disposal facilities)

A minimum of 2000 jobs should be created in each cluster.

Good scope for agri-based industries

With 2.52 million small farmers, AP has a huge potential. The state is rich in production of agricultural crops, dairy, poultry, spices, herbs and oil seeds. AP ranks second in producing value added food products and beverages.

Mineral based industry

It is the second largest source of mineral resource in the country with 42 industrial mineral deposits and vast resources of building materials. The state has vast resources of oil and natural gas, limestone, manganese, bauxite, asbestos, iron ore, ball clay, fireclay gold, diamond, graphite, dolomite, quartz, uranium etc.



NI-MSME *turns* 50





The year was 1963. Professional trainers from Small Industry Extension Training (SIET) the original name of the current National Institute for Micro, Small and Medium Enterprises (NI-MSME) had gone to IIM Ahmadabad to train students. David C McClelland, Harvard University professor was invited to impart training. The good work done at the institute reached far and wide so much so that a separate chapter was allotted in the seminal work 'Motivating Economic Achievement' written by David G Winter and published by The Free Press, New York. That was the stature of the institute. Today in its 50th year of existence, NI-MSME is all set to expand its horizon.

Genesis

National Institute for Micro, Small and Medium Enterprises (NI-MSME) was originally set up as Central Industrial Extension Training Institute in New Delhi in 1960. The institute was shifted to Hyderabad two years later after being renamed as Small Industry Extension Training (SIET). It achieved National Institute status in 1984 and was effectively called NISIET. It has been a pioneer training institute for assisting in the promotion of Micro, Small and Medium Enterprises. NI-MSME celebrated its Golden Jubilee in 2012.

K H Muniyappa, Union Minister of State (Independent Charge), Ministry of MSME, Govt of India is the President of the Society and Chairman of the Governing Council of NI-MSME. Madhav Lal, IAS, Secretary to the Govt. of India, Ministry

Achievements of NS-MSME

- Conducted a Pioneering Research Study in Achievement Motivation in association with Prof David McClelland's Kakinada Experiment (1964).
- Organised the First Executive Laboratory in India (1964).
- Conducted the First International Training Programme in SME Development (1967).
- Developed the Concept of Appropriate Technologies in Indian Industry (1969).
- Established a Specialised Information Centre, the Small Enterprises National Documentation Centre (SENDOC) (1971).
- Assisted The Tanzanian Government in Establishing SIDO (1974).
- Established a Branch Regional Centre at Guwahati (1979).
- Attained National Status and Renamed as National Institute of Small Industry Extension Training (NISIET) (1984).
- Prepared Case Studies and Video Documentaries on S&T Entrepreneurs (1986).
- Developed The First Computerised Software Package on Simulation Exercises for Small Industry Management (SIMSIM) (1987); Project Appraisal and Evaluation (CAPE) (1996).
- UNESCO Chair (1997).
- Achieved Self – sufficiency (2001-02).
- B2B Transactions with Uganda, Namibia, South Africa, Bhutan, Nigeria, Sudan, Cameroon and Ghana (2000 – 2007).
- National workshop on MSME Cluster Development conducted in New Delhi (2008).
- International Programmes for Bank of Ghana (2006-08);
- All-time record of 28 international Executive Development Programmes; five of them specially for African countries (2007-08)
- Outreach programme for African women executives as a fore-runner to India-Africa Forum Summit (2008)
- International Programmes for Bangladesh Small & Cottage Industries Corporation (BSCIC) (2008-09)



of Micro, Small and Medium Enterprises is the Vice-President of the Society, Vice-Chairman of the Governing Council and Chairman of the Executive Committee. Mr Amarendra Sinha, IAS, Additional Secretary to the Govt. of India & Development Commissioner (MSME) is the Vice-Chairman of the Executive Committee. Mr. M. Chandrasekhar Reddy is the Director General of the Institute.

The institute has been playing a major role as an Apex institution of the ministry in implementation of schemes relating to entrepreneurship and skill development training to the educated unemployed youth of the country. The institute ups their skills and mentors them to become excellent entrepreneurs.

The special focus of the institute is on entrepreneurship development, women entrepreneurship, technology up-gradation & transfer, policy issues, NGO networking, environment concerns, cluster development, management consultancies, quality management services, financial services and information services.

