

ANALYSIS OF DIFFERENT FORMS OF ENTERPRISES: ENTREPRENEURSHIP IN INDIA

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ABSTRACT

Entrepreneurship acts as a catalyst for the economic prosperity of a nation as it leads to generation of employment, contribution in national income, rural development, industrialization, technological development, export promotion etc. In India, various initiatives have been taken by the government from time to time for entrepreneurship development in the country. Small scale industries (SSI) are those industries in which manufacturing, providing services, productions are done on small scale or micro scale. For example, these are the ideas of Small scale industries: Napkins, tissues, chocolates, toothpick, water bottles, small toys, papers, pens. Small scale industries play an important role in social and economic development of India. These industries do a one-time investment in machinery, plants, and industries which could be on an ownership basis, hire purchase or lease basis. But it does not exceed rupees one crore. Let us discuss in detail about it.

KEYWORDS: *Small Scale Industries, Entrepreneurship, Rural Development, Industrialization.*

Introduction

Small scale industries has changes over the years in short terms of investment limits in the following manner: In manufacturing sector, when an investment done upto Rs. 25 lakhs it is termed as Micro Enterprise, If investment is between Rs. 25 lakhs to Rs. 5 Crores approx then termed as small enterprises. And if the investment in an enterprise is approx between Rs. 5 crores to Rs. 10 crores then it termed as medium enterprise. In service sector when an investment done up to Rs. 10 lakhs it is termed as micro enterprise. If investment is done approx between Rs. 2 crores to Rs. 5 crores approx then it is termed as medium enterprise.

Objectives

- To find out Small Scale Industries contribution to the economy in India.
- To ascertain out the strengths, weaknesses, threats & opportunities (SWOT) of Indian Small Scale Industries.

Methodology

The data has been collected from secondary sources comprising of MSME annual reports and Ministry of Commerce, Government of India from the period from 2000-01 to 2008-09. The collected data has been analyzed in a very systematic manner. For analysis & statistical tools like Percentages, Annual growth rate are used find out the objectives of the study.

Programmes and Schemes for Promoting SSI Sector

The government has introduced new various policies and incentives for promotion of SSIs. The significant increase in the number of SSIs reflect that, it has been comparatively easier simple to establish a small enterprise as it requires a limited amount of investment both in fixed and variable capital assets. The small enterprises are growing at a much rapidly rate & thereby creating potentials for more output, employment & exports. The scope for their increasing growth has been enhanced due to the adoption of more liberalized policy measures.

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- Subsidies
- Testing Centres
- Incentives in Operations
- Sub – Contracting Exchanges
- Trade related Entrepreneurship Assistance(TEA) & Development for Women
- Market Development Assistance Scheme
- Assistance Program Credit Guarantee Scheme
- Credit linked Capital Subsidy Scheme for Technology Up gradation
- National Entrepreneurship Development Board
- ISO – 9000 Certification Reimbursement Scheme
- Participation in International Fairs

Institutional Support for Small Scale Industries

Constant support to SSI sector by the Government in terms of physical development (Like Road, Railway, Airport) fiscal and monetary policies in terms of money have helped this sector to emerge as dynamic and vibrant sector of Indian economy.

Support From State/ Industry Associations

at the State level, concerned Commissioners/ Directors of Industries implement policies for the effective promotion & new development of small scale, cottage, short and large-scale industries. The Central policies for the SSI sector serve as the helps, but each State evolves its own policy and package of incentives in all sectors. The State departments also oversee activities of the field officers, viz., District Industries Centres. In addition, it includes State Financial Corporations, State Small Industrial Development Corporations & Technical Consultancy Organizations operate to perform the promotion & development of SSIs in sector. Other regional level agencies include State Infrastructure Development Corporations State Cooperative Banks, Regional Rural Banks, State Export Corporations, Agro Industries Corporations, Handloom & Handicrafts Corporations. At gross root level, NGOs play an important role for the development of medium cottage units. Industry Associations provide help to the SSI sector & offer a common platform to raise industry-related issues in sector. Government policies, in current years, have affected the rising role of small & medium industry Associations in the setting up of common facilities & other ventures in the area of technology, marketing and other support services.

SWOT Analysis

A detailed SWOT analysis have role of the foundation stone for taking strategic changes. It helps to identify the areas where proper care should immediately be taken at the same time, identifies the areas of competitive sector i.e. small as well as medium. The respective Strengths, Weaknesses, Opportunities and Threats (SWOT) are identified for Indian new SSIs which will form guidelines for the policy makers.

The Role of Strengths

Small Scale Industries are the backbone of the Indian Economy. By considering the employment generation and export generation, the following are some of the strengths of Indian SSIs.

