

Global

Interviews

# 7 Global Business Opportunity Trends for MSMEs: Exclusive Interview with Dr Vijay Kalantri

In this exclusive interview between Dr Vijay Kalantri and Faiz Askari, Founder and Editor of SMEStreet, seven important aspects were discussed and various amazing opportunity trends were unveiled.



Faiz Askari

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Dr. Vijay Kalantri, Chairman, MVIRDC WTC Mumbai INTERVIEW WITH FAIZ ASARI

At SMEStreet, we always strive hard to bring opportunities closer and more accessible for Indian MSMEs. In this mission, we get a great boost when we get a chance to listen to and understand experts and influencers who held prominence for bringing value to Indian MSMEs or exporters and manufacturers. In today's exclusive interview, we are excited to unveil this insightful interview discussion with Dr Vijay Kalantri who is a synonym for taking India's business and trade-driven success story to global heights, Dr Kalantri is also known as an industrialist cum philanthropist who always remains active when policies need to be influenced and when global opportunities, for Indian exporters, MSME Manufacturers, needed to be showcased among Indian businesses. In this exclusive interview between Dr Vijay Kalantri and Faiz Askari, Founder and Editor of SMEStreet, seven important aspects were discussed and various amazing opportunity trends were unveiled.

Here are the edited excerpts of the 7-point opportunity showcase for Indian businesses.

## 1. Global Economic Trends:

*Faiz of SMEStreet: How do you foresee the current global economic trends influencing the export growth for Indian exporters and MSMEs in the near future?*

**Dr Kalantri:** Indian government has envisioned a USD 1 trillion merchandise export target by 2030, which needs to be attained by overcoming several odds in the near future. Rise in global interest rate, economic growth slowdown in key western markets and the ongoing geopolitical events in the middle east and Europe are some of the near term factors that may affect India's exports.

In the near future, India's merchandise exports may face downside risks from the ongoing Red Sea crisis, which may increase transit time, shipping and insurance cost for local exporters. As a result of disruption in Red Sea, shipping lines are forced to take longer route through Cape of Good Hope, which increases transit time and may also create temporary shortage in container availability. Therefore, exporters who have entered into CIF (cost, insurance and freight) contract with their foreign buyers may be affected by this increase in shipping cost and insurance cost. This could impact India's export of farm commodities, textile, leather and other items.

*• Are there specific regions or markets that show promising potential for Indian exports, and what factors contribute to this assessment?*

Australia, UAE, Africa, USA and Latin America are some of the promising markets for Indian exports. India has signed free trade agreements with Australia and UAE, which offers preferential market access for more than 90% of traded Indian goods to these markets. Also, India's trade agreement with the Mauritius, signed in 2021, offers prospect for Indian exporters to consider Mauritius as a gateway to African continent.

Apart from this, USA is also emerging as a promising market as USA is de-risking its supply chain by diversifying its imports away from China to other countries such as India and Vietnam. According to research studies, India and Vietnam have already benefitted from this shift in global supply chain and their exports to USA has increased in recent years.

India can also consider Latin America as a promising market to diversify its exports, which is largely concentrated in USA, Europe and Middle East. These three regions account for around 47% of India's exports. There is a need to diversify our exports to Latin America and Africa to de-risk exports from economic slowdown or other adverse developments in these markets.

## 2. Trade Policies and Agreements:

*• How might ongoing or upcoming international trade agreements impact Indian exporters and MSMEs, and what steps can they take to leverage these agreements?*

The ongoing FTAs with UAE, Australia and Mauritius will help Indian exports of labour intensive goods such as textile, apparel/garments, leather products, footwear, gems & jewellery, auto-components, besides other engineering goods. As India concludes negotiation for trade agreements with Oman and UK, we can expect further boost to exports of these labour intensive goods. Currently, Indian textile and leather exporters have to compete with their peers in Bangladesh and Cambodia, who receive market access at concessional import duty because of their least developed economy status. Once India signs FTA with UK, it will level its playing field with competitors from Bangladesh and Cambodia in UK.

We can also expect progress in India's trade negotiations with European Free Trade Area (EFTA countries, viz. Norway, Switzerland, Liechtenstein and Iceland), which will further support India's exports to these countries.

*• In light of evolving trade policies globally, what strategies do you recommend for Indian exporters to stay competitive and navigate potential challenges?*

Indian exporters face huge cost of compliance because of non-tariff barriers such as sanitary and phytosanitary standards (for food commodities) and registration requirements (for pharmaceuticals and drugs) imposed by foreign countries. There is a need to impart critical skills among MSME exporters on how to adhere to these global standards and compliance procedures to stay competitive in the global market. We need capacity building programs to prepare our MSME exporters to meet the global quality standards so that their export consignments are not rejected for non-compliance with these standards.

