

THE ROLE OF ENTREPRENEURSHIP ON THE MSMES SECTOR IN INDIA

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ABSTRACT:

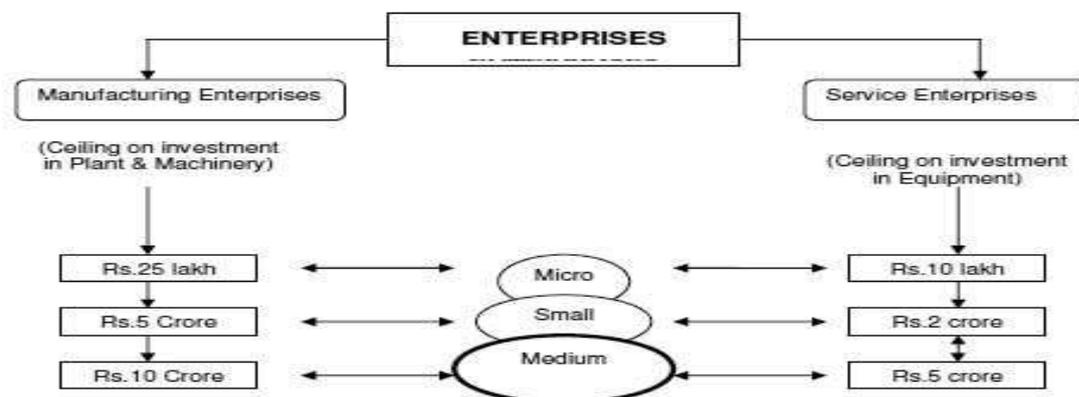
It is generally agreed that small businesses are one of the key engines of growth in many developing countries by contributing to employment creation. In this paper, it is discussed that micro and small businesses cannot grow or succeed unless they are entrepreneurial. It is with this view in mind the present study proposes that effort must be placed on the development of entrepreneurial behavior in small businesses if growth in India is to be achieved. The emerging pattern of business in India is that small businesses will continue to be the source of jobs and growth in the economy. Many studies have been undertaken and have identified numerous problems as being associated with small businesses, such as lack of finance and access to it, lack of market information, lack of managerial skills and many others. Little attention however has been paid to entrepreneurship which is the underlying factor for the development of any business. Entrepreneurship is the ability to seek out opportunities and turn them to profitable businesses. An attempt has been made through this paper to focus on the role and performance of entrepreneurship on the MSME sector and the contribution of MSME in employment generation. Entrepreneurship is closely associated with risk taking and the desire to succeed.

Keywords: Entrepreneurship, Employment creation, Lack of finance

INTRODUCTION:

Micro Small Medium Enterprise (MSMEs) constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. The MSME sector in India continues to demonstrate remarkable resilience in the face of trialing global and domestic economic circumstances. The sector has sustained an annual growth rate of over 10% for the past few years. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive economic shocks, even of the gravest nature.

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes Manufacturing Enterprises The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation Act, 1951). The Manufacturing Enterprise is defined in terms of investment in Plant & Machinery.





REVIEW OF LITERATURE

Sudan, F. K. (2005) described the challenges in Micro and Small Scale Enterprises Development and policy issues by arising different questions related to Micro and Small Enterprises. The study explained the meaning, advantages, problems and policy options of MSE sector. The study concluded that all the policies which were opted by GOI were the efforts to form a dynamic MSE sector and a diversified economy providing expanded employment opportunities to absorb all new labor force and offer exciting career opportunities.

Saxena.H.M. (2002) has studied the factors underlying the growth of marketing system as a result historic economic reforms and is linked to the growth of human civilization, specifically to the economic development population growth and inactive for urbanization. The study emphasized on understanding the behavior of the market participants the behavior of market participants due to market dynamics and concluded with a suggestion as to how the development of markets and their efficiency could be strategized.

