

# ***THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT***

## **International Standards Accreditation and Quality Management Standards (QMS) for Micro, Small & Medium Enterprises (MSME's) in India: Benefits and Challenges**

**Divyashree S.**

Assistant Professor, New Horizon College, Marathalli, Bangalore, Karnataka, India

### **Abstract:**

*The Indian MSME sector has played a crucial role in the socio-economic development of the country. It has been providing and enhancing employment opportunities, helping in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. However, many MSME's are struggling to maintain and sustain quality standards and compete confidently in global marketplaces. Accreditation in International Standards, adoption of the latest Quality Management Standards (QMS) and Quality Technology Tools (QTTs) are instrumental in assisting MSME's in their efforts towards quality assurance across all fronts. While some of the MSME's are yet to comprehend the benefits of such accreditations, others are encountering challenges in having the same realized. Awareness and promotion of the assistance provided by the Central & State Governments, in accordance with the above schemes and initiatives, needs to be publicized and informed to entrepreneurs in all possible forums such as entrepreneurship development programmes, workshops and training programmes organized by the Ministry of MSME or any of its allied KVIC / KVIB / state DIC's to enable the enterprises to raise their quality standards to be on par with the industries across the rest of the world.*

**Keywords:** Accreditation in International Standards, MSMEs, Quality, Quality Assurance, Quality Management Standards (QMS).

### **1. Statement of the Problem**

The Micro, Small and Medium Enterprises (MSME's) have been propelling the socio-economic development of India. As per data given by Economic Times in June 2013, they employ close to 40% of India's workforce, contributing 45% of industrial output, 40% of exports, employing 60 million people, create 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets.

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services, and levels of technology. MSME's have been instrumental in the upward trend of our GDP and other indicators of development as well.

However, while the overall scenario seems rosy, many MSME's in the country are known to be struggling to maintain and sustain quality standards and compete confidently in global marketplaces.

Accreditation in International Standards, adoption of the latest Quality Management Standards (QMS) and Quality Technology Tools (QTTs) plays a key role in assisting MSME's in their efforts towards quality assurance across all fronts. While some of the MSME's are yet to comprehend the benefits of such accreditations, others are possibly encountering challenges in having the same done.

### **2. Research Objectives**

- Identifying the general and quality related challenges encountered by MSME's
- Understanding the need for and benefits of International Standards Accreditation and Quality Management Standards (QMS) for MSME's in India
- Identifying the specific challenges encountered by MSME's in getting International Standards Accreditation and adoption of Quality Management Standards (QMS).
- Providing pointers to MSME's on overcoming the challenges identified towards getting International Standards Accreditation and Adopting Quality Management Standards.

### **3. MSME's in India**

The Micro, Small and Medium Enterprises (MSME) sector has played a crucial role in providing and enhancing employment opportunities, allowing for many budding entrepreneurs to turn job providers rather than being job seekers. Traditionally the MSME

sector is labour intensive and has served in alleviating unemployment problems to a great extent. Indian MSME sector is the second largest employment provider, next only to the agricultural sector

MSME's have been instrumental in sustaining the forces of demand and supply for raw materials, semi finished products and finished products alike in domestic and foreign markets, while also helping in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth.

They are the nurseries for entrepreneurship and innovation. Entrepreneurship is indispensable to accelerate the industrial growth. Small and Medium enterprises are an effective means for the development of entrepreneurship.

### 3.1. Definition of MSME

The MSMEs are defined on the basis of investment in Plant & Machinery and equipments under the Micro, Small and Medium Enterprises Development Act, 2006. The present investment limit for MSMEs is as under:

Type of Enterprise	Manufacturing Enterprises	Service Enterprises
Micro enterprise	investment in plant and machinery upto Rs. 25 lakhs	investment in equipments upto Rs. 10 lakhs
Small enterprise	investment in plant and machinery from Rs. 25 lakhs to Rs. 5 crores	investment in equipments from Rs. 10 lakhs to Rs. 2 crores
Medium enterprise	Investment in plant and machinery from Rs. 5 crores to Rs. 10 crores	investment in equipments from Rs. 2 crores to Rs. 5 crores

