
Entrepreneurship in SME

Dr. Ajay Shukla* & Yashaswi Singh**

*Associate Professor Dept. Of Commerce JNPG College Lucknow,

**Research Scholar dept. Of Commerce, LU, Lucknow,

ABSTRACT:

Entrepreneurial development is an essential ingredient as well as consequence of market economy. Growth of large number of entrepreneur creates competitive environment constantly demanding improvement of capabilities and competitiveness. In the age of globalization when multinational companies are visible due to their global economic power, entrepreneurships in small and medium size are assuming vital forces in both developed and emerging economy due to some inherent advantages available at that stage. The small and medium entrepreneur can make use of their personal attributes and decision-making power to develop competitiveness by utilizing local resources as well as manpower. Emerging economies are able to make foray into the world market in a big way mainly through the contribution of SMEs. In India, SMEs have been playing a significant role in the economy since independence. This sector is able to achieve success in a number of industries in fast growing regions of Indian economy. Yet vast majority of SMEs entrepreneurs are operating under severe constraints. One of the major constraint is lack of proper Training and Development of employees or entrepreneurs.

Recent research (see, Admiraali & Lockhorst (2009) indicates that very small SMEs (from 1 to 20 employees) do not engage in much formal training such as having someone provide specific training to individuals and/or groups, sending an employee to training in some distant place, and making e-learning opportunities available to employees. This is often due to resource constraints. In general, informal training tends to be limited to activities such as an orientation to the business and its tasks, hands-on training in relevant job skills, and other as needed guidance. Mazzarol (2003) found that owners/managers/entrepreneurs who take on the training tasks with employees couldn't effectively do training unless she/he has developed some coaching and management skills. Training and development of employees matters. Studies have shown (Ghassemich, Thach, & Gilinsky, 2005) that competitive advantage is compromised if employees are not adequately trained. Therefore, Training & Development is an important aspect in context to Entrepreneurship in SME sector.

The objective of the paper is to discuss firstly, Entrepreneurship specific to SME sector in India and what kind of challenges they face, government initiatives in promoting entrepreneurship, and secondly, what is the role of Training and Development function and why it is important for their growth.

INTRODUCTION:

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 socio-economic development of the country. The Sector consisting of **36 million units**, as of today, provides **employment to over 80 million persons**. The Sector through more than **6,000 products** contributes about **8% to GDP** besides **45% to the total manufacturing output and 40% to the exports from the country**. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth.

DEFINITION OF SME'S

(As Per Micro, Small & Medium Enterprises Development (MSMED) Act, 2006)

Manufacturing Enterprises – Investment in Plant & Machinery		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 25Lakh	upto \$ 62,500
Small Enterprises	above Rs. 25 Lakh & upto Rs. 5 Crore	above \$ 62,500 & upto \$ 1.25 million
Medium Enterprises	above Rs. 5 Crore & upto Rs. 10 Crore	above \$ 1.25 million & upto \$ 2.5 million

Service Enterprises – Investment in Equipments		
Description	INR	USD(\$)
Micro Enterprises	upto Rs. 10Lakh	upto \$ 25,000
Small Enterprises	above Rs. 10 Lakh & upto Rs. 2 Crore	above \$ 25,000 & upto \$ 0.5 million
Medium Enterprises	above Rs. 2 Crore & upto Rs. 5 Crore	above \$ 0.5 million & upto \$ 1.5 million

ROLE OF SME SECTOR IN NATION DEVELOPMENT

Small and Medium Enterprises play a vital role for the growth of Indian economy by following ways:

- contributing 45% of the industrial output,
- 40% of exports,
- 42 million in employment,
- create one million jobs every year
- produces more than 8000 quality products for the Indian and international markets
- Contribute about 8% to GDP

As a result, MSMEs are today exposed to greater opportunities for expansion and diversification across the sectors. The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries **like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors.** SMEs are finding increasing opportunities to enhance their business activities in core sectors.

(REFERENCE-www.smechamberofindia.com/rol_of_sme_sector.aspx(SME Chamber of India)

RESEARCH METHODOLOGY

The present study is theoretical and analytical in nature and is mainly based on secondary data In-depth interactions/discussions with various govt. agencies/representative agencies concerned with skill India, digital India, e-commerce, aadhar udyog entrepreneurial growth. Literature and other information have been critically analysed in the study. Reports and publications of govt. of India obtained from various research papers published on the concerned study and through government official websites.

