

# The Role of MSMEs in Cross-Functional EX/IM (India)

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## Abstract

MSMEs (Micro, Small, and Medium-sized Enterprises) have strategically positioned themselves to be pivotal to the dynamism of EX/IM (exports/imports). Capitalizing on their capacity to develop and scale innovative products and services, MSMEs have proven that innovation and EX/IM are complementary strategies, thus driving cross-functionalism into the heart of the supply chain. Amid this surge, we see that MSMEs that are/develop into globally engaged and interdependent firms are underlying catalysts for the exponential growth of internationalized production and distribution systems (Charbonneau, 2013). The challenges of survival, growth, and meeting quality standards remain a pain point for these emerging companies (Reddy, 2020) (Bandopadhyay & Lal Khan, 2020). Nevertheless, MSMEs are en route and some already are, mini-monopolies within their niches and scaling with time to create inevitably bigger monopolies within the market. Over 50% of the current national industrial output is based on MSMEs. They are also responsible for over 50% of Indian exports, as of 2020, an incredible jump from 7.5% in 2018, that too, over an extensive international quarantine period (PIB, 2019). By 2022-23, this participation is expected to jump to 60%. Despite such metastasis, MSMEs still have immense untapped potential in their contributions to the value chain—making it crucial to understand how they are aggressively disrupting the EX/IM industry and in the bigger picture, the logistics branch of the global supply chain (Kakkar & Kumar, 2020).

## INTRODUCTION

### Preface

### Introduction to MSMEs

In 2007, the Indian government merged the Ministry of Small-Scale Industries with the Ministry of Agro & Rural Industries to form the Ministry of Micro, Small, and Medium Enterprises (MSME). India, home to many sharp minds targeting the micro and macro problems is inclined to see startups and businesses launched to solve these problems [manufacturing & services]. As a developing nation, more than larger MNCs, it is found that MSMEs form the backbone of the nation's economy.

To provide an example of some common MSME industries printing, xerox, other paper products; beauty parlor; furniture and wood products; leather products; laundry and dry cleaning; tailoring; molding (inclusive of plastic,

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rubber, etc.); auto parts components; ceramics and glass products (inclusive of tiles-roofing and glass flooring, granite, etc.); placement and management consultancies; retail and wholesale businesses, etc.

To simplify classification, the Indian government classifies enterprises based on investment capital, company turnover, and machinery expenditure (Table 1, Figure 1). In its most recent revision, the Finance Minister, Nirmala Sitharam, dissolved the distinction between manufacturing and service MSMEs. This revision (revised definitions, investment capital limits, and more) came with the observation that many MSMEs, in order to retain benefits offered by the government, remain within the defined range rather than looking towards growth, additionally, it had been 14 years since the definition was introduced (“MSME Definition: Govt changes definition of MSMEs, revises investment limit | India Business News - Times of India”, 2020).

**Introduction to EX/IM**

The simple meaning of the words export and import is the buying and selling of products from & to foreign countries, respectively. The root word, ‘port’, refers to a harbor where ships load & discharge cargo [and passengers] (“Port definition and meaning | Collins English Dictionary”, 2021).

The origin of trade is the exchange of goods needed or wanted from other individuals, groups, and societies, from prehistoric times. This exchange led to the pegging of the value of certain necessities or rarities, thus, leading to the creation of the modern currency. Humans now understood the concept of demand & supply and sourcing from areas other than their natives. As society evolved,

these concepts evolved with it, eventually giving way to a more structured form of supply & demand.

Now, concentrating on the specific context of the Asian subcontinent, modern-day India.

Then came the big discovery, which can be referred to as the pretext to globalization. Vasco de Gama on his first voyages to India found the first sea route connecting the European and Asian continents. On landing here, he discovered the vast riches in abundance in the Asian countries. Due to the European countries lacking such treasures of spices, gold, silk, and more, trade began. This led to trade going beyond the Silk Road and the need to be able to supply & fulfill the burgeoning demand from states. This led to the creation of cargo transport, which led to a boom in the rise of accessibility to foreign goods and services.

