

FUTURE OF SMES IN INDIA

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For a developing country like India, SMEs act as a backbone for economic growth, particularly in manufacturing sector. SMEs are major contributors of GDP for India. India has always been criticized for it being a service based nation, however, these SMEs provide a hope that India is capable of doing something in the manufacturing sector also.

At the beginning, SMEs found themselves hard to survive, but during the last decade the economic environment has changed in favor of SMEs. These enterprises provide employment opportunities to many unskilled and semi-skilled labor who otherwise do not have any jobs in large industrial companies. However, due to globalization and liberalization, small and medium enterprises have been facing tough competition from companies coming from foreign countries.

The present scenario of SMEs in India, however give a constant hope for the future as they have become capable enough to acquire companies from outside India. Today, local manufacturers and suppliers are turning into global auto manufacturers and builders. Government is also supporting these industries by loosening their policies and providing them with various subsidies and special economic zones to set up their units.

The perception of banks and other financial institutions towards SMEs has also changed during the last few years. Increasing competition in private lending has pressurized the banks to give loans to their prime customers which are small time manufacturers and producers. Micro financing has become a huge success

in India and many financial institutions are getting into this business owing to its popularity. The major advantage for owners of SMEs in the market is that they sell products at low cost and provide credit opportunities to buyers, moreover, they make personal contacts with the buyers who become their loyal customers owing to this flexible buying option. In this regard many initiatives are also taken by the Government to promote marketing by small and medium enterprises.

The future of SMEs in India, lies in taking full advantage of the removal of restrictions for foreign trade by the Government. These enterprises should keep on exporting and trading with other countries and penetrate the global markets. The future also holds greater technological advancements which will enable SMEs to grow further and adopt new methodologies of manufacturing and producing. There is a need for the SME's to streamline its supply chain network and get into "lean production system" to reduce costs and time. Financial infrastructure needs to be broadened and more lending opportunities should be created for this sector. Government should do periodic audit and surveys to check if the industries are functioning properly and more subsidies should be provided in order to encourage manufacturing and producing in India. Our country is going to witness a more sustainable SME sector which will contribute to a considerable extent to the GDP and exports of the country in future. There is a need to pay more attention to this sector if India wants to become more balanced and not just be called a service oriented nation.