The institute is acclimatizing with growth oriented administrative policy measures in accordance with national objective of industrial development. The institute tries to focus its activities through training, research, consultancy, education, information services and information technology services.

It has the infrastructure and facilities which are at par with international standards. The state-of-the-art facilities gives it's trainees a platform to showcase their talent and hone their skills. In its pursuit of excellence, NI-SME has created many significant achievements to the enterprise development in the country as well as overseas. It trains entrepreneurs to survive the global challenges.

Programmes

There are as many as 954 Executive Development

and International Executive Development Programmes. The notable ones include Export Production Villages (1999); Trade Related Development Programme for Women (TREAD) (2000); Entrepreneurship in the New Millennium (2001) and Training of Mothers of Child Labour under ILO's CLEP (2001).



One of the earliest entrepreneurs who benefitted immensely after being trained at Ni-msme.

The campus is located amidst a sprawling and serene setting. The natural and peaceful surrounding is an ideal setting for academic and training pursuits. The campus has spacious and ultra modern air-conditioned classrooms and conference halls which have state-of-the-art instructional and functional gadgets for cutting IT courses. The trainees are taught by the finest and knowledge rich faculty. The faculty is the backbone of the institute as they add the cutting edge quality to the programmes and projects undertaken by the institute which makes the institute way ahead compared to others.

For the sports enthusiasts the institute has indoor and outdoor sport activities such as a jogging track, gym, Tennis, Badminton, Volley Ball courts, Chess and Carroms. An amphitheatre provides a perfect platform for showcasing the creative talent of trainees. This recreational facility is an ideal location for brainstorming and get-togethers.

The campus harbours one of the most specialised libraries in the country. It houses a rich collection of books, journals, publications, magazines and business reports with

full internet connectivity and documentation solutions. As part of its academic activities the institute has published a spectrum of books and journals. The institute has a popular quarterly research periodical known as SEDME journal. The other periodicals are the bi-monthly policy, SME technology and other publications complement the training programmes.



On a balmy afternoon, A P K Reddy caught up with the 14th Director General of NI-MSME, M Chandrasekhar Reddy in the sprawling campus to know more about the plans he has for the centre

Firstly, tell us about your tenure at NI-MSME. We understand that it has been a year since you assumed office.

I take it as a great privilege to be here and also glad that I am at an important juncture as the NI-MSME is completing 50 glorious years. The last one year has been hectic but invigorating. We have been able to conduct 1,430 programmes in 2012-13.

The centre has a great legacy. It is one of the first to conduct an industrial area development course. The first entrepreneurship development model was introduced by us. The centre provides skill development programmes in 130 trades, which is unparalleled in the country.

Last year we conducted 450 international programmes and trained people from 130 countries. There has been a quantum leap in the physical growth.

The centre is self-sustaining to an extent. Tell us about it.

NI-MSME is self sustaining since 2001. Only the capital infrastructure is provided by the MSME Ministry. Of course, the Ministry sup-

ports all specific projects. Taken in the overall context, we are self-sustaining.

Going back by a few years, the centre was in a bad shape in 1997 to the alarming extent that it faced closure. However, thanks to sheer perseverance, diligence and visionary abilities of Dr S V Prabhath that it was salvaged. It has been such a memorable transformation that following the turnaround, the Centre has become a profit-making entity that stands as a classic example cast in the great survivor mould. In a matter of six years he was able to achieve success. Since then the centre has not looked back.

All the good work done by my predecessors has helped me a great deal as it runs like a smooth oiled machine.

What are your future plans?

We would like to start certificate courses in all the disciplines, including PG diploma and regular PG courses. In this direction we are trying for affiliation with universities. We have 35 partner institutes spread over 11 States in the country.

The MSME ministry has three training institutes-Hyderabad, New Delhi and Guwahati. At present we also have four schools of excellence. In short, we are rendering a thorough professional job and reaching out to more and more people.





MSME-DI

A name to reckon with

Industrial View Bureau

A small group of 37 persons who took part in the product process demonstration programme to manufacture simple chemical products such as detergent powder, cold cream, talcum powder, candles, phenyl. For the group the programme turned out to be a life-changer.

