



Igniting Thoughts of Tomorrow

SMALL & MEDIUM ENTERPRISES

WeChat

Mr. Kiran Vedula
Head, Corporate
Agri & SME Finance
Indusind Bank



The Efficacious Marketing Strategies



SMALL BUSINESS



Featured

The Credit Choke-
point
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January 2014



OUR VISION

“To nurture thought leaders and practitioners through inventive education”

CORE VALUES

Breakthrough Thinking and Breakthrough Execution

Result Oriented, Process Driven Work Ethic

We Link and Care

Passion

“The illiterate of this century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.” - Alvin Toffler

At WeSchool, we are deeply inspired by these words of this great American writer and futurist. Undoubtedly, being convinced of the need for a radical change in management education, we decided to tread the path that leads to corporate revolution.

Emerging unarticulated needs and realities need a new approach both in terms of thought as well as action. Cross disciplinary learning, discovering, scrutinizing, prototyping, learning to create and destroy-the mind's eye needs to be nurtured and differently so.

WeSchool has chosen the ‘design thinking’ approach towards management education. All our efforts and manifestations as a result stem from the integration of design thinking into management education. We dream to create an environment conducive to experiential learning.

Dear Readers,

It gives me great pride to introduce Samvad issues every month. Our Samvad team's efforts seem to be paying off and our readers seem to be hooked onto our magazine. At WeSchool we try to acquire as much knowledge as we can and we try and share it with everyone. I sincerely hope that Samvad will reach new heights with the unmatched enthusiasm and talent of the entire Samvad Team.



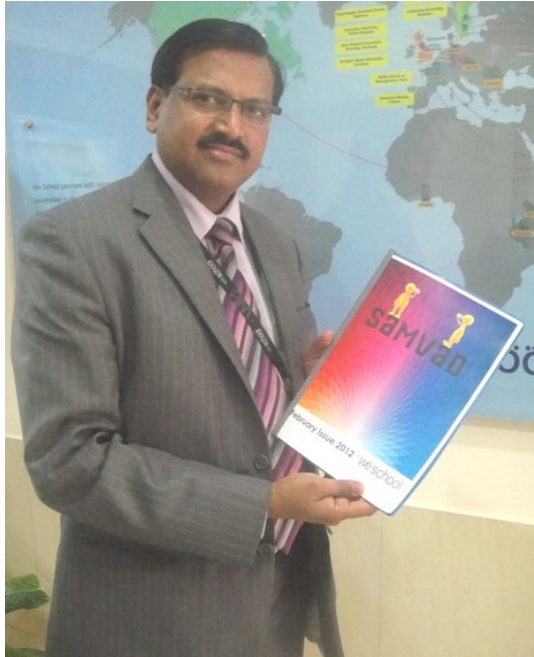
Prof. Dr. Uday Salunkhe,
Group Director

Here at WeSchool, we believe in the concept of AAA: Acquire Apply and Assimilate. The knowledge that you have acquired over the last couple of months will be applied somewhere down the line. When you carry out a process repeatedly it becomes ingrained in you and eventually tends to come out effortlessly. This is when you have really assimilated all the knowledge that you have gathered.

At WeSchool, we aspire to be the best and to be unique, and we expect nothing but the extraordinary from all those who join our college. From the point of view of our magazine, we look forward to having more readers and having more contributions from our new readers.

Samvad is a platform to share and acquire knowledge and develop ourselves into integrative managers. It is our earnest desire to disseminate our knowledge and experience with not only WeSchool students, but also the society at large.

Prof. Dr. Uday Salunkhe,
Group Director



Prof. Dr. Uday Salunkhe introducing the first issue of Samvad

OUR VISION

“To facilitate exchange of ideas that inspire innovative thought culture”

MISSION

To Dialogue

To Deliberate

To Develop

To Differentiate

As the student magazine of WeSchool, Samvad is greatly inspired by the words of Alvin Toffler backed by a strong vision of facilitating exchange of ideas that inspire innovative thought culture. Samvad is a platform for the next generation leaders to bring forth their perspective on management to the world and gives the readers an opportunity to learn, unlearn and relearn on a continuous basis.

The team of Samvad is driven by a set of strong WeSchool values which enable us to create a dialogue leading to knowledge gaining and sharing, to deliberate on the information, to develop a sense of creativity and differentiate our minds with innovative thoughts of tomorrow; today.

Dearest Readers,

Greetings from Team Samvad!

It gives me and the entire Samvad Team immense satisfaction to bring to you the latest issue of Samvad on the theme “Small and Medium Enterprise”.

As the new year 2014 dawns upon us, it's time for the old team to pass the baton to the new one and so it gives me great joy in introducing the new Samvad Team as we take charge from this issue onwards. We hope to carry forward the good work done by our predecessors and hope to continue giving you readers the best reading experience through Samvad.

In this month's issue we focus on the Indian SME growth model and how it has captured the imagination of economic strategists and policy makers around the world. Over the last two decades, the Indian SME sector has grown exponentially in terms industrial output, exports, innovation and employment generation, fuelled by globalization, liberal domestic economic policies and increasing accent on public-private partnerships. This issue breaks down the sector and looks at it from a MBA's perspective.

To give you more insights on a career in this sector, we have Mr Kiran Vedula (Head, Corporate Agri and SME Finance, Indusind Bank), a distinguished personality in the SME Sector. Hope the interview adds lot of value to your reading. The featured article gives an insight on how difficult it is to get credit from banks for starting out in the sector and what people could do to get kick-started in this sector financially.

We are thankful for all the wonderful comments, compliments and suggestions for improvisation by you all and we are striving for the best. We hope with this issue we provide you with different perspectives on this sector. We will be happy to hear if you personally wish to enter this sector or have a vision to bring about a disruptive change at the grassroots level. It's time we ignite our thoughts in to actions for a better tomorrow.

Hope you will like reading this issue. Feel free to give us your feedback. The new Team will strive hard to make your readership experience more worthwhile.

Read Better to know Better...!!!

Best Regards,

Anurag Chatterjee

Editor

Samvad - Igniting Thoughts of Tomorrow

Team Samvad would like to extend its heartfelt thanks to certain key members of the WeSchool family for their special efforts towards the making of this magazine.