- Easy to Work on an SSI which requires Limited capital.
- SSI contributes approx. 45% of manufacturing output.
- It creates nearly 6.5 crore employment.
- Employs local people, particularly an illiterate and semi-literate and decreases the regional imbalances.

Outlook towards the Small Scale Industries is very much important. The premises for such an outlook is essential for Indian SSIs to combat the challenges ahead, are outlined as:

- The growing economy and the tremendous market essential of the country depend on the sustained growth & development of SSIs in the country.
- Avenues for employment & decentralized industrial development for the sector.
- SIDBI as the top institution will continue to work its key role in facilitating timely & adequate credit besides meeting the developmental needs of the sector.

Some Weaknesses

The following are some of the weaknesses identified among Indian Small Scale Industries

- Infrastructural problems like high power tariff, not sufficient export infrastructure.
- Inflexible worker markets.
- Require the Fund for Modernisation and technology up gradation in the sector.
- Increase of MNCs with Modern Technology & new tools & equipment with Machines.

Opportunities

After the introduction of trade liberalization and globalization, rised competitive pressures & decreased direct subsidies, strengthening for export. No doubt, in India the SSIs with their dynamism, more flexibility & Latest innovative drive increasingly focusing on improved factor of production methods, new marketing strategies and management capabilities to sustain and strengthen their operations.

Threats

For export competitive include product reservations, regulatory hassles – both at the entry and exit stages, not sufficient finance at affordable terms, not flexible labour markets and infrastructure related problems – like high power tariff, and insufficient export infrastructure in most of sectors. The following were identified as the greatest obstacles to the internationalization of SSIs by UNICEF.

- Lack of entrepreneurial, managerial and marketing skills.
- Lack of accessibility to short &medium term investment.
- Lack of government incentives for internationalization of SSIs.
- Competition of indigenous SMEs in foreign markets.
- Product and service range and their use differences.
- Risks in selling abroad.
- Language barriers and cultural differences.
- Complexity of trade documentation including marketing packaging & labeling.

Policies Recommended by RBI

The Standing Advisory Committee under the Chairmanship of the Deputy Governor for RBI has been critically reviewing with the flow of institutional credit to the SSI Sector from time to time. Based on this Committee's decisions, the banks were advised by the RBI to take necessary steps with regards to:

- Fixation of self – set target by the banks for SSI.
- Enhancement of composite loan limit for SSI from approx Rs. 25 lakh to approx Rs. 50 Lakh.
- Incorporating credit requirement in the identified clusters in the banks' Annual Credit Plans for the year 2004.
- Adequate publicity by the banks to various new & latest schemes/ facilities extended to SSI sector like availability of collateral-free/ composite loan.
- As per the announcement made by the Hon'ble Finance Minister in the Union Budget 2003 – 04, India Bank' Association has advised the banks to follow the interest rate band of approx 2% above and below their prime lending rates for advances to SSI.

Suggestions

The following suggestions and requirements are recommended for the growth & development of SSIs in India.

- Definition of SSIs based on the Turnover limit along with the long term fixed assets.
- Single Taxation Law each for all Direct and Indirect Taxes.
- Single Comprehensive Labour Policy.
- For all labour sector Quality Improvements – Testing Centres & Laboratories and availability of various standards specifications.
- At affordable cost including practical rule.
- Updated & new industrial Training Centres in all districts for industrial needs.
- Maintaining Stability of Raw material prices.
- In medium term Promotion of Clusters.

Conclusion

The small scale industries play a important role in the growth & development of the country. It contributes almost approx 40% of the gross industrial value added in the Indian economy in the sector (from secondary data). Small scale industries are discussed all over the states and they satisfy local demand. Thus they play a critical & important role in the development of regions. The government announced some policies and programs to support entrepreneurs of handlooms to sustain employment in rural areas for long term and to improve the quality of life for handloom weavers in the that sector. Various steps were need to improve credit flow to SSIs, the government has also introduced various new schemes and latest incentives for the promotion & development of SSIs and provide institutional infrastructure for SSIs through Small Industry Development Organization, and National Small Industries Ltd. Technology Resources Centers provide latest and new technology for attaining global reach by SSI units. Boosting the contribution of SSIs in total exports of India is vital to India's future economy's growth, & development which can be promoted in the following manner. Policy intervention for SSIs could be particularly export-positively when it is based on the double C (Customer oriented, &Collective) However, it is also essential to create and sustain a business environment that reinforces the international competitiveness of the export sector as a whole. This can be successfully achieved by active collaboration between governments, the private sector and international agencies with a view to reaping the successfully potential benefits & help to exports through SSIs.

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