About 200 members of a tribe far away from the razzle-dazzle of urban India turn into micro-en-



trepreneurs. More than 200 goldsmiths who were languishing and on the verge of winding up their business get a new lease of life, as they get adequate training to design are given handholding so that they can also export their products. Such transformation of lives is a part of the many activities of the Micro, Small & Medium Enterprises Development Institute, Hyderabad (MSME-DI).

Right from footwear, Electrical and Electronics, Ceramics, Glass, Leather, Chemical, Mechanical, Metallurgy, you name it and the institute provides economic and market information and training in technical and management fields.

Guide for budding entrepreneurs

MSME-DI has been a guide to many an entrepreneur for over five decades, set up in 1956 as SSI, it has come a long way. Mukund a first generation entrepreneur, who has a small unit in Cherapally vouches for the efficiency of the institute. He says, "Thanks to the handholding and expertise given by MSME-DI, I was able to get experience on key areas such as raw material section, process machinery, energy conservation and product process."

The institute has been providing technical counseling, preparing project profiles on selected products for prospective entrepreneurs, status reports on selected industrial categories and also directories. During 2012-13, the Institute prepared 38 project profiles and District Industrial Potentiality Survey Reports were prepared for Srikakulam, Guntur and Anantapur districts.

B Sarat Kumar, Assistant Director, Glass and Ceramics says, "During the period 2012-13, 438 units were visited and 2928 visitor enquiries were entertained."

Entrepreneurship Skill Development Programmes (ESDPs)

- Bio-Technology
- Web Designing and Internet Services
- Basic electronics and Cell Phone repairing
- Food Processing
- DTP and Screen Printing
- Computer Hardware and Networking
- Graphic designing
- Paper and allied products
- Non- woven bags
- Machine shop practice and Welding technology
- Motor Rewinding
- Mfr of Simple chemical products
- 4 Wheelers Servicing and repairing
- Jute Products
- Refrigeration and Air Conditioning
- Household wiring
- Repair and Servicing of Household Electrical Appliances

Management Development Programmes (MDPs)

- Six Sigma
- Accounting Packages (Tally)
- Marketing through Internet
- Enterprise Resource Planning
- Business Communication Skills
- Sales and Marketing Management
- Advertising and Media Programme
- Customer Relationship & Management
- Human Resource Management
- Export management

Skill Development programmes

- Chemical and Instrumentation Analysis
- Domestic & Export Marketing for Jute Entrepreneurs
- Chemical Analysis and Quality Assurance
- Machine shop Practice
- Gold Appraisal
- Gem Identification
- Solar Power Technology
- Diamond grading
- Rexene Products



Training budding entrepreneurs

Among the various functions, conducting training programmes ranks high on the agenda of the institute. The Institute organizes Entrepreneurship cum Skill Development Programmes, Entrepreneurship Development Programmes, Management Development programmes and Skill Development Programmes, for promoting entrepreneurship. 429 training programmes were conducted during 2012-13.

From biotechnology to non-woven bags, jute products to web designing an array of programmes are conducted for budding entrepreneurs. Under the management development programme, marketing through internet, export management are a few popular programmes.

Taking the lead

The government comes with several policies and one such policy that is going to have a positive effect on the MSME sector is the Public Procurement Policy. It envisages a mandatory 20 per cent purchase of requirements by all central public sector units and departments.

At a time when the small and micro units are struggling to survive due to a sluggish economy, the policy comes like a breath of fresh air.

MSME-DI organized eighteen such programmes across the state. G R Akadas, Director, MSME-DI says, "Many small and micro entrepreneurs especially in rural areas need to be informed about government policies and schemes. We are conducting programmes and spreading awareness so that

entrepreneurs can keep abreast and also take advantage of policies." But are PSUs procuring products from SMEs? He says, "Even though it is not mandatory for defence establishments to procure products, DRDO and BD are. BHEL is procuring to the extent of 30 per cent."

MSME-DI is also providing guidance to entrepreneurs in selecting projects and preparing project reports and networked with them with banks for getting loans under the Credit Guarantee Scheme (CGS) of CGTMSE. 16 project reports have been forwarded to banks for extending finance under the Credit guarantee Scheme. MSME-DI, Hyderabad has been creating awareness on CGTMSE at all meetings, training programmes, guest lectures and presentations.