We deeply appreciate the constant motivation & encouragement that our beloved **Group Director Prof. Dr. Uday Salunkhe** has always given us. His vision & result orientation has been the driving force in creating brilliant leaders and making WeSchool a name to reckon with, not only in India but also globally. His focus on the core values of Passion, We Link & Care, Result Oriented Process Driven Work Ethic and Breakthrough Thinking has formed the foundation of all the activities that we undertake as students of this esteemed institute.

We deeply appreciate the help and support given to us by both **Prof. Amarkant Jain** and **Prof. Deepa Dixit**. Their insight and expertise is our driving force to ensure the sustainability of our magazine.

We appreciate **Prof. Ravi Vaidee** for his help in selecting the best Marketing articles. He is part of our core Marketing faculty at WeSchool.

The Finance articles were scrutinized by **Prof. Sapna Malliya** and we thank her for choosing the most relevant and informative articles.

We appreciate the efforts of **Prof. Jyoti Kulkarni** for selecting the most interesting articles in General Management domain.

The Human Resources articles were scrutinized by **Prof. Anjali Joshi** and Operations Section by **Prof. Kavita**. We thank them for choosing the best articles

We would like to thank **Ms. Yashodhara Katkar**, General Manager - Liaison, WeSchool and her PR team for helping us to reach out to our readers. Also, we thank **Ms. Prachi Shah** and her team for helping us out in the PR activities of Samvad

We are indebted to **Prof. Jalpa Thakker** for all her help and guidance in the making of Samvad. Her insight and suggestions have been of tremendous benefit to us. The Samvad Team would truly be incomplete without her.





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An Interview with Mr. Kiran Vedula

By: Team Samvad

(Head, Corporate Agri & SME Finance, Indusind Bank)

1. Could you please share with us your professional experience and learning's that spread over a decade in Agribusiness and Commercial Finance.

The learning we get from theory is different from practical ones. In practical environment nothing is constant. Important would be how do you blend theory with practicality. It is about finding a right balance. The second learning would be to understand, respect and blend your ideas with the organizations culture.

On the agribusiness front: It has been a roller coaster ride. In agriculture business there has been spectacular innovations. People have gone into wide range of products like short term loans, working capital demand loans, cash and intrapayment. Innovation in banking products (Kissan credit card, project financing fund) was noticed in the period of 2002-2007. In the period of 2007-08 lots of course corrections were introduced in the business model. Every business has gone into tailspin. All the promoters have corrected their business model. Agriculture business has more to do with finding a right blend with the business model. Sustainability of business model is important. Cash flows are very important in any business which is that you take a collateral mortgage agriculture land and take money. What is more important is you give money because what we give is raised by depositors, stakeholders. We are custodians of that money. So we also have to lend very judiciously. We have to see that money which we lend comes back with interest. Borrow selection should be done in the range of parameters, not



single parameter, like collateral parameters like a location or geography. We have to do it on a range of parameters. No business is risk free. At the end it depends on choosing a right business model.

2. Globalisation has changed every aspect of business and industry. In the context of agribusiness, what new challenges does it present to food producers, distributors and government?

Globalisation has been encouraging on technological front. They are enhancing the productivity which helped in meeting the balance of technological advancement and shortage of labour. We are linked with global market like never before.

For example: Basmati rice, drop of productivity in Pakistan, Thailand would help Indian exports. Range of items are being consumed by the consumers. They are all interlinked and products are largely substitutable.

It is all very dynamic. Globalisation has made the scenario very dynamic. Unless we don't integrate with the world economy, we can't derive the benefits. It is always two way traffic. Overall the value of agribusiness with respect to globalisation has increased. Entrepreneurs and farmers who have tried to learn the ropes of the business have managed to stay ahead in the business .

3. The SME sector still faces some challenges to getting access to Credit from Banks for their Business. In this regard, at present what are the steps taken by BFSI sector as a whole in financing these SME's?

First we shall understand the genesis as to why the SME sector per say will have issues accessing credit. Important aspect is transparency, whenever there is promoter driven business, what happens is that, as a banker or investor, the reflection of you is your books of accounts, obviously will use our local knowledge, local contacts to understand what kind of SME it is. But it goes without saying that the books of accounts have to be maintained well. There are a lot of good practices that need to be followed on accounts side, now fortunately because of advent of rating agencies, there is lot of improvement, and many SMEs comes into mainstream, earlier they were Capital starved and use to go to un-institutional sources for borrowing. Today it is not the case and lot of banks are keen on SME segment, and that is being seen as a growth engine, risk is widespread and it's not lying on one single account. From BFSI side, the steps that have taken are, first we have specific teams to handle SME segment, which consist of manufacturing base and service base. We are basically building the teams where people can traverse both these universes. The biggest challenge the SME sector which is facing now is not financing as largely people think. This is corroborated by K.C. Chakraborty, deputy governor RBI, he says that SME sector is facing biggest challenge on

Infrastructural part which is power supply, water supply, land allocation, permissions from govt. dept. so I agree with them completely as Financing is the last of the problem for them because they have ventured into entrepreneurial role but biggest problem is infrastructure. So if there is single window clearance for SME's then it would be really helpful.

4. What are the characteristics features which Indusind Bank looks for in a SME before investing; some tips to SME owners to pitch for financing?

Every bank has their own way of looking at it, but my way of looking is, we have 4P's of marketing, so what we look here is 4P's of Credit like: 1. Promoters background, entire analysis on promoter, like his educational qualification. 2. Past track records, his existing banking behaviour speaks a lot, whether his current bank account has any cheque bounces, whether entire turnover is reflected in bank account or not. 3. Passthrough's, i.e. cashflow, where are the cash-flows coming from, who are the creditors, debtors what is the working capital Gap, whether the financing is required at all or not, what is the business model, do they give any advances or not, what is the net working capital available. 4. Property collateral, is he operated his business totally on rental premises or on his own land. What is the land price? So all these things being considered while financing the SME's.

5. What kinds of procedures/policies have been developed by your institution to guide its client selection and loan underwriting for agribusiness customers? Do you use any specific credit rating tool or you have your own tool/mechanism in-house?

