SMEs deserve a better deal

RAM GARIKIPATI

Korea has identified items to be produced only by small businesses. It gives tax breaks to large players which share gains with smaller ones. India can learn from this experience.

Delayed payments by large companies have been the bugbear of SMEs.

How often have we read that small and medium enterprises are a strategic asset for the Indian economy? We are told that they contribute nearly 8 per cent of the GDP, 45 per cent of the manufactured output and 40 per cent of exports. The sector provides employment to about 60 million people through over 26 million enterprises producing over six thousand products.

However, what is seldom mentioned is that many of them are at the mercy of the larger corporations, with no effective relief from the existing government policies.

For instance, delayed payments by large companies and the resultant crippling effects have always been

the environment for achieving co-prosperity between conglomerates and SMEs.

In fact, following its active involvement in the "shared growth" agenda, many large enterprises have recently reached mutual agreements with subcontracting SMEs for fair trade and shared growth. Two prominent examples of such arrangements are Samsung and Hyundai's agreements with their respective subcontractors.

GOVERNMENT PUSH

Nine Samsung group affiliates, including Samsung Electronics, made cooperative agreements for shared growth with 5,200 subcontractors. The package of financial assistance amounted to $5.7 billion, among which R&D support comprised $1.7 billion. Samsung agreed to induce its subcontractors to make cooperative agreements with lower-level subsubcontractors, and provide them with incentives. Similarly, six Hyundai group affiliates, including Hyundai Motors, made cooperative