Entrepreneurship in SME Sector:

As markets for goods and services develop, the economy experiences surge of entrepreneurs to capture the opportunities brought about by the market. While the strength and competitive spirit of the market economy facilitates emergence of entrepreneurs and the growth of entrepreneurship, in turn helps development of market Own account /owner entrepreneur in small size alongside multinational companies contribute to growth and employment generation in both developed and emerging economies. An entrepreneur starting at a small size can acquire valuable skills while testing his capability as an entrepreneur. In Indonesia, and Japan 99 percent of enterprises are SMEs contributing 99.4 per cent and 88 per cent of employment respectively. In emerging economies such as Korea, China Philippines, Malaysia SMEs constitute between 94 per cent 99.7 per cent of industrial enterprises and contributing between 40 per cent (Malaysia) and 74 in China. SME enterprises are contributing to value addition significantly in these countries. For example, in China, Indonesia and Japan, this sector contributes more than fifty percent and in India, Korea and Philippines this contribution is more than 40 percent. (Sources: JICA and others, taken from www.dti.gov.ph/filedirectory/SMEagenda.ppt.) Small and medium entrepreneurs are organizationally in no way the scale down version of the large entrepreneur through this is a crucial factor for both large operations and the small units. The small and medium entrepreneurs operate in very different situation compared to larger units. They are mostly own account proprietor. In India 78 per cent of SMEs are under single proprietorship, 16 per cent are under partnership, while only 6 per cent are under corporate ownerships. Basic role played by the owner/manager is one of the major determinants of SME competitiveness because of the concentration of decision-making power with the single owner, consequently affecting the firm's overall strategy. Studies find importance of human qualities for the success of SMEs. For example, Stoner (1987) finds that the key distinctive features for the success of small firms are experience, knowledge, and skills of the owners. Two of the critical success factors highlighted in the study of Chawla et al. (1997) are the "experience" and "goal orientation" of the small

business owners. Slevin and Covin (1995) also suggested that “total competitiveness” is positively influenced by a founder who can pay attention to the detailed operations of the business when the business is small. In sum, all of these studies imply the influential role of the entrepreneur in affecting the performance of the firm particularly when the firm remains small. UNDO encourages development of small and medium enterprises for having inclusive and disperse growth. Development of small and medium enterprises also plays an important role in generation of incomes among the economically weaker section through self employment rather than wage employment. Growth of entrepreneurship reduces the size of the informal economy and integrates the backward region with the market economy. Growth of large number of small enterprises restricts monopolies of few industrial houses and induces competition in the market leading to efficiency of operation. Large number of small enterprises makes market induced R&D, technological innovation viable. Schumpeter (1934) considered Entrepreneurship as inherent capabilities, which only selected few, can possess. According to Casson (1991), the entrepreneur is someone who takes judgmental decisions about coordinating scarce resource. His role is essential as long as new opportunities come up, making existing pattern of allocation of resources for production and distribution obsolete, and better allocation is needed. Casson also points out that though entrepreneur’s imagination is the innate qualities, this can only be sharpen and made useful through acquisition of other knowledge and skills. These are business knowledge, practical knowledge, analytical ability, search skills, foresight, communication skills, delegation skills and organizational skills. Casson mentions that these qualities are particularly important when enterprises are small.

The acquisition of skills and knowledge can be effectively achieved through Training and development programmes. It can be performed by entrepreneurs solely or through some agencies. Government has also started various Training and Development programmes for Entrepreneurs in SME sector.

WHY TRAINING AND DEVELOPMENT IS IMPORTANT?

Firms need to be efficient, productive and innovative to survive under prevailing competitive markets. The role of HR practices in fostering organizational efficiency and productivity is strengthening hence development of Human Resources has become imperative. One way of achieving this is through training. Training is a systematic and well-planned intervention, which aims to develop the Knowledge, Skills and Attitude through a defined learning experience, and to achieve desired performance in an activity. Both large and small firms lay key focus on building the non-imitable aspects of their workforce through training and learning initiatives. Training is the indispensable tool that enhances Competence, Commitment, Creativity and Contribution in an employee for the organization (Khosla and Sharma(2016).