Today agri is not at par with SMEs. There is a need to differentiate between them. The learning curve of SME is ahead of agri. This is mainly

looking at the policies, procedures and practices adopted by the promoters of agribusiness and that of SME business. So unless we meet a customer, we will not be able to gauge what kind of customer he is in agriculture space, which brings me to the aspect of client interaction. In every bank there is a relationship manager role, there is a credit manager role, risk analyst role. Hence, there are 3-4 functions which work in tandem to get a client on board or to service a client. What we do is that we travel extensively and meet them and collaborate what they are trying to convey with different customers located in



Image Source: thinkingeurope.eu

different geographies. Hence, we get to understand if the business model stated by a person is really the way in which industry operates. Also there is information asymmetry in agri business. It's not readily available unlike auto components. If you type a sectoral report on agri, there are thousands of sub sectors. There is logistics, poultry, cattle, dairy, commercial crops, cash crops, plantation crops etc. Hence, the variety is huge. As a result of which the kind of reach and interaction that has to be done with the client has to be immense because if you don't interact in depth with the client we will not be able to gauge what is going on. Hence, the biggest strength for us today is that we travel a lot, we meet customers. 7 out of 10 customers are met by me personally. In a week 2-3 days we travel and because of technology it has become easy now a days. You can do your office work while traveling. This brings me back to my own method of created analysis and again we go to the promoter and track records.

6. The bulk of the loans in the Agriculture sector are small ticket, low value high volume loans, which do generate profits translating to a stable low cost deposit stream for banks. In spite of this why is it that Indian Private banking institutions have been treating this sector more as an obligation? There is a perception that the industry is just warming up to this sector. What were/are the challenges faced by you? Please comment.

The comment that the Indian private bank institutions have been treating this as an obligation must have been true some years back. Now everybody has realised that a huge profits can be made or rather immense value can be garnered once one touches the bottom of the pyramid. Whether you call it agri business or you call it rural financing, in the end it's about reaching your clients which are otherwise excluded from your traditional bank. Hence, important thing for any private sector bank like us who do not have a bank network unlike a PSU bank is distribution. We can design a product. Designing a



Image Source: smesummit.smechamberofindia.com

product would require focus group discussions or some extensive travel. After that the concern would be, how do I ensure that my product reaches the right customer at the right place? That is the challenge. Everybody has realised that the segment is very profitable provided we engage with them in the right manner which is true for any other segment. So unlike my traditional segment, here I will have to deploy a different kind of distribution mechanism. We have a lot of leeway from RBI, we want to open

a bank in the rural segment which we are doing very aggressively. We have leeway in terms of tying up with a banking correspondent. We are engaging with them. But scaling it up pan India requires some more efforts as it's not a FMCG product like a soap. It's a banking product and hence more relationship based in nature. Once the product is sold to a customer we cannot forget about him. We have to ensure efficient service so that he would come back to our bank and that his additional needs are taken care of. If for instance a customer has taken a crop loan, he might as well purchase a tractor or might want to purchase a car or take a personal loan. Hence the level of engagement is far higher than in FMCG. Hence the distribution has to be equally equipped. Hence, today the banks have realised this and have also realised that this has been a segment which has not been properly tapped. Situation has changed and there is a lot of competition than before. We will follow priority sector as a guideline but will also follow a segment from a business perspective.

7. In India various institute like ministry of trade and industry, local government, rural development institutions etc are working on SME but there are always conflict. So according to you how should they harmonize the things for SME's interest.

Single window is the only answer. Too many confusion with SME's for approvals and documentation. It is a hindrance to new entrepreneurs. We should have single window clearance. MSMD under the act of 2006, it will sort out all the issues.

8. Lastly, please share the one advice that you would like to give the young budding managers of WeSchool who will soon be stepping in to the corporate world.

Important is to be flexible. One should have one's own identity and thoughts but should

blend with the framework. We should try and avoid conflict of interest. If you want to continue to be associated with the organisation, you need to find a balance and tread the path .Change will not come in one day. There is a wonderful A.R Rahman song from Swades 'Tu hi toh hai jo raah sujaaye, tu hi toh hai jo ab yeh bataye 'It is you who is going to show the way. We should try to maintain calm and cool. Always be happy while going to work and while returning .No problem is not solvable as rightly said by Swami Vivekananda.

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The Credit Chokepoint

By: Arjun A & Ramesh S , MBA (2013-15), FMS, Delhi

An analysis of the credit flow bottlenecks plaguing Indian SMEs

According to the World Bank report “Doing Business 2010: Reforming Through Difficult Times”

- India is ranked 133 out of 183 economies in the Ease of Doing Business
- India is ranked 169 overall for the Ease of Starting a Business.

While this sorrowful plight might be the cumulative upshot of a host of factors such as red-tapism, corruption and high handed bureaucracy, the difficulty to obtain credit has undisputably been the Gordian knot for Indian entrepreneurs.

Small and medium enterprises (SMEs) are playing a progressively vital role in the process of export-led industrialization, especially in the developing world where they outnumber other industries in terms of the number of industrial units. They contribute a significant share to gross manufacturing output and employment creation. Hence, there is a pressing need to develop an environment conducive to the growth and financing of

SME's

In 2007-08 only 6.6% of Net Bank Credit (NBC) of scheduled banks went to SMEs (as compared to 15.5% in 1996-97). Micro enterprises' share of the same fell from 4.2 to 2.8% between 2002-03 and 2007-08.

Deterrents for lenders

1. High risk perception

Low capitalization and insufficient asset base, susceptibility to market irregularity, high mortality rates and inefficient accounting practices make SMEs high risk borrowers.

2. High administrative costs

Lending to large number of small borrowers involve higher administrative costs.

3. Asymmetric information

Lacunae in credit appraisal and risk management/monitoring systems complicate the assessment of risk premiums. This creates differences in the real versus perceived risk profiles of SMEs.

4. Lack of collateral

Lack of collateral is an inherent feature of most SMEs which weighs down their credit-worthiness.

5. Macro-economic Factors

The global financial crisis and the resultant liquidity crisis in the Indian financial sector, has fettered the growth of SMEs and hindered the overall growth and development of the economy.

