



ENTREPRENEURIAL DYNAMICS AND PARADIGMS OF MSMEs- A THEORETICAL STUDY



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ABSTRACT

The MSME sector is perhaps the one which shall create a widespread impact on various other sectors. The entrepreneurs and young generation are getting into innovation and creativity through the MSMEs. Various web portals have brought the tangible and visible impact by widening their market base and providing an ease to find the customers. The challenges ahead of the MSMEs are tremendous but at the same time it has led to experimentation and innovation. The young entrepreneurs have proved beyond doubt their potential.

KEYWORDS:- *Entrepreneurs, GDP, Innovation, Experimentation.*

1. INTRODUCTION

The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. There is consensus among policy makers, economists and business experts that Micro Small and Medium Enterprises (MSMEs) are drivers of economic growth. A healthy MSME sector contributes prominently to the economy through creating more employment opportunities, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. MSMEs are the first step towards development in economies towards industrialization. The dynamic role of MSMEs in developing countries positions

MSMEs as engines through which the growth objectives of developing countries can be achieved – a role that has long been recognized.

Economic Survey 2008-09 (Reserve Bank of India, 2009) notes that in 2007-08 MSEs recorded an output growth of 18.8 per cent as against 17.5 per cent in 2006-07. However, there was a significant deceleration in employment growth to 2.9 per cent in 2007-08 as compared to 4.3 per cent in 2006-07. Output per worker had increased, reflecting both a rise in labour productivity and cost savings. As per the MSME Annual Report of FY 12 published by Ministry of Micro, Small and Medium Enterprises MSME contribute 45% of the total manufacturing output.

2. ORIGIN OF THE RESEARCH

PROBLEM

Fast changing global economic scenario has thrown up various opportunities and challenges to the MSMEs in India. While on the one hand, many opportunities have opened up for this sector to enhance productivity and look for new markets at national and international level, it has also, on the other hand, put an obligation to upgrade their competencies in various fields like marketing, finance, business development, operations, technology etc.

More so than ever, the economy growth engine on the right way and direction it is time to put emphasis on formulation of MSME friendly policies, conducive operating environment, improvement of proper infrastructure, securing peace and security, arranging proper finance, efficient manager and arranging appropriate modern technology. Considering MSMEs contribution towards every aspect of economic development it should be considered at equal recognition with agriculture.

MSMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector. On the flip side, there is a need for outreach programs and initiatives by the government to this niche industry so that more entrepreneurs come forward to start up industries on their own.

3. INTER DISCIPLINARY RELEVANCE

The concept Entrepreneurial Challenges of MSMEs is multidisciplinary in character. MSMEs today are into wide range of manufacturing and service industry. In the manufacturing sector, the products range from food products, chemical industries, rubber and plastic products and the like. In the mass consumption items, it consists of leather and leather goods, plastic and rubber goods, ready-made garments, hosiery goods, sheet metal goods, stationery items - soap and detergents and the like.

To mention sophisticated items, it includes Television sets, calculators, microwave components, plastic film capacitors, carbon film registers, electro medical equipments, electronic teaching aids, digital measuring equipments, air-conditioning equipments optical lenses, drugs and pharmaceuticals. Services sector engaging in the rendering or providing services from cosmetics to IT

and ITES. The MSMEs are directly linked to Economics, Social Sciences, Commerce and Management, Entrepreneurial Development and to other physical sciences since the products are divergent in nature. So, the topic in question requires a multidimensional and multidisciplinary approach.

4. HISTORICAL RELEVANCE OF MSMEs

Small enterprise promotion has continued to remain an important and integral part of Indian development strategy much before the First Five-Year Plan, even dating back to 1938 when the National Planning Committee documents were being prepared. The concerted policy emphasis upon small firms as a vital vehicle of progress draws upon this sector's crucial historical role in generating substantial employment and income at the regional level and acting as a shock-absorber during periods of economic crisis.

With an impressive history of small firm development policy, in post-Independence India SMEs dominate the industrial scenario through its contribution to generation of employment and income as also tackling the problem of regional disparities. The small enterprise sector has continued to contribute immensely in creating large scale job opportunities across space and, in the process, helped reduce inter-regional and rural-urban disparities in growth.

