



# Growth of Indian SMEs in the GLOBAL ECONOMY

*by:*

**Ms. Dolly Bhasin**

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## Growth of Indian SMEs in the Global Economy

*by Dolly Bhasin, SPH Consultants*

### Background

Whereas in the old economy land, labor and capital were the only three generic factors of production, in the new economy, the critical assets are know-how, creativity, intelligence and information. Intelligence embedded in software and technology across a wide range of products has become more important than capital, materials, or labor.

A study of 192 countries conclude that human and social capital explains no less than 64% of growth performance, while physical capital explains a meager 16%, with the remainder being explained by natural capital.

Production has been witnessing exponential knowledge intensification. The knowledge intensity of world-manufactured exports remained largely unchanged from 1970- 1977, but has since increased steadily and persistently. As early as in 1996 it was estimated that more than 50% of the GDP in OECD (Organisation for Economic Co-operation and Development) economies is knowledge-based. Industry now funds almost 60% of OECD R&D activities and carries out about 67% of total research.

**SOURCE:** <http://www.sme.gov eg/>

### Key Thrust areas:

- The Knowledge ECONOMY
- Bridging the knowledge gap
- Bridging the Digital Divide
- Focus on R&D

### Specific Task Forces

- For Knowledge creation and dissemination
- Initiatives on –
  - INNOVATIVE MARKETING AND LEARNING
  - CLUSTER DEVELOPMENT
  - PROMOTING ENERGY EFFICIENCY
  - VALUE ADDITION OPPORTUNITIES
  - SERVICE SECTOR
  - DEVELOPMENTAL & CONSULTING FORUM FOR SMEs (SIDO and SPHC)

### Enablers (International)

- UNDP
- UNIDO
- EU-ASIA
- E-BUSINESS
- OECD
- SIDO
- Consultants
- Trade groups/portals
- Growth, Continuity, REVENUES and of-course ETHICAL PRACTICES

### My small contribution (ICT Driven)

- The Knowledge creation and dissemination - Knowledge portal on Indian SMEs - **SIDO Online** at [www.smallindustryindia.com](http://www.smallindustryindia.com) (over 10000 pages of governmental information on Indian SMEs)
- Initiatives in **INNOVATIVE MARKETING** - Web, CD and ezine/newsletters
- **eLEARNING** - [www.tradewinginstitute.com](http://www.tradewinginstitute.com)
- **CLUSTER DEVELOPMENT** - [clusters.smallindustryindia.com](http://clusters.smallindustryindia.com)
- **PROMOTING ENERGY EFFICIENCY** - [www.handtoolsindustry.com](http://www.handtoolsindustry.com)
- **VALUE ADDITION** - eContent, ePublishing, eMarketing and eServices
- **SERVICE SECTOR - MARKETING, EDUCATION**, hospitality, travel and tourism

### Immediate steps to be taken for GLOBAL INDIAN SME GROWTH

#### ➤ IDENTIFY 4 FOCUS AREAS

- ONE PRODUCT- GLOBAL BRAND
- ONE SECTOR - HANDTOOLS
- ONE TYPE OF SSI - AUTO ANCILLARY
- ONE TYPE OF SSI GROWTH MODEL - CLUSTER DEVELOPMENT

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## ➤ IDENTIFY FOR EACH AREA

- NICHE MARKETS
- NETWORKING OPPORTUNITIES
- SPECIALISATION
- FOREIGN DIRECT INVESTMENT OPPORTUNITIES

## INNOVATE - EDUCATE - GUIDE ENTREPRENEURS - SET THE NEXT PRACTICES

For more details please write to: [sphc@bol.net.in](mailto:sphc@bol.net.in)

or visit

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**OECD**

The OECD groups 30 member countries sharing a commitment to democratic government and the market economy. With active relationships with some 70 other countries, NGOs and civil society, it has a global reach. Best known for its publications and its statistics its work covers economic and social issues from macroeconomics, to trade, education, development and science and innovation

The OECD plays a prominent role in fostering good governance in the public service and in corporate activity. It helps governments to ensure the responsiveness of key economic areas with sectoral monitoring. By deciphering emerging issues and identifying policies that work, it helps policy-makers adopt strategic orientations. It is well known for its individual country surveys and reviews.