For a moment, let us draw a comparison to the United States of America, where the unification of industries has already occurred. The 50-year period of 1880-1930, took the US from a village economy to the tract of an industrial superpower. This 50-year period which happened over 50 years ago for the

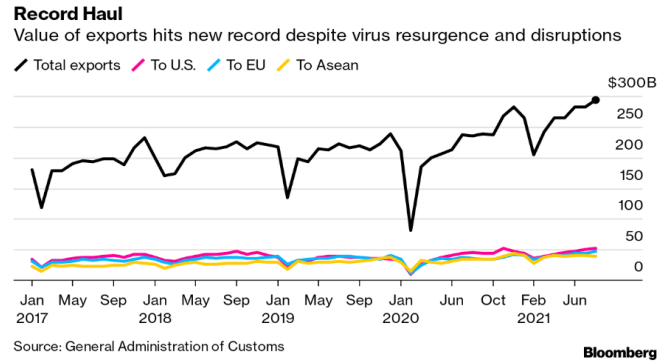


Figure 1:(Liu, Zhu & Zhao, 2021)

**Table 1:** Existing and Revised Definition of MSMEs

<i>Existing MSME Classification</i>			
<i>Criteria : Investment in Plant &amp; Machinery or Equipment</i>			
<i>Classification</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>
Mfg. Enterprises	Investment < Rs. 25 L	Investment < Rs. 5 Cr.	Investment < 25 Cr.
Services Enterprises	Investment < Rs. 10L	Investment < 2 Cr.	Investment < 5 Cr.
<i>Revised MSME Classification</i>			
<i>Composite Criteria : Investment and Annual Turnover</i>			
Mfg. & Services	Investment < Rs. 1 Cr. & Turnover < Rs. 5 Cr.	Investment< Rs. 10 Cr. & Turnover<Rs. 50 Cr.	Investment< Rs. 20 Cr. & Turnover<Rs. 100 Cr.

(Buletin V Analysis of Udyam Registration Data, 2021).

U.S., is the exact stage that India is in right now. There is a wave of formalization of the industrial sectors and we are witnessing the rise and fall of various companies and the inevitable creation of monopolists across sectors. This moment is key in the history of India's industrialization and we will see great leaps and advances in product quality, quantity; technological innovations; transport, infrastructure, and more.

Fast forward to the present day, despite COVID-19's devastating impact—from shipping delays, cargo traffic, and more, the export-import (EX/IM) market has been doing exceedingly well, especially with the influx of retailers entering the industry.

India joined the EX/IM rally with its vast number of MSMEs spouting up pre-COVID and sustaining, if not advancing, over the COVID lockdown. Despite fresh virus outbreaks, port disruptions, congestion, and a rising shipping cost, the global demand has remained resilient. At present, India's GDP is 2,870,504,096,717.48 (2.8 qdn) in current USD. In comparison, India services export is 214,761,539,670.90 (214 bn) in balance of payments (BoP), current USD and services import is 130,535,200,230.31 (130 bn) in BoP, current USD (India Trade Statistics | WITS, 2011). Regardless of those figures, once the exports and imports of goods is factored in, these figures change. The exports of services & goods in terms of relative percentage of Indian GDP is 18.43% compared to the import of services & goods in terms of relative percentage of Indian GDP which is 20.96%.

Nevertheless, in the upcoming years this figure is estimated to change into export dominance due to the hike in import taxes imposed by the nation's Prime Minister, with the hike in Indian customs taxes. For reference purposes, all products are identified using the HSN Code which is used in the Harmonized Commodity Description and Coding System (HCDCS). The HCDCS is an internationally agreed upon method used for the identification of product types. The specific customs duties to be paid for the product are then found by referencing the Indian Customs Tariff (Customs duty: import duty in India, 2018).