Table 1

## 4. Problems of MSMEs

Despite of commendable contribution to the nation's economy, the MSME sector has been facing multiple challenges in the National and International Markets. Some of the major problems encountered by MSMEs in India are absence of adequate and timely supply of finance: be it from banks or non banking financial institutions, limited capital and knowledge, lack of power and infrastructure, low quality inputs, low levels of R&D, risk-averting attitude; non-availability of technically trained and skilled human resources at affordable cost; lack of access to technological information and consultancy services; isolation from technology hubs non-availability of suitable technology, low production capacity, ineffective marketing and pricing strategies, identification of new markets, constraints in modernisation and expansions, high competition, especially from MNE's and large enterprises, corruption and bureaucratic red tapism, lack of consistency in quality, inadequate quality control mechanisms and tools.

### 4.1. Problems with Regards to Quality

The reason this problem, of all the others, gets highlighted is because any enterprise's survival depends on its core products and service delivery. The revenues and profit realization will only sustainably materialize when the enterprise is able to win new clientele while also keeping the existing clientele happy by providing them with the best in class, innovative and qualitative products and services. This, however, can never happen if the enterprise's quality control systems and quality management systems are not in place or are theroretically in place but not implemented or are implemented but are severely flawed.

## 5. Need for and Benefits of International Standards Accreditation and Quality Management Standards (QMS) for MSME's in India

The adoption of quality management tools, standards and international standards accreditation will enable MSMEs to achieve:

- i. Efficient use of all resources and improvement in product and service quality.
- ii. Reduction in rejection and re-work in the course of manufacturing.
- iii. Reduction in building up inventory at the various stages in the form of raw materials, work-in-progress, finished components, finished products, etc.
- iv. Enable MSMEs to enter into or strengthen their position in the export market.
- v. Help drive growth, cut costs and increase profits
- vi. Give the business a competitive edge and allow for the products and services to be on par with international standards and expectations
- vii. Open doors to new customers and strengthen existing business, whether in domestic or international markets
- viii. Enhance credibility and secure customer confidence, increase customer satisfaction, through improved safety, quality and processes
- ix. Sharpen business processes and increase efficiency of the enterprise
- x. Strengthen the marketing pitch of the enterprise
- xi. Help comply with regulatory norms and customer requirements across the globe.

The above mentioned benefits are self explanatory in enunciating the need for International Standards Accreditation and Quality Management Standards (QMS) for MSME's in India.

Contrary to popular belief, it is to be borne in mind that quality management systems and tools are not only meant for satiating the regulatory measures and norms prescribed by the local / Government authorities but are integral to the smooth and streamlined working of the enterprise.

## **6. Challenges encountered by MSME's in getting International Standards Accreditation and adoption of Quality Management Standards (QMS)**

The top managements of Indian MSME's lack awareness on the need for, benefits of and the process of accreditation and implementation of quality standards. At times, awareness maybe there, but financial constraints and lack of budget for the same become a challenge.

Lack of top management commitment and misplaced priorities of theirs leading to delaying and derailing of the processes. There is the prevalence also, of a misinformed assumption that the processes are complicated and difficult to implement and maintain.

The non availability / lack of trained human resources to initiate and take forward the process of accreditation and QMS adoption in the enterprise is another challenge being faced by MSMEs. Difficulties are also being faced in having to train new employees on a frequent basis to take forward the already implemented tools and systems, in the event of high job attrition rates.

There is a lack of awareness of the existence of freelancing individuals / consultancies which provide end to end services to MSME's in assisting them on their journey of quality accreditations and standardization.

## **7. Pointers to MSME's on overcoming the challenges that are identified towards getting International Standards Accreditation and Adopting Quality Management Standards**

The entrepreneurs and the MSM enterprises need to be made aware of the various benefits that await them once they undergo international accreditation processes and adopt quality management standards, systems and tools. The top management / entrepreneurs need to develop the commitment towards quality and give it top priority.

MSME's can approach and work with freelancing individuals / consultancies which provide end to end services to MSME's in assisting them on their journey of accreditations and standardisation. They serve as a liaisoning link with the accrediting agencies / certifying bodies, assist in the training of the employees, the preparations of the policies and manuals in accordance with the requirements and subsequently follow up on the certifications and accreditations as well. This would enable the enterprises to reap the benefits of getting themselves accredited and quality systems / standardizations put in place in a hassle-free and guided manner.