Training & Development is an important aspect because:

- **It will reduce the failure rate of business**
- **Will help in facing the challenges**
- **Will help to face the competition and gaining competitive advantage**
- **Will add value to the firm**
- **Will help the firm to be more effective and efficient**

Literature supports the role of Training in building employee efficiency (Bartel 1994; Raghuram 1994; MacDuffie and Kochan 1995), Lepak & Snell 1999). Evidence of theoretical literature suggests that training practices increases productivity by increasing employees' skills and motivation (Huselid 1995, Huselid, Jackson & Schuler, 1997). Training creates qualified, flexible and proactive employees. The employees who come to work have a generalized set of skills which needs to be made industry or firm specific. So it is important to list specific required skills which will make the labour unique and generate monopoly at work by competitive advantage. Training practices and methods vary in different types of organizations. Small business is generally not formalized in their organizational setup and execution of work roles. This diversification restricts generalization of existing HRM practices to these firms. The differences in their characteristics of size, business, structure, production, life cycle stages and ownership do not facilitate a homogenous system.

Researchers have emphasized on the low priority given to Training practices in SME's when compared to large organizations. Labor market, 1993; Employment Department, UK 1994). SME's lay less stress on formal training for the employees which reduces the pace of desired sustained development of SME's. As these entities are deficient in sources and comparatively less informed about the latest processes, planned trainings are not evident here. Training was strongly related to employment and sales growth but unrelated to profit margins. This is another factor due to which we find limited existence of training in many firms as they focus upon profit maximization in the short run with little focus on employee development or skill enhancement for long run future prospects. Small sized firms also due to their own constraints and unsure Long run survival do not focus on formal trainings frequently. Some of the challenges or constraints faced by SME's are:

- Absence of adequate and timely banking finance,
 - Limited capital and knowledge,
 - Non-availability of suitable technology,
 - Low production capacity,
 - Ineffective marketing strategy,
 - Identification of new markets,
 - Constraints on modernisation & expansions,
 - Non availability of highly skilled labour at affordable cost,
 - Sub-optimal scale of operation,
 - Technological obsolescence,
 - Supply chain inefficiencies,
 - Increasing domestic & global competition,
 - Working capital shortages,
 - Insufficient skilled manpower
 - Lack of proper training and development programme
- (REFERENCE-www.smechamberofindia.com/rol_of_sme_sector.aspx(SME Chamber of India)*

An enterprise in this sector, despite their contribution to Indian economy, has some basic problems for which full potentialities could not be utilized. Many SMEs enterprises were unable to face the challenges of global competition, need for modernization in marketing, management and technology. Most of SME enterprises have inherent constraint to avail finance from the organized financial intermediaries. Lack of credit worthiness of the SMEs is attributed to limited or lack of possession of tangible assets, inability to cope up with market uncertainties. Their inability to access institutional credit is aggravated because of the fact that micro and tiny units of this sector have severe problems of realizing receivables. Average time taken for realizing receivable from the markets is two to three months. For this reason, micro and tiny units suffer from severe problems of cash crunch.

SME's in India are just conducting humanly possible training projects for their employees and they need to realize the required change in role in order to realize full potential of the SME's towards production and growth. SME's are driven by manpower hence recruiting the right people and adequately training them is very important to achieve targets.

GOVERNMENT INITIATIVE

Given the nature of the MSME sector and its wide reach, the Ministry has taken several initiatives to promote or foster MSME's. Some initiatives in this regard are as under:

Ease of Registration Process through Udyog Aadhaar Memorandum (UAM) :

On 18th September, 2015 in the Gazette of India Vide Notification Number S.O 2576 (E) the MSME Ministry has notified a simple one-page registration Form 'Udyog Aadhaar Memorandum' to simplify forms to enable ease of registration of MSME's. This decision is based on the Hon'ble Prime Minister's suggestion in his 'Mann Ki Baat', on 3.10.2014.

The salient features of the Udyog Aadhaar Memorandum are :

- The one page simplified registration Form would constitute a self declaration format under which the MSME will self certify its existence, bank account details, promoter/owner Aadhaar details, other minimum basic information required, etc
- Creating a business friendly environment with ease of entry and exit procedures to encourage entrepreneurial activity.
- Encouraging States to strengthen existing 'Single Window System' with a High Power Committee empowered to give all necessary clearances for setting up a business.
- There shall be no fee for filing the UAM
- Udyog Aadhaar Acknowledgement shall be generated and mailed to the email address provided in the Udyog Aadhaar Memorandum which shall contain unique Udyog Aadhaar Number
- No supporting document is required to be uploaded or submitted while filing the Udyog Aadhaar Memorandum

Framework for revival and rehabilitation of MSMEs:

The Ministry under Section 9 of MSMED Act has notified the Framework for revival and rehabilitation of MSMEs, 2006 on 29/05/2015. To balance the interests of debtors and creditors this framework provides a mechanism for revival and rehabilitation with a definite voice to the entrepreneurs. This framework will identify those MSME's which are in the stage of incipient stress and will enable bank/creditors to take corrective action to prevent them from becoming NPA's. A committee is constituted by banks through which MSME's can seek revival and rehabilitation benefit. This committee will have representatives from State govt's experts and others.