Circumvention

1. Establishment of a national credit guaranty Company by the central government will alleviate some of the causes of concern.



Image Source: <http://www.mobilemarketingwatch.com>

Credit guarantee schemes reduce the risk borne by lenders and are mainly a reaction to small firms' lack of collateral. Such schemes pack the potential to reduce the costs of small-scale lending and to improve the information available on borrowers. A pilot program to attract non-government sources of equity can be launched where the government would improve the profit opportunity or reduce risk of loss to private investors.

2. **Laws and regulations** should be tweaked to encourage financing. The Company Law still bottles up financings. The Investment Funds Law is required if domestic funds are to be as attractive as foreign funds. It should be made easier for an investor to sell his investment if he so wishes as the company develops.

3. **Training** programs are required in all aspects of SME Finance. People undergoing training can include loan officers, loan guarantee officials, entrepreneurs, investment fund managers etc.

4. Banks can avail technology benchmarking services of agencies such as ENTAS (European New Technology Appraisal Service) to evaluate projects. They can even seek advice from business development services in the respective sector. **Technology Leasing** is trending in developing nations as a mode of financing. Through the leasing company latest technology equipment can be procured and the leaser gets tax advantages when the lease is classified as operating lease. The equipment itself acts as collateral.

5. **Secondary stock markets** can be established in order to help SMEs obtain easy financing transparently and efficiently. However, such a system necessitates strict regulations, willing investors and capable companies that can get listed. Venture Capital however does not have such limitations. VCs have scripted a deluge of success stories in the USA. To emulate the same

in India, stable financial and macroeconomic environment must be promoted through pertinent government policies.



Image Source: <http://www.circleofblue.org/waternews/wp->

6. **Cluster formation:** From within their resource constraints, individual SMEs can rarely achieve economies of scale. They often have to compromise on inputs such as finance and consulting services, equipment, raw materials etc. They often miss out on market opportunities that require large production quantities.

Coordinating their activities allows enterprises to collectively achieve economies of scale, obtain bulk- purchase inputs, achieve optimal scale in the use of machinery and pool production capacities to meet large-scale orders.

Looking around

Many of the 'South-east Asian Tigers' have displayed exemplary policy making when it comes to nurturing SMEs. Taiwan is one such nation where there are lessons to be had. WWII left the Taiwanese economy enervated. The limited domestic market necessitated an export-promotion policy, which favored industrial development. By 1987, the publicly-owned sector (which dominated the economy in 1952) accounted for only 10% of the manufacturing sector revenue-wise. The private sector predominantly comprised 700,000 SMEs that account for 70 % of employment, 55% of GNP and 62% of manufactured export sales.

Because of the low level of capital available, SMEs engage in little R&D. To compensate, the government has set up R&D institutions for technological development,



Image Source: <http://i1.tribune.com.pk/wp->

Given the limited progress India has made in promoting SME's, it might not be a bad idea to take a page out of Taiwan's book. Despite ample laws being passed in favour of SMEs financing, there exists a significant vacuum in implementation. Neglect of the SME sector entrenched in a 'low-road' syndrome exacerbated by lackadaisical enforcement in issues such as employment creation does not augur well for the future. The strategy needs a serious rethink.

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and currently funds half of Taiwanese R&D. These institutions are responsible for developing new technology and transferring it to the private firms.

The SMEs in Taiwan do not have their own marketing channels. So they rely heavily on marketing channels developed by the foreign firms. Mergers with foreign firms can provide leverage for the Taiwanese firm with technology, marketing channels and a brand name. When capital is scarce, and there is little incentive to innovate (due to imitability of technology), M&A's are good means of circumvention. The government is supportive of such mergers, through policies such as providing low-interest loans or initial investment capital.



Image Source:

<http://ec.europa.eu/enterprise/policies/finance/media/photos/guide-to-funding.jpg>

Banking with and on the SME's

By: Priyam Choudhary , MBA (2013-15), FMS, Delhi

Small and medium enterprises have become a vital and indispensable link in the global value chain in the era of globalization. They not only form an integral part of supply chain for large corporates and MNCs but also contribute to the economic development of the nation. Another non-debatable fact is that they are the incubators for talent, innovation and entrepreneurial spirit. SMEs¹ bring social stability, and contribute to the development of a dynamic private sector. In Indian context, it is estimated that in terms of value, the sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country and employ over 80 million people. The contribution of Indian MSMEs² to the GDP has been steadily growing over the years from about 5% in 2003 to 8.5% in 2011. In the times of sluggish manufacturing output and meager growth in exports in India, SME sector brings forth a great hope of recovery and revival as in recent years the MSE sector has consistently outpaced the growth rate of overall industrial sector. It is indeed appalling that challenges like lack of timely and adequate access to finance, poor infrastructure, inadequate market linkages etc continue to plague the enormous growth potential of SMEs. Lack of timely access to cost-effective finance still remains a major challenge and haunts the growth story of SMEs. The overall finance gap for SMEs is around USD 126 Billion comprising of 84 Billion debt gap and 42 billion equity gap. Mostly SMEs are self-financed or through lenders in the unorganized sector. Banks have been striving to bridge this gap and provide quick and hassle-free credit.

- **Granularity:** It denotes the circumstance in which risk grading system at banks can't effectively differentiate between good and bad risks and in turn, end up tightening credit terms or interest rates or both.
- **Information asymmetry:** The inability or unwillingness of the owners or managers of SMEs to present accurate and pertinent information about their true prospects, risks, financials etc and hence banks tend to curtail lending or increase interest rates.
- **Moral Hazard:** This is the case of over-investment or investment in riskier avenues by owners of SMEs as compared to the plan shown at the time of borrowing from the bank.
- **Switching costs:** Switching costs between banks in case of an unforeseen situation turn out to be high for SMEs.
- **Pecking order Theory:** Due to the effects of granularity and information asymmetry, SMEs are trapped into paying a higher risk adjusted cost of capital and tend to prefer alternate sources of capital.

To reduce the finance gap for SMEs and overcome the above-mentioned problems, banks have engaged into several schemes like:

- Most banks have developed specialized branches to handle MSME advances with great success.