### *The Case of Tesla in India*

To provide a relevant and well-known example of the hike in Indian customs for imported products,

we can simply look at Tesla vehicles. Tesla coming to India was a major step for the EV giant, however, India's current import duty for EVs is 100% for EVs costing more than \$40,000 (this is imposed on Tesla even though the Tesla model 3 has a base price of approximately USD 35,000) (Baldwin, 2021). The Tesla's base price of 35 Lakhs would become 70 Lakhs for Indian customers resulting in obvious losses for the company. As an EV giant, it was able to appeal for a lower import tariff which has been tentatively agreed upon by the Indian government, however, the ask is that Tesla not release a made in China car in India (Shally Seth Mohile, 2021). This has made the Indian EV space even more competitive as car makers and startups rush to release affordable luxury to the Indian customers.

## **PROBLEM STATEMENT**

India, despite having once been called the 'Golden Bird' due to its masses of riches and wealth, has fallen behind since the Second Offset. The current infrastructural layout of India has been one that is riddled with many inadequacies for its people. However, as a people, Indians have always had their wit above all. The innovation and ardor to build and strengthen the nation have led to the rise of many companies, MSMEs, amongst others, throughout. MSMEs are increasingly forming a larger part of the nation's GDP and economy. The question remains, how Indian MSMEs will continue to propel India throughout the exports & imports sector of the world.

## **LITERATURE REVIEW**

India is a widely appealing market for companies all across the world, with more and more organizations looking to start branches and selling operations in India. Unfortunately, what these organizations (and most Indians too!) are yet to realize is that approximately over 70% of India's consumer market is from the informal market, i.e., customers that choose to purchase on a need-basis.

### **Case Study: Relaxo Footwear**

To simplify this principle, let us take the example of a case study from the Indian multinational



footwear company, Relaxo. Relaxo started off as a plastic and rubber trading MSME and went on to enter the footwear market in its early inception. It realized quickly on that there was no scale in the manufacturing footwear and showed brilliant execution of building scale.

Relaxo used the strategy of adjacent monopoly to topple Bata's footwear monopoly in the nation. Relaxo's base price for a flip-flop touches around INR100 (varying from INR 99-110 on Amazon, one of the most popular e-commerce websites in India). It is the cheapest flip-flop on Amazon, the next cheapest is INR 139 by Paragon. By releasing a competitive pricing for flip-flops which are (still) unmatched by other manufacturers it has created a monopoly for flip-flops in the nation by appealing to the informal sector which has given it profits rivaling that of Bata, despite the extravagant pricing difference (Sameer Padole/Investing.com - Investing.com, 2021).

For the informal sector (a sector consisting of over 100 crore or 1 billion people with an annual income of under 1 lakh), investing INR 100 for a flip-flop that lasts them months, much like any premium and more prominent footwear brand would, for example Puma, Nike, Bata, etc., which offer durable and premium shoes & other footwear options, is the best idea. As GST crushes the informal, tax-evading footwear shops, the entire market is slowly folding to become customers of the footwear giants—Relaxo, Bata, and other small-cap companies Mirza International Ltd., Khadim India Ltd., Liberty Shoes Ltd., and Super House Ltd.

At present, Relaxo has 8 times larger production capacity than any other brand of footwear in India. Furthermore, it has succeeded in winning over entry level sandals as well as sportswear (Sparx). At a point during this boom, they transitioned from supplying to wholesalers to working with distributors and achieving over 30,000 dealer touch points—which is approximately twice the amount Bata had and thrice the amount any other footwear brand had. This wide gap in market supply favored Relaxo's ascension in the market which is soon to come to the terms of competing with none, a market of one.

In 2022 the market cap for footwear in India is estimated to reach USD 15.5 billion (PBNS, 2021).

Taking into consideration that India is the second largest manufacturer of footwear, and if we take for granted a consistent 20% compounding for Relaxo, it can grow to become the monopolist or at least the leading brand for footwear (Mukherjea, S. 2016. The unusual billionaires.).

Note: This is an important trend visible in the sustaining market giants—a compounding of 20% profits to consistently build even more profits over time.

For more details, let's take a look under the bonnet of the domestic Indian market. India is one of the only nations where giant company monopolies account for over 60-80% of market cap. The upcoming MSMEs are roots for changes and mini-monopolies within their niches. MSMEs are emulating the billionaires of the world and excelling in their niches.