Revision of the definition of MSMEs:

Ministry has proposed to enhance the limit of investment in plant and machinery by way of an amendment to MSMED Act, 2006. The proposed definition of MSME by raising the capital limits in plant and machinery as follows: -

Sector	Investment limit in plant and machinery	
	Present	Proposed
Manufacturing		
Micro	Rs.25 lakh	Rs. 50 lakh
Small	Rs. 5 crore	Rs. 10 crore
Medium	Rs. 10 crore	Rs. 30 crore
Services		
Micro	Rs. 10 lakh	Rs. 20 lakh
Small	Rs. 2 crore	Rs. 5 crore
Medium	Rs. 5 crore	Rs. 15 crore

Make in India Initiative:

As part of 'Make in India' initiative, starting a business will not be that difficult. Through its ease of doing business, initiative following steps has been introduced for starting a new business:

1. The requirement of Common company seal is eliminated.
2. Introduction of form -29 by MCA. With this form three processes such as Name Availability, Director Identification Number and Incorporation of Company are clubbed into one. The company can be registered within 1-2 working days in India.
3. The provision is in place for getting PAN and TAN in T+1 day using digital signature.
4. ESIC and EPFO are completely online with no physical touch point for registration or document submission.

Zero Defect –Zero Effect

Under Zero Defect- Zero Effect scheme, a ZED Maturity Assessment Model has been conceived and structured to offer graded benchmark levels of an organisation's performance through a set of

standard enabler and outcome parameters focusing on quality and environmental performances. It will rate and handhold all MSME's to deliver top quality products using clean technology.

- The target is to help MSME's by providing them adequate training and funding to move up the value chain and produce quality products. The ZED model will sensitise MSMEs to emphasise delivery of high quality products with zero defects.
- Clean energy will be a very important aspect of the model. Enterprises will be encouraged and hand-held to adopt clean technology into their processes to attain a sustainable growth trajectory.
- There will be sector-specific assessment parameters for each industry such as food processing, textiles, leather, auto parts, etc.

Skill India

In line with the Hon'ble Prime Minister's call for "Skill India Mission", the Ministry of MSME has been providing training to eight to nine lakh persons per year to enable them to create new enterprises or become job ready for industry. During the year 2015-16, Technology Development Centres and MSME Development Institutes would provide training to 4.39 lakh persons, national EDIs and partner institutions would cover 2.44 lakh persons, KVIC would train 2.74 lakh persons and the Coir Board, 0.34 lakh persons. These training programmes would be made NSQF compliant with uniform funding pattern.

A web based training data base is also set up which provides the latest status of completed and on-going training programmes.

A Digital platform for bringing together prospective employers and job seekers has also been set up namely, eex.dcmsme.gov.in to facilitate ease of employment of the desired skill as per the requirement of the specific industry.

MoU has been signed in May 2015 with Samsung Electronics starting of MSME - Samsung Digital School for development of mobile Apps. MSME – Samsung Technical School at 10 locations (Ludhiana, New Delhi, Hyderabad, Ahmedabad, Aurangabad, Varanasi, Bhubaneswar, Chennai, Mumbai and Kolkata) has been established to meet the needs of skill development activities of technically educated youth.

Digital India

Ministry of MSME has taken several initiatives as a part of Digital India. Some of the initiatives as under:-

i. Digital Employment Exchange : Ministry has recently launched digital employment exchange is in line with the Prime Minister's vision of Digital India wherein through this employment exchange for industries, job seekers can find employers and vice versa. Thus, this facility will enable industrial units find suitable manpower and job seekers find suitable jobs by using the website www.eex.dcmsme.gov.in.

ii. E-commerce: India's e-commerce market was worth about \$ 3.8 billion in 2009, it went up to \$ 12.6 billion in 2013. In 2013, the Online retailing segments was worth \$ 2.3 million. E-commerce is a growth booster for SMEs and the B2B and B2C E-commerce initiatives by NSIC

have positive effects on the SME growth. NSIC, realizing the needs of MSMEs, is offering Infomediary Services which is a one-stop, one-window bouquet of aids that will provide information on business, technology and finance, and also exhibit the core competence of Indian SMEs. The Corporation is offering Infomediary Services through its MSME Global Mart www.msmemart.com.