The OECD produces internationally agreed instruments, decisions and recommendations to promote rules of the game in areas where multilateral agreement is necessary for individual countries to make progress in a globalised economy. Sharing the benefits of is also crucial as shown in activities such as emerging economies, sustainable development, territorial economy and aid department. Dialogue, consensus, peer review and pressure are at the very heart of OECD. Its governing body, the Council, is made up of Representatives of member countries. It provides guidance on the work of OECD committees and decides on the annual budget.

**More:** <http://www.oecd.org/>

**UNDP**

UNDP is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. We are on the ground in 166 countries, working with them on their own solutions to global and national development challenges. As they develop local capacity they draw on the people of UNDP and our wide range of partners. World leaders have pledged to achieve the Millennium Development Goals including the overarching goal of cutting poverty in half by 2015. UNDP's network links and coordinates global and national efforts to reach these Goals. Our focus is helping countries build and share solutions to the challenges of:

- Democratic Governance
- Poverty Reduction
- Crisis Prevention and Recovery
- Energy and Environment
- HIV/AIDS

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UNDP helps developing countries attract and use aid effectively. In all our activities, we encourage the protection of human rights and the empowerment of women

The annual Human Development Report commissioned by UNDP, focuses the global debate on key development issues, providing new measurement tools, innovative analysis and often-controversial policy proposals. The global Report's analytical framework and inclusive approach carry over into regional, national and local Human Development Reports also supported by UNDP.

In each country office, the UNDP Resident Representative normally also serves as the Resident Coordinator of development activities for the United Nations system as a whole. Through such coordination, UNDP seeks to ensure the most effective use of UN and international aid resources.

**More:** <http://www.undp.org/>

## **UNIDO**

To improve the living conditions of people and promote global prosperity through offering tailor-made solutions for the sustainable industrial development of developing countries and countries with economies in transition.

The United Nations Industrial Development Organization (UNIDO) helps developing countries and countries with economies in transition in their fight against marginalization in today's globalized world. It mobilizes knowledge, skills, information and technology to promote productive employment, a competitive economy and a sound environment. Carlos Magariños, the Director-General of UNIDO, describes the Organization as a specialized United Nations agency that focuses its efforts on relieving poverty by fostering productivity growth.

**Background:** UNIDO was set up in 1966 and became a specialized agency of the United Nations in 1985. As part of the United Nations common system, UNIDO has responsibility for promoting industrialization throughout the developing world, in cooperation with its 171 Member States. Its headquarters are in Vienna, and it is represented in 35 developing countries. This representation and a number of specialised field offices, for investment and technology promotion and other specific aspects of its work, give UNIDO an active presence in the field.

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### **Core Functions and Services**

**As a global forum**, UNIDO generates and disseminates knowledge relating to industrial matters and provides a platform for the various actors in the public and private sectors, civil society organizations and the policy-making community in general to enhance cooperation, establish dialogue and develop partnerships in order to address the challenges ahead.

**As a technical cooperation agency**, UNIDO designs and implements programmes to support the industrial development efforts of its clients. It also offers tailor-made specialized support for programme development. The two core functions are both complementary and mutually supportive. On the one hand, experience gained in the technical cooperation work of UNIDO can be shared with policy makers; on the other, the Organization's analytical work shows where technical cooperation will have the greatest impact by helping to define priorities.

**The broad programmatic objectives and priorities of UNIDO** are given in the Business Plan on the Future Role and Functions of UNIDO endorsed by the seventh session of the General Conference in 1997, in its resolution GC.7/Res.1.