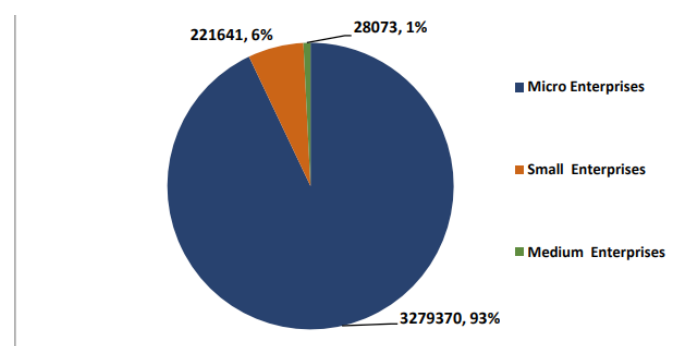
Let us take a look at how things are going with respect to upcoming and current MSMEs.

## Current & Upcoming MSMEs

The services sector is inclusive of:

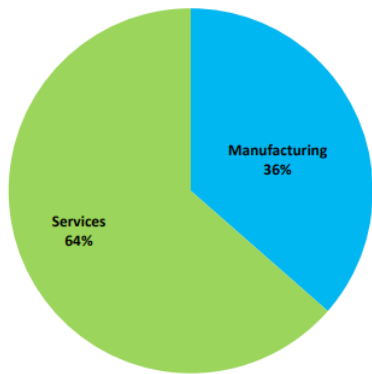
- Transportation, communications, and utilities;
- Retail trade;
- Wholesale trade;
- Real estate, insurance, and finance;
- Public administration; and
- Other services

Analyzing Figures 2, 3 and Tables 1, 2, 3 we conclude that the MSME ecosystem is majorly dominated by micro-enterprises (93%) and the majority of MSMEs (64%) fall under the services sector. From the case study introduced earlier (see



**Figure 2:** Depicts the distribution of MSMEs registered on Udyam Registration Portal as of 30<sup>th</sup> June 2021. (Buletin V Analysis of Udyam Registration Data, 2021).

Case Study: Relaxo Footwear), we realize that many of the current to-be monopolies and MNCs are from MSME origins and have since outgrown the range



**Figure 3:** Depicts the segregation of different types of companies by nature of business: manufacturing, and services.

(Buletin V Analysis of Udyam Registration Data, 2021).

**Table 2:** Net Turnover of MSMEs in FY 2020-21

Net Turnover (INR)	No. of MSMEs
Up to 1 Cr.	3026916
1 Cr. – 2 Cr.	142218
2 Cr. – 3 Cr.	75430
3 Cr. – 4 Cr.	49260
4 Cr. – 5 Cr.	35951
5 Cr. – 10 Cr.	89846
10 Cr. – 25 Cr.	76200
25 Cr. – 50 Cr.	31119
Above 50 Cr.	24385
Total:	3551325

(Buletin V Analysis of Udyam Registration Data, 2021).

**Table 3:** Net MSME Exports

Exports (Rs. In Cr.)	No. of Micro Enterprises	No. of Small Enterprises	No. of Medium Enterprises	Total
Up to 1 Cr.	29983	18722	3043	51748
1 Cr. – 5 Cr.	7552	6266	1850	15668
5 Cr. – 10 Cr.	2121	2257	882	5260
10 Cr. – 25 Cr.	1437	2258	1054	5049
25 Cr. – 50 Cr.	282	1386	701	2369
50 Cr. – 100 Cr.	81	715	578	1374
100 Cr. – 200 Cr.	29	268	417	714
Above 200 Cr.	2	68	247	317
Total:	41487	32240	8772	82499

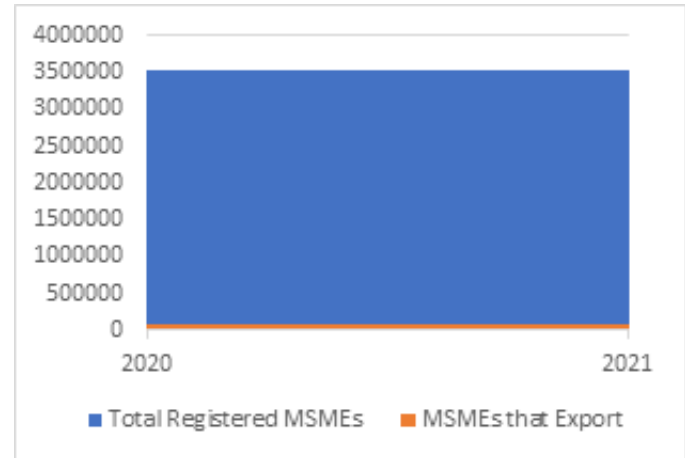
(Buletin V Analysis of Udyam Registration Data, 2021).