OBJECTIVES OF THE STUDY:

- ✓ To know the role and relevance of SMEs in economic development
- ✓ To evaluate the strengths and weaknesses of SMEs

SMEs– ROLE AND RELEVANCE IN ECONOMIC DEVELOPMENT:

Small and medium enterprises are the backbone of industrial development. SMEs play an important role in the economic development of a country. Their role in terms of production, employment generation, contribution to exports and facilitating equitable distribution of income is very critical. The contribution of small scale industries (SSIs) has been remarkable in the industrial development of the country. It has a share of 40% in the industrial production. 35% of the total manufactured exports of the country are directly accounted for by this sector. In terms of employment generated, this sector is next only to agriculture employing approximately 14 million people. . Overall, the small industry sector has done quite well and has enabled the country to achieve considerable industrial growth and diversification. Small scale industries are less capital intensive and suit the Indian economic environment with scarce resources and large population base. In addition, it is highly and has a scope for labor intensive for building upon the traditional skill and knowledge. Small scale industries have remained high on the agenda of all political parties, intelligentsia and policy makers since independence as a legacy of Gandhian philosophy.

STRENGTH AND WEAKNESSES OF SMEs:

Major strength of Small Medium Enterprises observed are flexibility, owner management, inexpensive labor, less overhead and favorable capital- output ratio.

Flexibility

Small and Medium Enterprises can easily absorb new innovation and adapt new method. The

cost of changing the existing system is also relatively less.

Owner management

In Small and Medium Enterprises owner management is a possibility, which ensures quick decision making. This ensures speed and reduces red tapism. (Dalu & Deshmuke)

Inexpensive labor and less over head

The main reason for sickness of large scale industry is its labor problem and escalating wage bill. Small and medium enterprises strength is its cheap labor and less over head.

Favorable capital- output ratio

Small and medium enterprises are labor intensive. Through proper utilization of resources Small and medium enterprises can keep low level of capital investment per unit of output (Gowda and Krishnamoorthy).

Weaknesses

Lack of quality consciousness: It is the major weakness of the small industries. Small and Medium Enterprises pay less attention to total quality programme and hence importance is less felt leading to quality problem (Derrick). Study reports show that under utilization capacity leads to reduction in level of productivity in Small and Medium Enterprises sector in India .

Lack of Financial Strength

The Small and Medium brand image and hence mobilizing capital through other sources is a challenge in Enterprises depend largely on banking finance. They don't have corporate image.

Lack of Industrial Work Culture

Laborers give more weight-age to their personal work and don't maintain regularity, discipline in reporting on time. Getting and continuing with trained workers and satisfying them is difficult. Study reports show that in India many small and medium enterprises are sick and some are closing down. The main reason is lack of quality and increasing competition. It is necessary for Small and medium enterprises to face new challenges by adopting best strategies Hence the SMEs should take immediate step to create quality awareness, and adoption of continuous improvement techniques .

Limitations of MSMEs

Despite of commendable contribution to the nation's economy, the MSME sector does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate, which become a handicap for more competitive in the National and International Markets. The MSMEs faces a number of problems.

The main problems of MSMEs in India are:

- Absence of adequate and timely supply of bank finance,
- Limited capital and knowledge,
- Lack of power,
- Low quality inputs,
- Low return,
- Non-availability of suitable technology,



- Low production capacity,
- Ineffective marketing strategies,
- Identification of new markets,
- Constraints in modernisation and expansions,
- Transportation problems,
- Lack of adequate warehousing,
- Lack of information,

CONCLUSION

Every industrial and business organization has to take up the responsibility to meet the challenges posed by globalization. Not only the big business, but even a small business enterprise in India has to take up the responsibility to meet the standards, qualities, technological up gradation, skills technical know-how needed in the global market. Issues related to credit, like adequacy, timely availability, cost and mortgages continue to be a concern for MSME. These enterprises are dependent on self-finance. Profit margins are also low. The government drive for financial inclusion could benefit such entities. The government could consider dedicating specialised financial schemes for addressing difficulties in assessing and providing credit for small enterprises, as also providing line of credit to firms which are under financial stress. However, it remains to be seen whether new institutions such as MUDHRA Bank can open the credit markets for small enterprises.

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