The remarkably diverse range of products manufactured in this sector (estimated to a staggering over 8000 distinct products), often available at affordable prices, has successfully catered to a calibrated yet vast domestic market. Certain products in this sector have also been consistently figuring in the export basket during the recent decades, although the export performance in the global market has been unimpressive.

Given the imperatives of globalization, although in certain sectors strong external orientation could be observed even by the early 1980s, it is since 1991 that the small firm policy (and since late 2006, for the MSMEs, including the 'medium' for the first time) in India has been keenly pursuing policies that emphasize the importance of internationalization, trade and interdependence in the spheres of innovation, learning, market and business strategies.

After pursuing at least four decades of 'controlled' industrialization - protecting infant industry and supporting an import-substitution strategy - in 1991, through the formal pronouncement of economic reforms of the Indian economy, the hitherto protected small

enterprise sector began to come to terms with the imperatives of globalization. An increasing emphasis upon external orientation, competitiveness and networking with agencies within and beyond the sector and nation seemed to have been the bedrock of current policy paradigm; the recent policy framework corroborates this notable shift in focus.

It may, however, be pointed out at this stage that till as late as October 2006, by when the Micro, Small and Medium Enterprises Development (MSMED) Act came to be legislated, the 'medium' category never had been formally defined; albeit, especially, in certain sub-sectors and regions many dynamic small enterprises had been operating at a much higher level of investment in plant and machinery and market reach.

5. REVIEW OF RESEARCH AND DEVELOPMENT IN THE SUBJECT

On the topic Entrepreneurial Challenges of MSMEs a thorough review of literature was undertaken. Books, articles, reports, journals, magazines, newspapers and web sources have been perused in order to identify the socio-economic status of MSMEs and consequent entrepreneurial opportunities and challenges. Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas, thereby, reducing regional imbalances, assuring more equitable distribution of national income and wealth. MSMEs are complementary to large industries as ancillary units and this sector contributes enormously to the socioeconomic development of the country.

1. Gulledge (2002) identify two barriers to use e-marketplaces by suppliers/SMEs: profit squeeze and technology squeeze. Profit squeeze refers to reduction in profit margins which will result in suppliers preferring traditional channels where they can better manage their profit margins. "Technology squeeze" refers problems of suppliers in dealing with plethora of incompatible standards and technologies that may lead to frustration.

2. Anantha and Vishwanatha (2004) advocated improving the marketing competency, prompt supply of raw material, timely finance, technological up gradation of small-scale industries. A deeper understanding of the current strategic marketing decision making process in small businesses is necessary to raise the acceptance rates of interventions to improve the quality of strategic marketing decisions and consequently firm performance.

3. Jaya Krishna (2004) in his study on "World Trade Organisation and its Implications on Small Scale Industries in Karnataka" assesses the entrepreneurs awareness of both qualitative and quantitative information, from 30 randomly selected entrepreneurs during May-June 2002, in and around the rural and urban areas of Bangalore. His conclusions are: Perennial activity dominates over seasonal activity, Young generation entrepreneurs employ more managerial staff than the old generation entrepreneurs, Small scale industries are facing competition from large and medium scale industries outside the State rather than within the State, Entrepreneurs are experiencing the impact of WTO and its agreements across the year of establishment and generations. However, their awareness of the WTO agreements and their implications is poor.

4. Mathew (2004) highlighted the reason for panic in all India census report on small scale industries. The study observed that the vibrancy and dynamical of the sector anticipated under an era of deregulation and de-reservation remaining largely unrealized. The study stated that the country needs a strong small and medium enterprises policy, which was closely linked to its international commitments. The study suggested that at the strategy level, there were need to be mechanism by which the demography of small and medium enterprises sector itself becomes a matter of public security.

5. Morris et al. (2006) found out that major problems faced by small scale industries is to deal with government requirement is of simplifying the laws and regulations ranging from Labor Compensation Act to Unionization Act which are required to be merged.