to become bigger companies. In the FY 2020-21, MSMEs contributed 29% towards India’s Gross Domestic Product (“MSME Industry in India–Market Share, Reports, Growth & Scope | IBEF”, 2021). Of the 3,529,084 MSMEs registered with the Udyam Portal, only 2.3% participate in exports as depicted in Figure 4.

## The Current Situation

### The Dragon

The emerging trend in the EX/IM market is that of serviceability, with even manufacturing falling under the umbrella term of services. The second-largest contributing industry to China’s economy is the wholesale & retail industry (9.4% in 2020). The first is the industrial sector, which creates finished products made for instant utilization (30.8% in 2020) (Textor, 2021). On a global scale, China accounts



**Figure 4:** MSMEs Registered with Udyam and Those Involved in Exports



for 26% of global manufacturing output in 2020 (“Manufacturing, value added (% of GDP) - China | Data”, 2021).

The reason China brings in a wealth of money even with dirt-cheap prices is that China plays the role of an opportunist. It strategically positions itself to best serve the capitalist society despite being a communist society itself, asking nations across the world how it can pick up the ‘sludge work’.

On examining this behavior closely, it is visible that China manufactures components and provides services that, although would not make a major difference in existing products/services provision, prove to be pivotal when a company is advancing its technology or improving quality of products. In doing so, it fills the upcoming gap—predicting the possible moves an industry may make before they even make their next move, and tailors to common demand, be it present or upcoming.

China has a profit-centric economy, with companies of all types, sizes, and shapes as its customers. It thrives off the production of commonly required components across companies of major industries, thus allowing it to reduce its margin and still walk away with significant profits, sometimes ranging even greater than the companies purchasing from it. This is possible solely because of the sheer bulk quantity in which these seemingly minor components are sold, outnumbering any single company's sales, thus resulting in these manufacturers raking in profits.

This is not a short-term strategy, rather it is one that has been in the making since the early 1990s. Before the dot com revolution could truly hit, China envisioned the potential impacts of the technology and began building a gated nation-state so that the Chinese government would be able to retain its power. The reality many governments are now waking up to is that technology giants are slowly siphoning power from the central government. The power flow has gone from the centralized governments/authorities to branching out to giants that are bound to get bigger with time.

By encouraging its citizens to build companies that would serve the same purpose. The government proposed a law that mandated that 50% of profits earned from providing outsourcing solutions would

be pooled into a fund that would be reinvested into futuristic technologies. Let us take into consideration the basic effect of compounding of these funds from the year 1990. Even on applying a nominal rate of 2% growth per year, the fund would have grown by 21% by 2020 which allowed these companies to reinvest in themselves in a specific manner thus creating increased future value. While these companies have to compromise on profit gains, the result seems to be worth it (Brown and Singh, 2021) (Wu, 2016).

Outside of ensuring reinvestment in its own companies & economy, China also invests massively in the United States, a hub for innovative technology. Investing is but one part of the immense technology transfer that has been continuing for decades. The U.S’ pre-eminence in technology has mostly been due to government-funded projects. In the present day, this eminence, also known as the Third Offset, is fought for in the commercial arena by companies both private and public, racing to develop and patent the next big tech (Brown and Singh, 2021). By continuing to allow China to operate unrestrained, many countries are fueling its mercantilist strategy and propelling its technological advances. At the moment, China has surpassed the U.S.A to become the richest nation in the world—its global wealth has tripled in the past two decades, leading to this overtake (China overtakes US to become world’s richest nation as global wealth triples in last two decades, 2021).