Some of the major issues faced while banks lend to SMEs are:

- Rural Self-Employment Training Institutes (RESTI), which are led by banks, are promoted for the purpose of providing opportunities to the rural youth for their skill upgradation leading to self-employment. This ensures sustainability of micro enterprise and credit linkage after training.
- Setting up of the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) which provides guarantees to banks for collateral-free loans extended to SMEs.
- Financial Learning and Counseling Centers (FLCCs) provide free financial literacy/education and credit counseling to people in rural and urban areas.
- The Banking Codes and Standards Board of India also lays down the minimum acceptable standard of conduct with SMEs and the banks voluntarily adhere to it.

SME credit rating agencies can counter the problem of information asymmetry as have information across sectors, clusters, geographies and rating categories and are specialized in providing risk opinions. They carefully examine financials, future cash flows, managerial attributes, risks and such rating increase lender and borrower acceptability. Banks make SMEs aware of CRAs³ and advise about the same.

Cluster based lending is more beneficial in dealing with well defined and recognized groups, availability of appropriate information about the borrowers and monitoring by banks. Banks are gradually moving towards this theme of lending.

Steps have been taken to strengthen legal and regulatory framework like MSMED Act, 2006, Financial regulations like SARFAESI 2002, Credit Information Companies (Regulation) Act 2005, inclusion of Micro, and Small Enterprises (MSE) in purview of Priority Sector Lending (PSL) etc

Indian government has taken many initiatives to ensure a smooth credit flow to SMEs to boost their development namely setting up of Small Industries Development Bank of India (SIDBI), promotion of cluster development, funding support to credit guarantee schemes etc.

In spite of the policy support from government, the implementation of the various schemes has not been achieved in the truest sense due to dearth of infrastructural services, lack of awareness and sometimes less commitment from the banks. Increasing schemes like RESTI⁴ and FLCC⁵ to rural and remote areas, effective supervision by district administration and targeted efforts from banks and government agencies to spread awareness can take the growth trajectory to a whole new level. Other efforts like making specialized branches for SMEs applicable for all banks, regular monitoring of such branches, increasing the loaning powers of such branches would definitely boost lending to SMEs.

It goes without saying that there still lies a huge untapped prowess of SMEs. To empower and enrich our SME sector, credit flow has to be smoothened and strengthened which will enable them to upgrade technologically and make them globally competitive. Increase in industrial output, increase in exports, creation of jobs and the rest will automatically follow. If banks resolve to take the necessary and noble steps, banks can then bank on SMEs for great returns and margins as the so-called small and medium enterprises are the multinationals of tomorrow.

“Small opportunities are often the beginning of great enterprises.” --Demosthenes

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SME: The Efficacious Marketing Strategies

By: Shalvi Jain, MBA (2013-15), FMS, Delhi

The prodigious marketing initiatives may be clever and memorable, but of even more importance will be the simple fact that they helped a company sell more of its product or service to even more customers. But situation is grim for many SMEs due to marketing and infrastructure woes. For SMEs, marketing has always been something of a challenge. It's often not a skill that many small business owners have a great deal of experience in when starting out. Budgets are often limited and it can be difficult to decide upon the best way to spend the money that's been set aside and to identify prospective new customers to target. It's no surprise that there is a gap between the marketing theory and the actual behaviour of SMEs.

Assessing 'THE GAP'

Based on characteristics of SMEs as described vide study team in Annual Report of Govt. of India, problems of growth of SMES, and sample survey of SMEs in Industrial Areas of Delhi and Jaipur, prominent features of marketing solution for SMEs are derived as follows:

- Profound understanding of relevant business and its prerequisites
- Customized solutions to meet the aspirations of the SMEs.
- Exhaustive analysis and meticulous planning.
- Customized reporting for different managerial hierarchy.
- Consultation interrelated to overall marketing objective.
- Strategy for short term and long term focus.

- Constructive Interaction with people from respective field and industrialists for better understanding marketing woes.
- Dedicated team who can handle the requirements of SMEs, if resources permit.
- Cost of communication of business features.
- Use of IT in every sphere of Business.
- Use of Mobile Phone Technology
- Innovations
- Niche and specific marketing

Trenchant Marketing Strategies

Hence in consideration with structure and limitation of SMEs, emerging

Trenchant Marketing Strategies for SMEs are exemplified below:-

Establish Differentiation: "It is no longer as simple as displaying a product or selling it online. Chances are, high to encounter a price war and those with deep pockets will have an edge. So the key is to offer something very different," says Peyush Bansal, CEO and Founder, Lenskart.com.

Cherry-pick Right Revenue Model: A right revenue model will eventually help in the inflow of revenues, new cost-effective strategies to make more money and expansion of the business. It will also help the managers to understand the complexity of the business, market and logistics.

Driving Offers: To attract maximum attention, one will be forced to follow strategies like offering coupons, discounts, cashbacks, cash-on-delivery and try-and-buy.

But retaining the customers and working within the budgets is a challenge here.

Turning Tech-Savvy: It is essentially indispensable that business has to be aided with strong technology in product feature, aesthetics and firm's operations. Also, outsourcing technology is no longer affordable which is why they should train himself in IT rather than depending on advisors.

Get A Grip On Numbers: Every business operation need to have a command over relevant numbers like sales, margins, last order placed, number of products or services sold, money spent and lost on each product, apart from analysing the pattern of users navigating one's website. Keeping

Master The Execution Process: Along with internet one needs to think about product, branding, marketing, sourcing and supply chain, and also the back-of-house jobs the offline businesses have to deal with.

Be Patient: SME venture may be a B2B, service or a retail business, where money is required for setting up your establishment, getting ready to serve customers, beating drum about the market. Then wait. And wait. Traffic will only build over time as customers walk in one at a time, make their purchase decisions one at a time, and may come back if they're happy.

Steps for Implementation

A strategy may have been well defined but it needs to be implemented efficiently for effectiveness and longevity of business, simultaneously keeping establishment costs minimum as SMEs do not have shock absorbing capacities. The steps are:

Planning

Set objectives.

Get to know some locals.

Become an expert.

Incorporate technology and Innovation.