iii. E-office: e-Office initiative has been introduced to achieve paperless office in the Ministry. Movement of e-files has been started and digitalization of existing physical files for converting the same into electronic files is under process. Aadhaar-based Bio-metric Attendance System for all employees (98% coverage) of the Ministry was started w.e.f. 20th August, 2014 resulting in punctuality of attendance. Upto September 2015, 5,354 Electronic files have been created and the same has been moved 26,112 times.

iv. Mobile Friendly website: The website of the Ministry has been made mobile friendly. With this, entrepreneurs friendly content can be easily accessed through any mobile and tablet <http://msme.gov.in/mob/home.aspx>

v. Social Media: Ministry has opened interactive interfaces on Facebook and Twitter with the objective to disseminate information relating to programmes, schemes and to connect with public at large. We have been informing about all important activities through these social media channels in addition to the websites of the Ministry and its field offices. The response has been quite encouraging with the Facebook and Twitter having attracted over 17000 and 19000 followers respectively.

vi. Udyami Helpline : Ministry had also set up *Udyami Helpline*, a Toll-free all India number (1-800-180-6763), provides detailed information and guidance to the potential & existing Entrepreneurs about various aspects of entrepreneurship/ information on MSME schemes /procedures/Credit related issues etc.

Prime Minister's Employment Generation Programme (PMEGP) scheme

PMEGP is a major credit-linked subsidy programme being implemented by this Ministry aimed at generating self-employment opportunities through establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth. The scheme has generated encouraging response from the unemployed youth and since its inception in 2008-09, it has been able to provide employment opportunities to 28.88 lakh persons through setting up 3.37 lakh enterprises

A Scheme for Promoting Innovation and Rural Entrepreneurship (ASPIRE)

Funds of Rs.60 crore is created under SIDBI for providing easy access to finance for start-ups with innovative products and processes

Performance and Credit Rating Scheme:

The scheme will aware the MSME's about strengths and weaknesses of existing operations and provide with an opportunity to enhance organizational strengths and credit worthiness NSIC is implementing the scheme. Under the scheme, rating fee payable by the micro and small enterprises is subsidized for the first year only and that is subject to maximum of 75% of the fee or Rs.40000/-, whichever is less.

CONCLUSION

Entrepreneurs in the small and medium size industrial units play a key role for the success & development of competitiveness in this sector. Though basic entrepreneurial acumen is innate, this can be developed and sharpened through training. Attributes such as business knowledge, practical knowledge, analytical ability, communication skills, and organizational skills are to be acquired for an entrepreneurial success. The need for Entrepreneurs arises as there is necessity of constantly reallocating resources to adjust with market forces. SMEs development creates competitive spirits and drive to excel. Small entrepreneurship is the nursery for development entrepreneurial acumen to lead in larger and complex corporate sector.

India has been witnessing entrepreneurial growth since liberalization and globalization. Currently there are 5.5 crores(55 million) MSMEs. Successful SMEs have emerged in IT and ITies Sector, Auto component industries, Heavy and Light engineering industries and Textile sector They are contributing to the growth of GDP, modernization of industries , inducing technological development and export growth. Yet growth of a large number of small and tiny units is under severe constraints of finance, marketing ability and adaptability of appropriate technology. The analysis of paper will provide an overview of ENTPRENEURSHIP in SME sector, challenges faced by them, importance of training and development in sector and various kinds of initiatives taken by present government to foster the growth of MSME sector.

REFERENCES

- i. Khosla, .R. and Sharma, A. (2016), Training Dimensions of Small and Medium Enterprises in Electronics Sector, Indian Journal of Training and Development, Vol 46, No. 2, :54-64
- ii. Sarathy, T. and Silambarasan, C. (2012), Entrepreneurship in SME sector, Elixir International Journal, C. Silambarasan et al./ Elixir Prod. Mgmt. 44 (2012) 7158-7163
- iii. www.smechamberofindia.com/rol_of_sme_sector.aspx (SME Chamber of India)
- iv. <http://msme.gov.in/>
- v. <http://msme.gov.in/whatsnew/background-note>
- vi. <http://msme.gov.in/whatsnew/msme-glance>
- vii. <http://www.makeinindia.com/eodb>
- viii. <http://www.zed.org.in/zed-maturity-assessment-model.php>
- ix. Lyons, P. and Mattare, M. (2011), On-the-job Training approach for the very small SME, Journal of Business and Entrepreneurship, Vol. 23(1): 53