### ***The Indian Strategy***

India, as a populous nation, has an abundance of very desirable asset-human resources. Over the past decade, we’ve seen an exponential growth of MSMEs as more and more of the population turns to business as a means of income. While India does not possess any mandate for companies investing in future technologies, there are plenty of companies and startups that make up for the loss as many medium & large-sized companies have the opportunity to acquire startups working on future technologies and integrate them within the core company to bring forward new solutions. Although this does may or may not enable the Indian companies to immediately compete in the

marketplace, especially the global market, it does compensate for the lack of in-house parties.

For FY 2020-21, the government allocated USD 3 billion for reforms in the power, renewable energy, and infrastructure sector in the Union Budget. A package of approximately USD 9.6 billion is planned by the government to restructure the power sector's debt repayment as an added aid. The transport sector was allocated USD 23.4 billion, which was inclusive of investments in roads, highways, railways, shipping, ports, and civil aviation (Nexdigm (SKP) Impact of COVID-19 on the Manufacturing Sector in India, 2021) (Notes on Demands for Grants, 2021-2022 | Demand No. 70, 2021).

Amidst recent tensions with China, India has become even more appealing as not only a vast untapped market to sell to but also as a manufacturing hub. Recently India surpassed its American counterpart to become the second most appealing manufacturing hub ("India overtakes US to become 2nd most attractive manufacturing destination", 2021). The effects of this are immediately visible in a positive trade growth of 0.71% compared to the world average of -1.13% (India Trade Statistics | WITS, 2011).

India has an edge it can take advantage of in terms of policies & incentives (government support and workforce). However, India needs to upgrade its current infrastructure to support the potential shift of companies' manufacturing bases to the nation. The improved infrastructure not only requires a stable source of power supply but also improvements in logistics, such as transport hubs, roads, ports, etc. To build confidence amongst major manufacturing firms of the world, India has to work on ensuring the Indian resurgence makes a recovery alongside the nation (Managing the Effect of COVID-19 on India's Supply Chains, 2020), (Nexdigm (SKP) Impact of COVID-19 on the Manufacturing Sector in India, 2021).

## OBJECTIVES

The objectives of this research paper are:

- To answer the question: What roles do Indian MSMEs currently play as part of the supply chain, particularly for exports & imports?

- To understand how Indian MSMEs are increasingly causing India to rise in rank as an exporter & importer.
- To conclude if Indian MSMEs will soon participate in all aspects of EX/IM as a major contributor and how the sector (manufacturing & services) will grow based on the current industrial growth of MSMEs in the coming years?

The growing role of MSMEs in cross-functional exports and imports was investigated to ascertain how MSMEs are replacing and improving several aspects of the supply chain by becoming vertically integrated into it.

## HYPOTHESES

Null Hypothesis: The general population ( $\mu_1$ ) and individuals directly involved in the MSME & EX/IM ecosystems ( $\mu_2$ ) identify MSMEs to possess fixed roles in the supply chain.

$$H_0: \mu_1 = \mu_2$$

F-value = F-crit (values mentioned in ANOVA table).

(Alternate) Research Hypothesis: The general population ( $\mu_1$ ) and individuals directly involved in the MSME & EX/IM ecosystems ( $\mu_2$ ) do not share views regarding the roles MSMEs play in a cross-functional EX/IM supply chain.

$$F\text{-value} > F\text{-crit}$$

$H_a$ : The group means  $\mu_1, \mu_2$  are not equal.

Thus, all means are not the same and the differences are too large to be caused due to random variations.

The running hypothesis for this paper is that the null hypothesis will be rejected as there is a drastic difference in contact points of the gen pop with MSMEs compared to those involved in the MSME and EX/IM ecosystems.

Assumptions:

- The sample taken from each population is assumed to be normal.
- All samples are randomly selected and independent.
- The populations are assumed to have equal standard deviations (or variances).
- The factor is a categorical variable.
- The response is a numerical variable.