Having said this, there is a need for effective implementation of these FTAs to increase their utilization rate among Indian exporters. We need to take lessons from the limited impact of our past FTAs with ASEAN, South Korea and Japan and ensure that the recently concluded and the forthcoming FTAs are effective in promoting our exports.

## 3. Technology and Innovation:

*• To what extent do you believe technology and innovation will play a role in driving export growth for Indian MSMEs, and what areas should they focus on for technological advancements?*

Cutting edge technologies such as artificial intelligence and machine learning can automate critical manufacturing process and help companies reduce cost of operation, optimize raw material usage and streamline operations. Companies may also adopt smart manufacturing technologies and deploy robotics, wherever possible to improve efficiency of production process.



Exporters may also benefit by adopting clean technologies, harnessing renewable energy, adopting circular economy practices to reduce their carbon footprint. By reducing their carbon footprint, exporters can meet the stringent environment norms in foreign countries and thereby avoid carbon tax, wherever it is applied to mitigate climate change.

MSMEs may benefit from government funding schemes (of central and state governments) for technology upgradation in select sectors such as textile, leather, engineering goods etc.

*• How can the Global Trade Organization facilitate collaboration between Indian exporters and international partners to foster innovation in trade processes?*

Global Trade Organizations such as World Trade Centers facilitate cross-border trade and investment by exchanging business delegations with foreign countries. Trade organizations play an important role in bringing the business communities of different countries on one platform so that they can identify potential customers or explore fruitful partnership in the form of joint venture or investment or technology exchange.

In this digital age, trade organisations organize virtual buyer-seller meetings, virtual exhibitions and other networking events to promote collaborations among participating businesses. Through these virtual platforms, entrepreneurs can find their potential partners at the comfort of their home, without incurring travel expenses.

#### **4. Sustainability and ESG (Environmental, Social, and Governance) Practices:**

*• With increasing global emphasis on sustainability and ESG practices, how can Indian exporters and MSMEs incorporate these principles into their business models to enhance export opportunities?*

Sustainability and ESG practices can be adopted in four important ways by Indian exporters to comply with the global regulations. These four ways are: 1) harnessing renewable energy, 2) deploying circular economy practices, 3) adopting global or national ESG disclosure practices and 4) finally ensuring that their suppliers or vendors follow ESG and sustainability practices.

MSMEs and exporters can harness renewable energy by benefiting from the schemes for solar rooftop and net metering policies of the central and state governments. Entrepreneurs need to deploy energy efficient machineries and production processes, wherever possible. Similarly, Indian exporters can follow circular economic practices such as minimizing or eliminating waste, use of recycled raw materials, waste water treatment and working on reverse logistics to bring back end of life material for refurbishing or recycling.

Indian exporters can adhere to GRI Sustainability Reporting Standards or Business Responsibility and Sustainability Reporting (applicable for top listed companies in India) for disclosure of their sustainability practices. Finally, every MSME entrepreneur needs to ensure that their vendors or suppliers also follow sustainable practices such as compliance with labour laws and environment norms.

• *Does the Global Trade Organization have initiatives or guidelines to encourage sustainable practices among member countries, and how can Indian exporters align with these efforts?*

Trade Organisations such as WTC Mumbai promote sustainable practices by organizing knowledge sessions and workshops on green practices, voluntary sustainability standards, evolving government regulations and third party certifications for sustainable practices.

In order to subsidise the cost of adopting sustainable practices, Indian exporters can apply for MSME Champion Scheme, under which they can benefit from MSME-Sustainable (ZED) scheme and MSME-Competitive (Lean) scheme. MSMEs can also apply for various schemes administered by SIDBI to reduce their environmental impact and adopt sustainable practices.

MSMEs can improve their global competitiveness by adopting LEAN manufacturing tools such as Kaizen, Poka Yoka, 5S and KANBAN to name a few.

## 5. Supply Chain Resilience:

• *Given recent disruptions in global supply chains, what measures can Indian exporters and MSMEs adopt to enhance resilience and ensure a steady flow of exports?*

In this disruptive global supply chain environment, Indian exporters should take special care while entering into export contracts with foreign buyers. Their contracts with foreign buyers should have force majeure clause to protect them from liability in case of unforeseen events such as blockage of sea route, sudden spike in shipping and insurance cost, port congestion, delay in transit time and so on.

Exporters may also look for alternative markets to de-risk their exports from adverse geopolitical or economic condition in one market. Exporters can look for new market opportunities in Australia, UAE and Mauritius, with which India has signed free trade agreements in the recent past.