Winner's Approach

MSME Annual reports has compiled various reasons for closure of business, prominent one is lack of capital and cash flows owing to loss of market share. Below are few suggested tools for implementation of Marketing Strategies of SMEs. Substantiated by feedback of many vendors in the meet, following are winner's approaches:-

Sound Exhilarating Every time Over The Phone

Customers over phone should be given a star treatment. An American Entrepreneurs generally feels it to be a boring exercise. Some star treatment and follow up with the occasional extra dollop of sales patter, reaps handsome result in positioning of product.

Advertise Online Or Through Mobile

Advertising online compared to other means should always be preferred in order to keep costs lowest. Efficient management of resources for SMEs is utmost important and very much evident from MSME annual reports of Govt. of India and sample study of closed down units at Delhi and Jaipur. Mobile (SMS services) or an interactive small mobile phone application of convenience will serve far better to SME compared to sponsoring TV Soap Opera. Mobile apps or Mobile phone services are cheapest to follow a prospect and gain sales. Mobile Phone are cheapest, most effective medium for longevity of customer relationship at lowest costs. Most surviving units of Industrial Area of Jaipur and Delhi have shown one thing in common, it's about their presence in Clouds and use of Mobile Phone for CRM. Entrepreneurs are advised to learn SEO and be data savvy to identify prospects at lowest costs.

Get Your Customers To Sell For You

Run a 'Recommend-a-friend' scheme, in which existing customers are offered a discount in exchange for recommending new clients, is an effective tool. This also is to be followed with communication of Obtained testimonials from happy clients – they're the most credible sales tool one will ever get. "Email this to a Friend" links on pages should be included for products and offers on firm's website. Even these links should be included on receipt emails and coupons. Mutating business proposals through each email address has highest possibility of attracting customers.

Publish And Be Jammed

Whether print for within resources (colour laser printers are highly economical these days) or take advantage of professional printing which has become so commoditised that it often costs half as much in real terms as it did twenty years ago, marketing collateral can look exceptional and go a long way. But however perceived advantages should be weighed against costs.

Treat Everyone Like Your Best Customer

It is common saying that CRM is used to treat existing customers like princes (or indeed princesses) by offering them the perfect next steps in relationship management. But CRM is also a marketing and pre-sales tool. Since you have had contact with probably ten to one hundred times as many potential buyers as actual buyers, it's worth finding out what happened to them.

Early. Every Day, All Time Marketing.

Entrepreneurs are so busy doing work that they often don't have time for sales at all. This is a typical small business challenge, and it's the reason why small businesses often say they're stuck vacillating between feast and famine. To crack this nut, allocation of day is suggested. It may sound juvenile, but it works 100%.

Learn To Blag And Blarney!

SMEs don't need PR firms to reach out. A press release in among local correspondents of Electronic Media as well as Print Media will soon get reputation and business. Customers will come following.

Use Social Platforms

Active participation in burning social causes will bring unknown faces to immediate attention and prominence, thereby ensuring growth of business. These are cost free and most effective methods of propagation of business interests.

Innovate And Seek Attention

Innovations, however smaller it may be, always pave way for increased interest of customer. Whether be B2B, consumer or service market, and innovation in product or marketing approach always generate significant interests

Cluster Approach

SMEs should focus on clustered approach rather than generalised presence in market. Prospects with higher probability of becoming customer should be accorded higher priorities than a bigger sales promise of lower probability.

Conclusion

Success of effective marketing strategy depends upon whether the intervention resolves the underlying problems that constrains market development. This underscores the need to begin with a good understanding of the structure and performance of existing markets, and to build upon institutions and inter-firm networks that are already in place. It also draws attention to the importance of evaluating the IMPACT of every interventions, including digital ones on institutional performance, market development, and ultimately SME competitiveness

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Small & Medium Enterprises—A General Overview

By: Godavari Sai Suresh , PGDM E-Biz (2013-2015), We-School, Bengaluru.

SME—Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 43 million in employment, create ten lakh jobs every year and produces more than 7900 quality products for the Indian and international markets. As a result, SMEs are today exposed to major opportunities for diversification across the sectors.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Food Processing, Manufacturing, Pharmaceuticals, Textile & Garments, Retail, Precision Engineering, IT, Agro sectors. SMEs have increasing opportunities to enhance their business activities in their core sectors.

Indian Small and Medium Enterprises represents the model, socio economic policies of Government which creates job at all levels of income

and diffusion of economic power in the hands of very few, also discouraging monopolistic practices of production and marketing. It contributes to growth of economy and foreign exchange earning with low import intensive operations.

ISMEs that have strong technological base, innovative, inventive, international business outlook, competitive spirit and willingness to restructure them can withstand the Present challenges and come out successfully to contribute 22% to GDP.

Despite their high enthusiasm and inherent capabilities to grow, SMEs in India are facing a number of problems like sub-optimal scale of operation, technological obsolescence, supply chain inefficiencies, increasing global and domestic competition, change in manufacturing strategies, fund shortages and uncertain market scenario. To survive and compete with large and global enterprises, SMEs need to adopt innovative and easier approaches in their operations.

Table I : Performance of Micro and Small Enterprises

Year	No. of Units (in Lakh))			Production (Rs. Crore)		Employment (in lakh)	Exports (Rs. Crore)
	Regd.	Unregd.	Total	(at current prices)	(at constant prices)		
2002-03	15.91	93.58	109.49 (4.1)	3,11,993 (10.5)	2,10,636 (7.7)	260.21 (4.4)	86,013 (20.7)
2003-04	16.97	96.98	113.95 (4.1)	3,57,733 (14.7)	2,28,730 (8.6)	271.42 (4.3)	97,644 (13.5)
2004-05	17.53	101.06	118.59 (4.1)	4,18,263 (16.9)	2,51,511 (10.0)	282.57 (4.1)	1,24,417 (27.4)
2005-06	18.71	104.71	123.42 (4.1)	4,76,201 (13.9)	2,77,668 (10.4)	294.91 (4.4)	N.A.

Note: Figures in brackets indicate percentage growth over previous years.