This Business Plan grouped the activities of UNIDO into two areas of concentration: (a) Strengthening industrial capacities, including programmes in support of the global forum function and policy advice; and (b) Cleaner and sustainable industrial development. In addition, while maintaining the universal character and vocation of UNIDO, the Business Plan provided for the Organization's activities to be focused geographically on least developed countries, in particular in Africa; sectorally on agro-based industries; and thematically on small and medium enterprises (SMEs).

**UNIDO achieves these objectives through: (a) Integrated programmes (IPs) or country service frameworks (CSFs)**, based on combinations of its eight service modules or in **(b) Stand-alone projects** involving only one or two service modules.

### **UNIDO's eight Service Modules are:**

- Industrial Governance and Statistics;
- Investment and Technology Promotion;
- Industrial Competitiveness and Trade;
- Private Sector Development;
- Agro-Industry;
- Sustainable Energy and Climate Change;
- Montreal Protocol (substances that deplete the ozone layer);
- Environmental management

**More:** <http://www.unido.org/>

## The European Union (EU)

**The European Union (EU) is a family of democratic European countries, committed to working together for peace and prosperity.** It is not a State intended to replace existing states, but it is more than any other international organisation. The EU is, in fact, unique. Its Member States have set up common institutions to which they delegate some of their sovereignty so that decisions on specific matters of joint interest can be made democratically at European level. This pooling of sovereignty is also called "European integration".

**The historical roots of the European Union lie in the Second World War.** The idea of European integration was conceived to prevent such killing and destruction from ever happening again. It was first proposed by the French Foreign Minister Robert Schuman in a speech on 9 May 1950. This date, the "birthday" of what is now the EU, is celebrated annually as Europe Day.

### There are five EU institutions, each playing a specific role:

- European Parliament (elected by the peoples of the Member States);
- Council of the European Union (representing the governments of the Member States);
- European Commission (driving force and executive body);
- Court of Justice (ensuring compliance with the law);
- Court of Auditors (controlling sound and lawful management of the EU budget).

These are flanked by five other important bodies:

- European Economic and Social Committee (expresses the opinions of organised civil society on economic and social issues);
- Committee of the Regions (expresses the opinions of regional and local authorities);
- European Central Bank (responsible for monetary policy and managing the euro);
- European Ombudsman (deals with citizens' complaints about maladministration by any EU institution or body);
- European Investment Bank (helps achieve EU objectives by financing investment projects);

A number of agencies and other bodies complete the system.

**More:** [http://europa.eu.int/index\\_en.htm](http://europa.eu.int/index_en.htm)

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## SIDO

### Aims and objectives

**"Imparting greater vitality and growth impetus to the small, tiny and village enterprises in terms of output, employment and exports and instilling a competitive culture based on heightened technology awareness."**

The Small & Medium Enterprises (SME) sector is one of the fastest growing industrial sectors all over the world. Many countries of the world have established a SME Development Agency (SMEDA) as the nodal agency to coordinate and oversee all Government interventions in respect of the development of this sector. In the case of India, though a separate medium sector is not defined, the Office of Development Commissioner (Small Scale Industries) also known as Small Industries Development Organisation (SIDO) functions as the nodal Development Agency for small industries. SIDO functions under the Ministry of SSI (Ministry of Small Scale Industries).

SIDO was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management. These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, toolmenting, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits etc. SIDO provides economic information services and advises Government in policy formulation for the promotion and development of SSIs. The field offices also work as effective links between the Central and the State Governments.

Consequent to the increased globalization of the Indian economy, small industries are required to face new challenges. SIDO has recognised the changed environment and is currently focusing on providing support in the fields of credit, marketing, technology and infrastructure to SSIs. Global trends and national developments have accentuated SIDO's role as a catalyst of growth of small enterprises in the country.

**More:** <http://www.smallindustryindia.com>

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