

‘Scale No Bar’ for MSMEs

The government has done well to announce a fresh round of economic stimulus measures for the MSME sector. However, MSMEs in India face certain structural challenges owing to their small scale and size. In a recent report titled ‘MSME: The Agent of Economic Growth and Development in India’, the Association of Chartered Certified Accountants suggests the following to address this issue:

- Since most MSMEs are small and fragmented, they don’t enjoy the benefits that scale offers in areas such as marketing, sales operations, and new product development. A collective or a combined approach in these areas can be harnessed in many innovative ways, for example, by helping a town or village focus all its resources on manufacturing one particular product or type of product. This strategy helps leverage the collective might of these MSMEs.
- MSMEs can use digital marketing techniques like media promotions, social media marketing, content marketing, online client testimonials, which is a significant advancement to word-of-mouth marketing in the digital marketing era, etc. The internet has transformed the operating landscape for small businesses and helped them be more resilient in the face of economic disruptions.
- Building a niche is at the core of every successful business enterprise, and MSMEs are no exception to this rule. A successful business enterprise has to first identify its niche either in terms of its product or service. A niche market involves serving a specific target audience to satisfy a specialized need. Concentrating on niche market segments also helps MSMEs optimize their limited resources and focus on the limited management bandwidth available on the chosen market or niche product/service to help achieve better business results through specialisation.
- While MSMEs may miss out on economies of scale, they can still use their size to their advantage. Successful MSMEs know that their smallness gives them the advantage of being nimble, agile, and increases their ability to adapt to changing landscape and respond faster to evolving customer needs.
- Indian MSMEs should look at collaboration within MSMEs as a powerful differentiator and a competitive advantage. In the post-pandemic world with ever-increasing business complexities, Indian MSMEs have to look at working together to survive and possibly thrive. Cooperation among competing MSMEs in an industry will give the entire country a competitive edge in that industry. Encouraging the sharing of information, ideas, and research among MSMEs would go a long way in making them more dynamic and helping them integrate into global value chains.
- One of the paths to success for a business, regardless of its size, is constant innovation. Developing new ideas is essential for any company to stay relevant, enhance its efficiency and processes, improve infrastructure, introduce new, improved, and more cost-effective products and services into the market, and increase profitability and establish a strong brand identity.

MSMEs may be small in size compared to MNCs, but they have a huge potential to introduce innovative, out-of-the-box ideas, successfully market them and scale up quickly.

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