164 MSEs reimbursed for ISO certification

ISO 9000/14000 reimbursement Scheme : Under this scheme, MSEs with ISO 9000/14000 certification are eligible for reimbursement of 75% of expenses towards acquiring ISO 9000/14000 certification, subject to a maximum of Rs. 75,000/- . During 2012-13 MSME-DI, Hyderabad reimbursed a total of Rs 1.2 crore to 164 MSEs who have acquired ISO 9000/14000 certification.

From vendor development programmes to initiating young new generation entrepreneurs, MSME-DI, Hyderabad and its sub-centre at Vishakhapatnam are contributing to the development of MSME sector. The MSME sector for long has been struggling to scale up and the institute has been playing its part to handhold.



G R Akadas
Director
MSME Development Institute



Briefly take us through MSME-DI.

The Micro, Small & Medium Enterprises Development Institute (MSME-DI), Hyderabad has a rich history dating back to 1956. Initially SISI, the institute has come a long way, from the earlier role of merely controlling, it is now facilitating and advocating all schemes implemented either through the state government or banks for the MSME sector.

The institute has been functioning at Balanagar since 1981 and has over the last three decades assisting existing and prospective entrepreneurs by providing techno-managerial consultancy services and training in various areas.

MSME-DI, Hyderabad is also armed with MSME-DI Visakhapatnam and a MSME Testing Station, Sanatnagar that provides testing facilities in Mechanical, Chemical and Metallurgical fields and is under the administrative control of MSME-DI, Hyderabad.

Tell us about MSME-DI's efforts towards cluster development.

A lot of work is being done on cluster development. MSME-DI, Hyd is co-coordinating with NPC and Consultants to implement Lean programme in Fan cluster in Hyderabad and Rice mill cluster, Kurnool district. Recently the state government appointed AP Trade Promotion Corporation as the implementing agency for cluster development.

How is the response from the MSME sector to the testing station at Sanatnagar?

It is heartening to note that the testing station is on par with any other of its kind in the country and an added feather to its cap is it is self sufficient financially. The facility is flooded with requests from the industry. There are a lot of third party requests as well. Last year the earnings touched 80 lakh. The expertise is in the areas of physical testing, chemical analysis, etc. It provides consultancy services to MSEs on quality control and standardization procedures and systems testing to national and international standards, and provides third party assurance

for products and services from MSME sector on quality levels to major buyers like Government Departments, DGS&D, Railways, PSUs, Defence establishments, etc. The testing center has been upgraded with the addition of sophisticated testing equipment.

Tell us about the training programmes at MSME-DI.

The training programmes at MSME-DI have gained a lot of admiration not only from the industry but also from the society at large. Last year alone 429 training programmes were conducted with more than 23,788 people being benefitted. The Institute organizes Entrepreneurship cum Skill Development Programmes, Entrepreneurship Development Programmes, Management Development programmes and Skill Development Programmes, for promoting entrepreneurship.



V Sridhar Reddy Asst. Director(G&C) speaking at a entrepreneur development meeting

It is a year since you took charge. How has it been and what are the future plans?

The last year has been a hectic one. We have done reasonable well but one is never satisfied. We have a good team and infrastructure, Rs 80 lakh was spent on building renovation. We are planning a series of bar coding programmes and two programmes on Intellectual Property Rights are on the anvil.

The institute has a rich tradition of facilitating the MSME sector and we need to keep improving. We have conducted awareness programmes across the state.



The practical way through CITD

10,000
students
get
trained
from the
institute
every year



Shujayat Khan, Director, CITD



Our Bureau

There are institutes and education centres here, there and everywhere, claiming to teach students skills but if there is an institute that stands testimony to practical training it is the Central Institute of Tool Design (CITD), Hyderabad.

CITD is the first tool room in India, established in 1968 with the assistance of United Nations Development Programme and International Labour Organisation. The centre has been doing yeoman service and has been instrumental in training thousands in developing tool design technologies for over four decades.

The core activity is tool design but the centre also provides training in automation, Computer-Aided Designing/Computer-Aided Manufacturing (CAD/CAM) and Very Large Scale Integration (VLSI) with the aim to develop end-to-end tool design solutions that involve electronics, hardware and software expertise.

The institute offers a variety of programmes; non-residential, short-term, long-term, a few sponsored ones. The duration of the courses range from two weeks to four years. A course in industrial hydraulics of two weeks duration is also available and at the same time there is a comprehensive four year diploma in Tool, Die and Mould Making (DTDM).

