

## **MAKE IN INDIA – ROLE OF SME CAPITAL MARKETS – PART I**

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Launched by Prime Minister Narendra Modi on 25 September 2014, **Make in India**, the key initiative of Government of India to encourage multi-national as well as national companies to manufacture their products in India. India has emerged, after initiation of the programme in 2015 as the top destination globally for foreign direct investment, surpassing the United States of America as well as the People's Republic of China. India has received US\$63 billion in FDI in 2015 under this flagship programme.

The Micro, Small & Medium Enterprises (MSME) segment is expected to play a significant role in the emergence of the Indian economy as worlds' manufacturing hub under the Make in India Programme. The development of this segment is extremely critical to meet the national imperatives of financial inclusion and generation of significant levels of employment across urban, rural and rural areas across the country. Further, it can nurture and support development of new age entrepreneurs who have the potential to create globally competitive businesses from India.

As rightly said, SMEs are the backbone of any fast developing economy and India is no exception! Till date, 151 companies have been listed on SME bourses i.e. BSE SME Platform and NSE Emerge Platform. These Companies represent diverse industry base such as manufacturing, Textiles, Agriculture Products and equipments, Plastics and Plastic Products, Food & Food processing, Cable and wire, Real Estate, Media & Entertainment, IT & IT-ES Service, Financial Advisory Services etc., based out of more than 25 cities. These recent initiatives of capital markets aim at bridging the gap between SMEs and capital markets by providing an opportunity to SME entrepreneurs to raise growth capital and reap benefits of listed space. Developments of SME Capital Market means growth of SMEs, which in turn will significantly boost Make in India movement. The sectors such as Food and agriculture, Pharma, engineering, e-commerce and technology are at the forefront when it comes to contributing towards Make in India movement. The SME capital market provides a strong platform for SME companies to raise money and increase their level of operations and hence capitalize on plethora of opportunities available for companies in domestic as well as international market.

For a capital scarce developing country like India, SMEs are considered as panacea for several economic woes like unemployment, poverty, income inequalities and regional imbalances. Capital market will be benefitted if more and more SMEs come for listing. One of key role that Capital Market plays is transfer of risk to persons who are best able to bear it. As more and more SMEs come for listing, it will make available more investment opportunities for investors which in turn will attract more investors with diverse profiles to the market leading to a significant deepening of capital market in India. Indian SME stocks have given highest returns globally and are becoming favourites of many investor classes.

Survival of the fittest is going to be the mantra in today's dynamically growing business scenario. With global integration, SMEs cannot afford to take shelter of domestic demographics. They need to be particularly attentive to technology and must have adequate R&D processes to compete successfully. Innovation and Technology are instrumental in the survival and growth of SME's and improving their economies of scale. Innovation and technology are not objects, rather processes. SMEs should liberally invest time and resources in creating these valuable intangibles. Initiatives such as start up India policy and faster registration of Intellectual property rights like patents, copyright and trademarks will support innovation.