Source: Development Commissioner(Small Scale Industries)

In the last decade small companies (SSI) have performed better than their larger counterpart. Between 2001-06, net companies with net turnover of Rs. 1 crore – 50 crore had a higher growth rate of 701 per cent as compared to 169 per cent for large companies with turnover of over Rs. 1 billion (Business World Jan. 2007). The total Small Scale Industries production, which had reached the all-time highest of Rs. 1,89,200 crores in 1989-90 dropped dramatically in the next 10 years and only in 2001-02 the level of production was surpassed. But after 2002, the production has risen at a faster rate. Since 2000, there is a continuous growth in number of units, production, employment and in exports. The average annual growth in the number of units was around 4.1%.

Use of Technology in SME business:

In Retail, there should be an invaluable source of information and intelligence which is hidden in the transactional details. In the Small & Medium Businesses sector, do not have affordable tools to create Actionable Intelligence & Predictive Insights from the huge amount of transactional data that is being captured across their business. Further, SME sectors need help executing strategies derived from those insights. In the past, the Indian Small Medium Enterprise retailer was satisfied using his personal domain experience and network to develop his own tools for these needs. Business was managed using individual styles and management principals evolved with time and were passed on from generation to generation within a family. With the advent and growth of the larger organized sector, so there is a need to re-visit these individual based processes to meet threat from better managed and process oriented enterprises (POE). Technology solutions designed for this sector have to comply by some basic hygiene criteria in order to be applicable in this. Price is often a key barrier to entry and also SaaS models are looked at suspiciously. Ease of implementation and simplicity of use is of utmost importance for this segment. Any disruption in the retailers existing work flow and process can be an immediate

show stopper. Further they typically prefer to maximize benefits from their existing infrastructure investments and avoid re-work. Innovative solutions that can cross these barriers and can help retailers generate higher profit by churning their operational and transactional data into “Actionable Intelligence”.

The Common areas that a SME retailer aims to focus are:

- Freeing cash by reducing unwanted Inventory.
- Increasing sales through personalized customer campaigns & loyalty programs.
- Improving sales and stock tracking.
- Aligning merchandise to customer preferences and store assortments.
- Reducing stock outs and improving fill rates (reordering process & supplier collaboration.)

Creating the platform and process for operation so as to allow for rapid growth.

While some of the above have been implemented in the larger sector, SME is catching up to ensure that they not only stay competitive, but also grow fast and capture the market which still comprises of 95% of the retail business in India.

Challenges to SME: Despite of its commendable contribution to the Nation's economy, SME Sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which is a handicap in becoming more competitive in the National and International Markets

SMEs faces a number of problems - absence of adequate and timely banking finance, limited capital and knowledge, non-availability of suitable technology, low production capacity, ineffective marketing strategy, identification of new markets, constraints on modernization & expansions, non availability of highly skilled labor at affordable cost, follow up with various government agencies to resolve problems.

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Can HR be a business partner in SME?

By: Nimmy Jose , MMS (2013-2015), We-School, Mumbai.

For the past two decades, SME's have been a major player in providing employment to millions of people. However, though they employ 40% of Indian workforce, they contribute to only 17% of GDP. This is attributed mainly to stagnation in productivity due to challenges in capabilities to transform business. HR function, which plays a pivotal role, is often sidelined as proprietor's sole focus is putting the core business on a growth trajectory. It is time entrepreneurs realize this and give people issues due weightage.

Let me first have a look at some of the constraints faced by HR in SME.

Talent attraction:

When competing with large firms, attracting the right kind of talent is always a problem. In addition to this, some inherent flaws in SME's aggravate the matter. They are as follows:

- Past database of potential hires is not maintained due to which advertisement cost has to be incurred every time there is a vacancy.
- All hiring channels like referrals, internal job postings aren't explored.
- Ineffective recruitment due to lack of detailed job analysis and description.
- Many potential candidates do not apply due to weak or low employer branding.
- Not able to offer package that exceed/meet industry expectations.

Talent Retention:

Startups have a very informal atmosphere and even when the business grows out of that phase, the proprietor fails to bring in systems and procedures to bring in standardization. Moreover, due to budget constraints, following issues crop up:

- Lack of comprehensive orientation program
- Lack of communication of corporate goals / values.
- Very less investment in training and development
- Less /nil employee engagement initiatives
- Lack of career path development for individual staff

Lower retentions also results in continuity problem as there is no proper back up of work done in past for a new person to understand. Hence, criticality of turnover is very high.

Performance Management:

In case of a large firm, if one employee performs poorly, it won't reflect much on the overall productivity. However, in case of SME, since the number of employees is very less each employee's performance will have a considerable IMPACT on overall productivity. Thus, cost of a bad hire can have a huge negative IMPACT.

WHAT SHOULD SMEs DO

Outsourcing: SMES CAN focus on their core operations by outsourcing non-core activities. This will reduce the huge fixed cost in manpower to manage HR functions. Some of the advantages of outsourcing are as follows:

- Reduce operational expenses
- Access to world class HR experts and strategies
- Create employer brand
- Improve quality of hire

Talent Attraction & Retention : SMEs can utilize their low employee strength to project following benefits

- Provide customized innovative and flexible benefits.
- Focus on strengths such as “creative freedom & innovation”.
- Plan career path for individuals.
- Provide more growth opportunities and challenges

Thus, Human Resource has to identify the business dynamics of SME before implementing standard practices and policies that implemented in large firms. Only then it can become a business partner in the truest sense and not be sidelined as an overhead expense.