The Government of India has initiated the 'National Manufacturing Competitiveness Programme (NMCP)' which envisages Micro & Small Enterprises to understand and adopt the latest Quality Management Standards (QMS) and Quality Technology Tools (QTTs) so as to become more competitive and produce better quality products at competitive prices. The Competition Watch sub-component of the NCMP scheme will enable Indian MSME's to understand the latest foreign products that are penetrating the Indian market.

The MSME's are eligible to claim reimbursement of certification charges of acquiring ISO 9001/ISO 14000/18000/ISO 22000/ISO 27000 certificate under the marketing assistance and technology upgradation scheme.

The Ministry of MSME is implementing the ISO 9001/14001/HACCP Certification Reimbursement Scheme for Micro & Small Enterprises (MSEs) for reimbursement of certification expenses, only to those MSEs which have acquired Quality Management Systems (QMS)/ISO 9001 and /or Environment Management Systems (EMS) / ISO 14001 and / or Food Safety Systems (HACCP) Certification.

Under the scheme, the ministry provides for the reimbursement of 75% of the certification expenses up to a maximum of Rs. 75,000/- (Rupees seventy-five thousand only) to each unit as one-time reimbursement only to those MSEs which have acquired Quality Management Systems (QMS)/ISO 9001 and /or Environment Management Systems (EMS)/ ISO 14001 and / or Food Safety Systems (HACCP) Certification.

Awareness and promotion of the assistance provided, in accordance with the above schemes and initiatives, needs to be publicised and informed to entrepreneurs in all possible forums such as entrepreneurship development programmes, workshops and training programmes organised by the Ministry of MSME or any of its allied KVIC / KVIB / state DIC's and SDI's to enable the enterprises to raise the quality standards to be on par with industries across the globe

## **8. Conclusion**

While MSME's in India are continuing to grow at a rapid pace, their sustenance in the long run, both in the domestic and international markets, will depend on their ability to gain the trust and faith of their customers, vendors and all other stakeholders with regards to their commitment to providing the best product/service quality while also having the best quality management systems and tools in place internally, to ensure visibly, their holistic approach to quality.

## **9. References**

- i. Dr. A. S. Shiralashetti, Prospects and Problems of MSMEs in India- A Study, published in International Journal of in Multidisciplinary and Academic Research (SSIJMAR) Vol. 1, No. 2, July-August (ISSN 2278 – 5973)
- ii. MSME Annual Report 2015-16, Ministry of Micro, Small and Medium Enterprises, Government of India
- iii. National Manufacturing Competitiveness Programme Guidelines, Ministry of Micro, Small and Medium Enterprises, Government of India
- iv. Prof. Moloy Ghoshal & Dr. Pankaj Madan, Issues & Challenges of Quality Management faced by MSMEs, <http://www.grin.com/en/e-book/183398/issues-challenges-of-quality-management-faced-by-msmes>
- v. Recommendations of the Inter-Ministerial Committee for accelerating Manufacturing in Micro, Small & Medium Enterprises Sector. (2013, september).

- vi. Retrieved from msme.gov.in: <http://msme.gov.in/Accelerating%20Manufacturing%20in%20the%20MSME%20Sector.pdf>
- vii. <http://www.archive.india.gov.in>(27 June 2016)
- viii. [www.dcmsme.gov.in](http://www.dcmsme.gov.in) (27 June 2016)
- ix. <http://msme.gov.in> (27 June 2016)
- x. <http://www.iso.org/iso/home/standards/benefitsofstandards.htm> (27 June 2016)
- xi. [http://msme.gov.in/WriteReadData/KMS/KVI\\_Policy\\_and\\_Establishment\\_Section\\_57.pdf](http://msme.gov.in/WriteReadData/KMS/KVI_Policy_and_Establishment_Section_57.pdf)
- xii. <http://msme.gov.in/WriteReadData/DocumentFile/MSMED2006.pdf>
- xiii. <http://msme.gov.in/WriteReadData/Whatsnew/MSME-ASPIRE-FINALBOOK.pdf>