Students not only from India but from several foreign countries opt for the courses at CITD. M Tech in Mechatronics is a sought after course and students from the institute have been paced well in the industry.

CITD a boon for Jharkhand students

When Jharkhand became an independent state in India, the new government started sending 100 students every year to CITD. Most students take the two-year Advanced Machinist Course (AMC) and are greatly benefitted. Manga Singh Kerai, from Ranchi joined Tata Motors in Jamshedpur after completing his course here.

The influx of students from Jharkhand is so high that hostel no 1 inside the campus is called Jharkhand hostel. The placement for students of CITD has been good and at times it is 100 per cent. Manohar Birua, a student from Chaibasa, West Singhbhum district says, "Once I get enough work experience I will return to my home town."

State-of-the-art equipment

What makes CITD stand out from other institutes is the equipment. Imported CNC machines, calibration equipment, CAD/CAM design, a four and five-axis CNC precision manufacturing machines provide the edge.

CITD has been a force and an ally for the SMEs all these years. Today, CITD trains thousands of students every year including several international participants. The Defence ministry too recognizes training provided by CITD.



The clients include software companies to manufacturing units; large multinationals to government agencies all make a bee-line to CITD. From Infotech Enterprises to ISRO, medium sized companies to start ups all take assistance from CITD.

CITD also takes up manufacturing of precision components and works as third party inspection agency for small and medium enterprises.

The tool room has well equipped CNC machines like Double Column Milling Machine, CNC cylindrical grinding machine and 3D coordinate measuring machine with laser scanning and digitization facilities.

The automation centre is equipped with various simulator training kits like Advanced Pneumatics Trainer, Advanced Hydraulics Trainer etc.

The CAD/CAM centre is equipped with the latest hardware of more than 300 work stations. The VLSI and Embedded system laboratory is equipped with the latest software and kits.

Recently, the centre developed an automated sparkler dipping station for a Sivakasi based fireworks manufacturing unit. The device can churn out thousands of sparklers in minutes and what is more, there would be uniformity in size and shape of the sparklers.

The objective of setting up the institute was to meet the requirements of the industries in the field of tool design and manufacture and to train personnel in these fields. The institute has done so with aplomb.

The institute has been able to successfully reach out to the industry and establish strong ties which are reflected in the number of tooling assignments.

The institute also extends its services to developing countries by imparting knowledge and necessary skills in tool design, CAD/CAM and low cost automation techniques, VLSI and Embedded Systems.

“Tooling industry is the engine for growth of the manufacturing industry”

With over 36 years of experience out of which six and a half years at CITD, **Shujayat Khan**, Principal Director is the man behind CITD’s success in recent years. In a tete-a-tete with **A P K Reddy**

Tell us more about the activities.

The institute has a legacy and I am just taking forward the baton that was handed over to me by my predecessors. The institute has grown by leaps and bounds and today is rated as one of the best institutes in the country. Since 1968, the institute

is paying its part to boost the tooling industry. Tooling industry is the engine for growth of the manufacturing industry.



Shujayat Khan in conversation with A P K Reddy

From where do students mostly come?

Not just students but people from every sector be it the

small, medium and micro as well as public sector units have trained at CITD. A large number of foreign nationals too get trained in various areas.

The lack of quality is the bane of industry. Your comments

It is true that the lack of quality has hampered the industry. Our focus is on quality. We can also offer consultancy in lean manufacturing and ISI certification. We want to address the industry associations in manufacturing and electronics. We have been working towards this end along with the two sub centres at Vijayawada and Vishakhapatnam.



Highlights

- The CITD has a library with more than 7,500 technical books. The centre has published 250 books in conjunction with ILO and CITD faculty.
- CITD trains technical personnel from diploma level to post graduation in Tool Design, Manufacture, CAD/CAM and Mechatronics.
- Conducts training and bilateral programmes of the Government of India for international participants.
- Conducts viability study in new mini tool rooms under PPP mode in various parts of the country.
- Recommends measures to standardize tools and tooling elements, components and jigs and fixtures, dies and moulds.