## RESEARCH GAP

The unexpected recession and pandemic have led to a lull in the operations and business of especially the manufacturing sectors (Nexdigm (SKP) Impact of COVID-19 on the Manufacturing Sector in India, 2021). This gap in united advancement of the sectors causes any reports or forecasts on the industry to be more estimations than fact as the recovery and advancement depend largely on socio-economic factors such as national COVID-19 recovery, policies, infrastructure, supply and demand, cost recovery, capital & foreign investment, market efficiency, etc.

The sample size does not encompass all industries and all different sizes of MSMEs within those industries, and thus results may vary from the majority. Furthermore, the sample size consists of a random group of notably small size when compared to the vast number of MSMEs existing in India.

Due to the use of dummy variables in the regression analyses used for data analysis, there is a possibility of collinearity.

## RESEARCH METHODOLOGY

A dual research methodology was utilized to complete this paper—qualitative and quantitative research. The technical aspects of MSMEs and exports & imports (EX/IM) were explored by studying academic publications, press releases, e-books, and more. Theories regarding the current and potential role of MSMEs in cross-functional exports & imports in this paper stem from in-depth analyses based on a combination of prior research as well as practically sourced data from various entities integrated into the field. Both real cases and theoretical aspects were presented in order to reach principal conclusions, further discussions, and forecast potential growth.

The quantitative research was carried out by conductive interviews with multiple companies, stakeholders, and industry experts in order to understand industrial opportunities as well as on-ground challenges. This was carried forward by conducting detailed benchmarking studies of the best industry-specific international practices which were then referenced for the reader's understanding.

The survey itself will occur via online mode (Google Forms) in light of the COVID-19 situation

and also reach a broader audience in the target age groups. Due to the lack of prevalent measures for surveying across industries and enterprise sizes, the survey will request participants to self-report their current status. The terms MSMEs and exports & imports will be defined to prevent irregularities in data from the surveyor side.

Survey results will then be analyzed using an Analysis of variance (ANOVA) & Conjoint Analysis (to rule out bias) and results are to be reported.

## DATA ANALYSIS

The survey results were analyzed using two data analysis techniques, ANOVA and a conjoint analysis (to rule out bias).

A random sample size of 20 pan-Indian participants was taken. 5 business owners from the states with the highest & lowest number of registered MSMEs, 1 professional directly involved in the field, and 14 general population members of varying ages (gen pop).

### ANOVA

The analysis of variance (ANOVA) test—which is a statistical technique used to check the impact of one or more factors by comparing the means of two or more groups plays an important role in discerning how the general population compared to business owners/employees/directly involved individuals' opinions differ.

Thus, from the above test, we can reject the null hypothesis (Table 4, Figure 5).

### Conjoint Analysis

The conjoint analysis (Table 5) is used to identify which particular factors could influence the directly involved individuals' views on the industry based on involvement. (Author's compilation)

#### Observations

- Good regression because R Square is equal to 1.
- Each variable is a significant predictor because it possesses a low p value.
- Since the regression test provided a rank value close to the actual rank, it can be said that the regression analysis is a good regression.
- There is no individual factor that outweighs another in the respondees' perception, thus,



**Table 4:** ANOVA Single Factor Test

ANOVA Single Factor Test						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	193.3928571	1	193.3928571	4.998974254	0.038267	4.413873
Within Groups	696.3571429	18	38.68650794			
Total	889.75	19				
If F-value>F-crit, reject null hypothesis, else accept null hypothesis	Reject Null Hypothesis		If P-value<alpha-value, reject null hypothesis, else accept null hypothesis	Null Hypothesis Rejected		

(Author’s compilation)

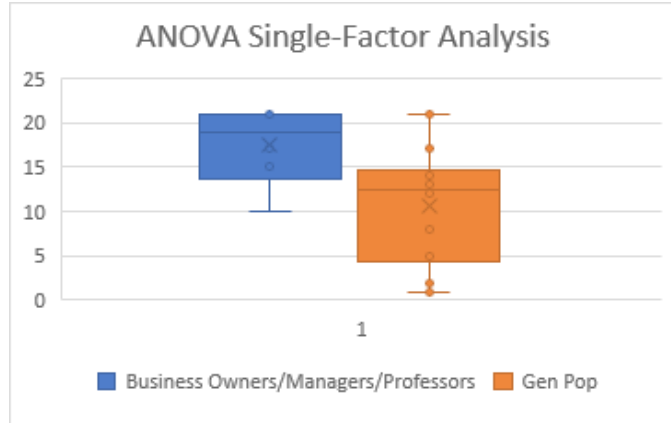
**Table 5:** Conjoint Analysis

Regression Statistics	
Multiple R	1
R Square	1
Adjusted R Square	1
Standard Error	1.10563E-15
Observations	20