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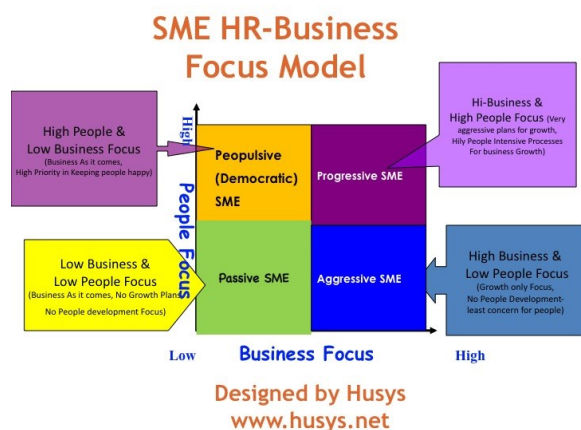


Image Source: <http://3.bp.blogspot.com/-LQV->

Knowledge Management: Systematic approach to knowledge management is required to reduce criticality of turnover. For this purpose, SME should practice:

- Top Management support and leadership
- Incentives to employees so as to sustain a knowledge sharing culture
- Clear framework for managing knowledge

Keeping the culture intact: SMEs have a very energetic culture and work in a closely knit environment. However, as the business begins to grow, the promoter might become less visible and his interaction with employees might dwindle. This can make the employees feel alienated as they are no more kept in the loop. This can be avoided by harnessing the social platform wherein top leadership could interact, collaborate with the employees and co-create vision. Employees can be motivated and kept engaged through this cost effective medium.

Managing your game: Cricket weds MBA!

By: *IMPACT PR Team, We-School, Mumbai.*

Leadership, Strategy, Planning, Teamwork, Perseverance, Pressure Cooker Situations, Decision Making. Is this a management class? No, this is infact a live cricket match broken down into situations. As we sit down to write about our first love 'cricket', we have decided to give it an MBA perspective.

Picture a situation, where you have 22 management minds on a cricket field. It's a dress rehearsal of what they have to undergo 6 months or a year from now and hone their skills required to become a successful manager at their workplace.

Leadership at the workplace needs you to inspire people to achieve a common goal, bring out the best in your people. In cricket, if the captain can do this, then nine out of ten times he will be successful in ensuring that he brings out the best in his team. **Teamwork** at the ground will teach your team how to work in an office environment. In cricket you have to co-ordinate with all your team members and most importantly play for others. We have all seen how the mighty Australians of the 90's and the current Indian Team have been invincible because of their overall team effort.

Decision making: Whom do I give my crucial overs to, whom do I send in to bat in a situation where quick runs are needed vis-a-vis whom do I send to bat in difficult playing conditions when wicket preservation is of paramount importance, whom do I place in my crucial fielding positions, the captain does all this and much more when he does not have enough time on his hands. Compare this with the corporate world where you have to understand who must do what, who is best in what situation or in a nutshell, identify your best players for a given task. These decisions are similar to the everyday decisions that a manager has to make



We do competitor analysis so often in cricket that it is widely applied in the management world as well. Often one's strategy is decided by the intensity of competition both in the corporate world and on the cricket field. **Perseverance:** sticking at it even when the chips are down, how a team manages to guts it out and fight till the last ball is bowled. At that moment, one's crick-eting skills takes a back seat and your nerves are tested. M.S. Dhoni, our Indian Team Captain perhaps is the epitome of such calmness on the cricketing field. Such calmness is required on



the management arena as it is on the cricketing pitch.

An all rounder in the field adds balance to the side and helps you bail out of difficult situations with both bat and ball. The utility factor and the match winning ability of such a player is immense. Multi tasking in office too is very important these days when you have scarce resources: why have two people for doing different jobs when you can have the 2 different jobs done by one person. Succession planning has been the buzzword in the corporate circle for the last five years that we often hear about, whether it be Narayan Murthy's or Ratan Tata's succession in the recent past: the idea is grooming young leaders to step into the shoes of an outgoing and experienced leader. This has been an age old practice in cricket: giving youngsters the opportunity even when experienced players are around to build a team for the future. So here in IMPACT too we have new blood coming in year after year to inject new life into the tournament and make it all the more exciting and enthralling.

So, there are 22 on the field who are all aware of these skills essentially and now it all boils down to who applies these management lessons to the game of cricket the best. It is not just cricket between people who live, breathe and eat cricket but it's a fight between people who can "manage" cricket. Thus it's a live case study with constantly changing situations. A dress rehearsal for the real thing in the corporate world for 19 long days is this tournament IMPACT. And as is the case in the corporate world, there are going to be mind boggling strategies, close finishes, match winning performances, captaincy and the famous "survival of the fittest". Everything that the management students have learnt through their course work is going to be applied on the field. This is where the future performers and leaders will emerge. May the best team win! Happy Cricketing!

IMPACT—The Cricket Tournament featuring *top 10* B-Schools across Mumbai commences from the 3rd of March and goes on till the 21st of March at the Matunga Gymkhana Grounds, Opposite WeSchool, Mumbai.

Be there to witness the action !

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We invite articles for the February 2014 Issue of Samvad.

The Theme for the next month: February 2014 - “**Education Sector**”

The articles can be from Finance, Marketing, Human Resources, Operations or General Management domains.

Submission Guidelines:

- Word limit: 1000 words or a maximum of 4 pages with relevant images.
- Cover page should include your name, institute name, course details & contact no.
- The references for the images used in the article should be mentioned clearly and explicitly below the images.
- Send in your article in .doc or .docx format, Font size: 12, Font: Constantia, Line spacing: 1.05' to **samvad.we@gmail.com. Deadline for submission of articles : 25th February, 2014**
- Please name your file as: <YourName>_<title>_<section name e.g. Marketing/Finance>
- Subject line: <YourName>_<Course>_<Year>_<Institute Name>
- Ensure that there is no plagiarism and all references are clearly mentioned.
- Like our Fb pg: [Samvad.WeSchool.Student.Magazine.](#)

Samvad Blog

As said by Ann Morough Lindburg, “Good communication is as stimulating as black coffee and just as hard to sleep after.” Samvad, which means 'to converse' in Hindi, is exactly the motive of our team Samvad. Our readers and writers are of utmost importance to us at Samvad. We don't like to interact with you only once when the issue is released. So, we thought, what next? Then came the idea of a blog - the ideal platform for meaningful discussion on a more regular basis. Hence, we present to you 'The Samvad Blog'. The Samvad Blog, as the name suggests is a blog dedicated to sharing of information, insights and opinions that allow exchange of some valuable ideas by stimulating your intellectual senses. It will include some interesting reads on management gurus, book reviews, and relevant articles among many other varieties of food for thought.

<http://samvadwe.blogspot.in/>

Don't forget to comment with your opinions. Always have a healthy debate we say! As progression lies not in agreement, but debate!



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