Punching its weight

- CITD has been scaling new heights with each passing year, some of its achievements:
- CITD designed and manufactured 250 High Precision like Rooting and Forming Tools for HA Kanpur
- Plastic moulds for supporting orthopedically handicapped persons
- Developed sparklers for Fireworks industry
- People from Nigeria, Sudan, Palestine, Bhutan, Mauritius, Solomon Islands, Belarus, Liberia and many other countries were trained in the centre.



Various tool sections at CITD



Who cares for GOs?

Several GOs by the government have failed due to the lack of implementation. There is a GO to procure cloth from APCO for govt schools, another making it mandatory to give orders to SMEs to supply furniture to model schools in the state but then no GO is implemented



L Venkat Raju

APSWM Association, HYD

Marketing forms a vital component for the success of any industry, more so MSMEs. Successful sale through marketing of products helps industries thrive. The big question is, is it happening in the State, if so what is the Government doing?

On its part, the Government issued GOs 1020, 437, 308 and 51, besides memo 1541, providing for purchase of the required items by various departments from local SMEs units. Sadly, the GOs are confined to the paper. No action is being taken to enforce them. As a result SMEs have become unin-



tended victims of Government negligence, particularly by APCO and Civil Supplies & Education departments. Whereas the GOs 1020 & 51 issued in March this year specifies that departments should purchase their cloth requirements from APCO, they have been ignored and about two crore handbags required for the supply of nine essential commodities to the poor under the ‘Amma Hastam’/‘Mana Biyyam’ schemes are being procured from private traders in New Delhi and other states.

Irrked by this Government’s indifference, several SMEs had approached the Andhra Pradesh High Court seeking a direction to various departments, including Education, to strictly implement GO 51 with regard to Chief Minister N. Kiran Kumar Reddy’s pet ‘Jalaprabha’ scheme. Despite the court orders, the Government is not enforcing the GOs.

Blurb: The Education department (Rajiv Vidya Mission) is ignoring GO 24 on the purchase of cloth from APCO for school uniforms. The Vidya Committees are said to be showing more interest in buying cloth from private traders, for ‘considerations’. This attitude is disappointing the APCO officials. Also APSRTC, TTD and several other Government departments are disinclined to buy APCO cloth. The large number of MSME units can meet the furniture demands of the 355 model schools being established in the State in 2013-14 and of first year Intermediate education (MEC, CEC, BPC and MPC sections). The SME furniture manufacturers have already represented to Rajesh Tiwari, Principal Secretary, Education, that furniture for the model schools could be purchased from them. Even Government junior colleges could opt for SME furniture. Even here the department is indifferent.

A point of interest is that neighbouring Tamil Nadu, Karnataka, Maharashtra, besides Gujarat and Madhya Pradesh, are encouraging local SME units by procuring their products. Why is the State is not bothered to follow their example? The only possible answer is ‘vested interests’ and ‘considerations’.

If the State Government places order for handloom bags and furniture with the MSME sector, small units can take up work and become strong, both financially and work-wise. If it fails and no orders are forthcoming then there is a danger of the units becoming sick due to lack of work. Such a situation will add to the problems of the units, as they will be forced to pay higher interest and incur heavy expenditure to sustain themselves.

Entrepreneurs dealing in lighting, motor pumps, surgical cotton, PVC pipes, cables, Auto Mobile Leaf Springs also complain that the departments concerned are not implementing the GOs which benefit them, as they can work, provided there are orders, in spite of the power cuts.

The furniture manufacturers have appealed to the Chief Minister to intervene and ensure that various government departments are persuaded to take necessary action in enforcing the GOs for the benefit of the MSME sector.

Five neighbouring states are implementing a transparent procurement Act, benefiting the MSME sector. AP Small Scale Steel Furniture Association Secretary L Venkat Raju has appealed to Minister Prasad Kumar to intervene and bring in a legislation to make various State departments to only procure their products only from MSMEs. In the name of beneficiary choice the govt is giving orders to multinational companies.