• *How can the Global Trade Organization contribute to building more resilient and adaptable supply chains globally, especially for smaller enterprises?*

Supply chains can be made more resilient and adaptable by diversifying the source of procuring raw materials and intermediate goods. Global Trade Organisations such as WTC Mumbai support local manufacturers in diversifying and de-risking their supply chain by organizing networking events with inbound trade delegations. Every year, WTC Mumbai receives around 65 trade programmes, including interactive meetings with several inbound trade delegations. We receive trade delegations from Australia, Mauritius, Poland, Uzbekistan, Russia, China, Ghana, Iran, Türkiye, Kazakhstan, Afghanistan and other countries.

WTC Mumbai leverages the global network of around 320 WTCs across nearly 100 countries to connect Indian businesses with reliable supply chain partners abroad. We also work closely with bilateral chambers of commerce, foreign trade missions in India and our MoU partners to connect local businesses to potential supply chain partners abroad.

## **6. Financial Support and Access to Capital:**

*• What initiatives or programs does the Global Trade Organization have in place to support financial stability and access to capital for Indian MSMEs involved in international trade?*

Timely access to finance at affordable cost is the key element to run a successful business. Trade Organisations such as WTC Mumbai organizes Banker-Borrower meetings to facilitate MSMEs to interact with banks, NBFCs, fintech companies, SIDBI, fintech companies and other financial institutions. These meetings serve as a platform for entrepreneurs to learn about the long term and short term credit services offered by banks and other financial institutions for MSMEs.

Apart from Banker-Borrower meet, WTC Mumbai organizes various networking events where MSMEs, women entrepreneurs and start-ups interact with financial institutions to understand the latter's credit services.

*• Are there specific financial instruments or mechanisms that can help Indian exporters navigate challenges and capitalize on export opportunities?*

Export risk insurance and letter of credit are some of the financial instruments that minimize risk for exporters. Exporters can take export insurance to safeguard their position in case of default by the foreign buyer. Letter of credit is a form of buyers' credit where the bank of the foreign buyer guarantees the payment to the exporter.

Apart from the above instruments, there are other financial instruments that exporters or merchants can use to execute export orders. Banks and NBFCs offer pre-shipment and post-shipment credit to meet the liquidity needs of manufacturers while executing export orders and after execution of such orders. There are also international factoring companies that discount the invoices of exporters. Invoice discounting is a special form of supply chain finance where exporters, who have sold their goods on credit to the foreign buyer, can get immediate payment upon surrendering their invoices to a factoring service provider. There are many fintech companies that offer supply chain finance or trade finance with minimal hassle and paper work.

## 7. Digital Trade and E-commerce:

*• How is the Global Trade Organization addressing the growing significance of digital trade and e-commerce, and what role can these platforms play in boosting Indian export growth?*

E-commerce is the cost-effective way for Indian artisans, MSMEs, women entrepreneurs and start-ups to exhibit their goods and acquire new export orders through online platform. Already, Indian apparel, handicrafts, cosmetics, kitchenware, toys and other consumer goods are sold via e-commerce platforms to USA and other western countries. In the coming years, we can witness remarkable growth in export volume through e-commerce as more and more MSMEs exhibit their goods on e-commerce platforms.

In the aftermath of the pandemic, WTC Mumbai introduced its new age digital platform [wetrade.org](http://wetrade.org) to help Indian exporters and MSMEs to connect virtually with their potential buyers or business partners abroad. This platform served as a low cost medium for Indian entrepreneurs to exhibit their products online, connect with potential buyers abroad and get sales leads.

WTC Mumbai also organised Connect India International Trade Show, to facilitate Indian MSMEs to access global market across eight focus sectors in 10 participating countries during August 2022 to November 2022. Buyers and sellers from these 10 countries, some of which are Germany, China, USA, Vietnam, Philippines, Canada, South Africa and Qatar participated in this online Trade Show and explored fruitful collaboration with their Indian business partners.

*• What advice do you have for Indian exporters looking to expand their presence in the digital marketplace and leverage e-commerce for international trade?*

Trust and adherence to high quality standards are essential to succeed in e-commerce exports. Indian exporters should win the loyalty of foreign buyers by demonstrating high quality standards so that they can get repeat orders from existing customers and acquire new customers through referrals and word of mouth publicity.

It is also essential to align one's product offerings with the emerging consumer trends to sustain market share. The world of fashion and lifestyle is fast changing. MSMEs and women entrepreneurs producing consumer and lifestyle products should be nimble in adjusting their product features and design based on the evolving taste and preference of foreign consumers.