ANOVA					
	df	SS	MS	F	Significance F
Regression	14	84.8	6.057143	4.95502E+30	6.95339E-77

(Author’s Compilation)



**Figure 5:** ANOVA Single-Factor Analysis

there is no minimum or maximum utility, i.e., no biases.

## DISCUSSION AND CONCLUSION

The post-analysis results of the survey determined that the majority of people share a positive outlook for Indian MSMEs growing in the global imports and exports market, participating as more than participants but as players of the field. The recent revisions to the policies & incentives launched work

towards overhauling the entire MSME ecosystem to make it more dynamic, competitive, robust, and resilient in both national and global scenarios (Theme Paper on Global Value Chains Expanding Boundaries of Indian MSMEs, 2019).

The role of Indian MSMEs in the global exports and imports (EX/IM) has grown significantly since the Second Offset. To catch up to the Third Offset, India has to be careful with its technology staying in the nation. Furthermore, India must retain and regain its insurgence as a destination for manufacturing and services firms to set up bases if it wishes to gain a strong foothold during this phase. COVID-19 recovery needs to be quick and smooth, with strong strategies for debt repayment, government & private companies investing in new startups and purchasing innovative technology patents, as well as creating their own. As Adam Smith states, “By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it.” By improving infrastructure and employability for the Indian MSMEs, India would facilitate the country’s being a manufacturing hub.



## IMPLICATIONS

The implications of this research point towards the need for an overhaul of infrastructure, workforce capabilities, and governmental support not just in the form of incentives but also in evolving the MSME ecosystem to be more welcoming and capable enough to withstand the onslaught of other global competitors entering the Indian market. As the MSME ecosystem diversifies to encompass more industries and participators in the supply chain for the purpose of leaning towards vertical integration, much like the Indian multinational footwear company, Relaxo.

In terms of the implications of Indian MSMEs in EX/IM on management, the first implication concerns the practice of present corporate strategies. Most companies operate on a slower framework than the upcoming monopolists and giants, even if they are, other giants in the industry. This has to do with supply chain management. While giants and monopolists have 30-day or shorter revenue cycles, other companies are still stuck at the old 90-day revenue cycle, thus setting the giants 300% ahead of these companies. Strategizing to have a foot in the game means either creating better infrastructure or finding some means to innovatively use the current infrastructure to best address issues. For Indian companies struggling to find a foothold in the market, I feel it is important to invest in consultancy firms, such as Accenture, TCS, etc., to best understand how to restructure their current working model for optimal outputs.

In order to truly keep up in the corporate race, it is essential for companies to address the Indian market and improve customer-company relationships so as to create diversity in product choices. Companies that consistently succeed have, to some extent, mastered the art of engaging and understanding the population. One of the most important keys to doing so is by understanding the representative of the people, i.e., the government, its needs & wants, current and future plans, and strategy for the nation. Tata has excelled and set a milestone in terms of doing this and thus consistently succeeds in both addressing the concerns of the Indian government as well as being able to provide value to the Indian consumer. Investing in a CRM software, or even

trying many on trial would allow many companies to better gain insights on how to best maintain relationships with their customers.

I strongly believe that there are no 'new' concepts in play in the market, simply the semi-digitalization of many actions, which has left the nation in splits and thus leaving it to the companies to compensate for this gap. In addition to this, it is key for companies to look at corporate strategy as a learning opportunity rather than ignore these successes and continue to struggle fruitlessly. The increasing amount of MSMEs in the nation has given rise to intense competition which will only get more intense as more pop up and the rest fold into the inevitable monopoly created by the customers due to value for money and time as well as availability, quality, and most importantly, marketing & relationships.

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