COMPARATIVE STATEMENT OF INCENTIVES / ENCOURAGEMENT PROVIDED BY OTHER STATE GOVERNMENTS TO SSI/SMS's/ OTHER INDUSTRIES

	A.P. Government	Karnataka	Madhya Pradesh	Gujarat	Maharashtra	Assam	Orissa	West Bengal	Kerala	Manipur	Mizoram
	1	2	3	4	5	6	7	8	9	10	11
Marketing Assistance	Available by GO's only no accountability mandatory	Available by Karnataka act 2000. Produced by SSI 15% Price preference on lowest rate Through open tender system	Available by Madhya Pradesh Transparency in Public Procurements Rules 2003 (M.P.T.P.P. R.) Act 100% Preference will be given to local SSI products only	Available by a New Purchase Policy-1997 5% Price Preference available 50% qty. reserved for Local SSI's in some case up to 70% also applicable	Linkage between small, Medium, Large and all Government department procurement Thrust on Rural Marketing. Marketing Brand Promotion.	Available Assam Preferential Stores purchase Act,1989 All Government Departments Corporations are mandatory purchased to all SSI products.	Mandatory to all Government Departments and corporations purchase from SSI Products. 15% Price preference on large scale unit quotation.	15% Price preference. Mandatory purchase from SSI units by State Government Departments/corporations	15% Price Preference. Mandatory purchase from SSI units by State Government Departments/ corporations	Price preference. Mandatory purchase from SSI units by State Government departments/ corporation	Through Mizoram preferential stores purchase act

What ails the MSME sector?

The MSME sector is said to be the backbone of the economy, yet it is sidelined and is always on the backburner.

Prof M G K Murty analysis the whys and the hows

MSME business in general is highly dependent on Governmental and Institutional support. This was the case right from Independence and was mostly in a loosely knit village economy, which was having dichotomy with the organized industry and business sector. So it is against such a background that the MSMEs functioned. It was therefore no need felt for a Strengths, Weakness, Opportunities and Threats (SWOT) analysis.

MSMEs functioned based on practical experience and so called wisdom and intuition of businessmen who learnt the nuances of

business from forefathers.

Post independence, the Government felt the need for quick revival and growth of the industrial sector. MSME got at least in policy all favours from Governmental and Institutional agencies. But as the characteristic of the Government and institutional agencies, there

MSMEs functioned based on practical experience and so called wisdom and intuition of businessmen who learnt the nuances of business from their forefathers.

was a gap between the policy and practice mostly arising out of red tape, lethargy and even corruption and not to speak mis- and mal-administration. MSMEs, from the age old days, are caught up in the euphoria that Government and Institutions are going to solve their problems and come to rescue like omniscient, omnipotent and omnipresent. But very soon and along with time, the myth and euphoria about Government and Institutional support was shaken and the MSMEs went on facing problem after problem in varied ways.

Today, MSMEs are forced to openly find fault with Government and Institutions.

The banks are responsible for MSMEs falling into sickness. MSMEs depend on the age old and undesirable private lenders who are found to be more flexible to the stress and strain faced in view of the diehard nature of Government and Institutions agencies. MSMEs are caught up in a vicious circle and are helpless to break the same mainly due to their limitations of scale and drawbacks of management in evolution of their business.

However, MSMEs are acclaimed as the vital basis for Indian economy and are champions of Indian exports that too in the global scenario. So a few but vibrant MSMEs and also a good number of niche products and marketing without much competition but with cost advantage stand for the pride of Indian economy and Indian exports.

An introspection of the entire past reveals that, Government and Institutional framework and support failed for several reasons and has impacted MSMEs, which face a different set of obstacles and hurdles. MSME business somehow got accustomed to the existing Government and Institutional support while at the same time voicing their grievances in the system herein called as the Government and Institutional component of Business Environment. The pity is that the Government and Institutional agencies are unable to meet the requirements of large and heterogeneous MSME businesses, apart from faulty dispensation. Side by side, it is evident in the recent years that there is an un-spelt change in the basic policy of Government and therefore the Institu-

tional set-up. The Government is forced to shift emphasis to social and human capital and welfare schemes while there is a necessity for Government to cut drastically subsidies and incentives in different ways for the stability of the economy in the global context. Naturally MSMEs are unable to reconcile to a discernable sea-change in the implementation of policies of the Government and its programmes and its impact on institutional set-up. Primarily market mechanism is the watchword in place of protection, subsidies and incentives. It is written on the wall that, MSMEs should survive and grow on competition and quality and cost of their product or service. Here, the quality and competition

The real malady is that MSMEs are now to focus on open vision and understanding of their business in the context of the prevailing and the expected volatile changes in the political, business, economic and social environment

connote globalisation as India is forced to “ Open Gates Policy “ under W T O. Globalization is generally in favour of the developed nations impacting the less developed or under developed countries. Ironically, India is known as Super Power and is drawn into the clutches of globalisation, along with the political turmoil that is going on in the country.