6. Kalyan Kumar and Dr. Sardar Gugloth(2012) evaluate the presentation of MSMEs, before and after liberalization contrast them with average annual growth rates, and know the impact of globalization on the performance of MSMEs and the development of MSMEs new opportunities for Employment in a country. The study analyzes the collision of globalization on Indian MSMEs. Government's programmes are unstructured and indistinct, and fall short of delivering the intended outputs. This necessitates the enterprises to think strategically by focusing on major issues. The article focuses on the ongoing changes in the business environment and the analysis of their suggestion for MSMEs. It further focuses on the implication of globalization and domestic economic liberalization for MSMEs and analyses its intensification performance. The MSMEs has emerged as the most dynamic sector of Indian industrial economy.

7. Venkatesh and Muthiah (2012) found that the role of small & medium enterprises (SMEs) in the industrial sector is growing rapidly and they have become a thrust area for future growth. They emphasized that nurturing SME sector is essential for the economic well-being of the nation.

6. INTERNATIONAL STATUS

Worldwide, the micro, Small and Medium enterprises (MSMEs) play a leading role in propelling economic growth sustaining livelihood and in promoting equitable regional development. The MSMEs constitute over 90% of total enterprises in most of the developing economies and credited with generating the highest rate of employment growth and accounting for a major share of industrial production and exports.

7. NATIONAL STATUS

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to address policy issues affecting MSMEs as well as the coverage and investment ceiling of the sector. The Act seeks to facilitate the development of these enterprises as also enhance their competitiveness. It provides the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/ programmemes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act.

On 9 May 2007, subsequent to an amendment of the Government of India (Allocation of Business) Rules, 1961, erstwhile Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries were merged to form the Ministry of Micro, Small and Medium Enterprises (M/o MSME). This Ministry now designs policies and promotes/ facilitates programmes, projects and schemes and monitors their implementation with a view to assisting MSMEs and help them to scale up.

8. CONCEPT OF MSMEs IN INDIA

The small scale industrial sector in India is divided into three categories: micro, small and medium. Together, they are known as Micro, Small and Medium Enterprises (MSME)

- **Micro scale sector: industries in which the investment in plant and machinery is under Rs. 25 lakh.** For service enterprises, this limit is Rs. 10 lakh
- **Small scale sector: industries in which the investment in plant and machinery is between Rs 25 lakh and Rs. 5 crore.** For service enterprises, this limit is Rs 10 lakh – Rs 2 crore
- **Medium scale sector: industries in which the investment in plant and machinery is between Rs. 5 crore and Rs 10 crore.** For services enterprise, Rs. 2 crore – Rs. 5 crore

The MSME sector in India employs about 60 million people, it is the second largest sector in terms of employment (after agriculture). MSME sector accounts for 45% of industrial output and 40% of exports. The MSME sector in India falls under the purview of the Ministry of Micro, Small and Medium Enterprises. This Ministry was formed by the merger of the Ministry of Small Scale Industries and Ministry of Agro and Rural Industries in 2007. Registration of an industrial unit as a micro, small or medium scale enterprise is voluntary. However, benefits such as power and tax subsidies can only be obtained if registered. Registration is done by the Directorate or Commissioner of Industries for the respective states.

SIGNIFICANCE OF THE MSMEs

The role of Micro, Small and Medium Enterprises (MSMEs) in the economic and social development of the country is well established. As per the Report of the Working Group on Micro, Small and Medium Enterprises (MSMEs) Growth for 12th Five Year Plan (2012-2017), the sector accounts 45% of the manufacturing output and 40% of total exports of the country. The sector provides employment to about 69 million persons through 26 million enterprises throughout the country. Over 6000 products ranging from traditional to high-tech items are being manufactured by the MSMEs in the country. The labor to capital ratio in MSMEs and the overall growth in the sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.

The MSMEs are very important from the perspective of national development since they play a

considerably a significant role in the employment generation and help in the turning up of the demographic dividend in the economy. The main constraints of small firms were customer dependency, skills and knowledge acquisition through training, poor learning attitude and networking because of their tradition of being autonomous. In fact, the government of India of late, has realized a need for the vocational training in the education and henceforth making the youth to become entrepreneurs themselves. So, the MSMEs are to acquire centre stage to make the youth more empowered entrepreneurs

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