Now, MSMEs are at cross-roads and conflicts, namely seeking the continuation of earlier policies and favours from the Government and Institutions or suddenly face winding-up in the new but un-spelt turmoil in policy and implementation by Government and Institutions. The real malady is that MSMEs are now to focus on open vision and understanding of their business in the context of the prevailing and the expected volatile changes in the political, business, economic and social environment and next the way of adjusting and adapting to the outside world both in India and global context. In this back ground, MSME should understand and access its own competencies and acquire competencies for survival and growth. Otherwise MSME business is bound to get closed and collapsed either suddenly or over time. The success factor of MSMEs much depends on their getting over the existing weaknesses and limitations by external linkages and thus get over the drawbacks of scale and also develop entrepreneurial vision and management skills.

Unfortunately, MSMEs are either sole traders or private limited companies and is much under the dictates of family business. In a way even Tata, Birla, Reliance and similar large industry BAD-ABABUS are also under the over-riding vision and far-sight of Family Heads but buttressed by managerial, technological and marketing skills and competencies. They function as public limited companies controlling a big industrial empire not only in India

but also in foreign countries. So MSMEs are to emulate the style and competencies of large industries compatible to their size and scale. MSMEs in general are content with their past successful running and expect the same to continue not withstanding changes in the surrounding business environment and that of unanticipated global level. As a result, MSMEs fall into negative and declining curve. Only a few of them attempt to arrest the decline by temporary or adhoc measures taken-up in a reactionary or retaliatory mode unmindful of the basic structural and operational changes of their business. The institutions or government does not do anything to ensure the business success of MSMEs under changing conditions. Rather they are like fair weather umbrellas to the MSMEs. The government and institutions take excuse that they are not to take-up spoon feeding or breast feeding when the MSMEs are in need of such help for reasons alleged by them as beyond their control. MSMEs are thus the outcome of the traditions inherited in the family business rule.

MSMEs are to derive the strength and insulate their Weaknesses or Threats by synergizing with other sister units. Unfortunately in India Cluster Development did not show much of the expected results. In the natural evolution of small business, MSMEs are to sustain and grow by having ancillary status and linkages with medium and large industries. Here again our track record shows disheartening progress of MSMEs Vis-a- Vis the Medium

and Large Industries. In-fact Ancillary relationship is mutually beneficial to MSMEs and also to other counter-part. But this natural requirement of survival and growth remains more theoretical in Indian context but for hearing some of the practical problems faced from either side.

MSMEs are least conscious of competition and they expect perennial support and patronage of customer in spite of their quality, cost and product features and never bothered about innovation in

Unfortunately in India Cluster Development did not show much of the expected results. In the natural evolution of small business, MSMEs are to sustain and grow by having ancillary status and linkages with medium and large industries.

their limited sphere. They more agitate for standing orders from government for their products and even taboo import of foreign goods thereby, seeking a continuation of their earlier or existing niche market. Now the question is where do MSMEs stand in the present wave of globalisation? Similarly, where MSMEs stand without adopting technologies and measures for securing Efficiency to meet the warrants of competition.

The above general limitations / deficiencies of MSMEs require a radical shift in mindset or Business

sentiment of MSMEs. MSMEs are to become entrepreneurial, managerial, innovative and develop the Art and Science of Risk-taking in Business. The present Article emphasizes that MSMEs are to chart out business course to successfully run in spite of hurdles faced from Government and Institutional agencies. It is also imperative that MSMEs are to plan and act collectively the Vicious Circle/ effect faced from Government and Institutional agencies.

This Article should not be construed that the avoidable lapses of Government and Institutions are ignored and left out of reform. Government and Institutional set-up needs to be separately examined in a reformative approach. There is urgent need for re-envisioning and restructuring Role, Policies, Programmes and implementation of Government and Institutional set-up along with changing and volatile Business Environment vis-à-vis MSMEs.



(Prof M G K Murty, is retired Professor from Osmania University, Hyderabad, Chairman of Commerce Association—Hyderabad & co-organiser of MSME seminar held by Hyderabad Chapter of The Institute of Cost Accountants of India.)



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