

# A Birds View On Success Aspects And Failure Elements In Network Of Small & Medium Enterprises And Entrepreneurial Firms In India

D.Arivazhagan, Dr.S.Poongavanam, Dr. C. Manoharan, R. Divyaranjani, Dr.R.Vetri selvan,

**Abstract:** In any nation small and medium enterprises (SME) is an integral part for its growth and socio-economic contribution. Economy of any country not only depends on larger manufacturing company or big financial organization. Small and medium organizations contribution is vital for economic strength of that nation. SME is recognized in the policy and academic. It is a front runner in economic growth by providing employment, technical innovations and social development. The main aspect of this paper is to identify the success and failure factors based on secondary data and review of literature under entrepreneurial, enterprise and business environment factors. Based on research the factors like Government's role, Technology role, workforce motivation, financing opportunities, business structure and management practices influencing more in SME's success and failure.

**Key Words:** Manufacturing, Services, growth, and Contribution.

## Introduction

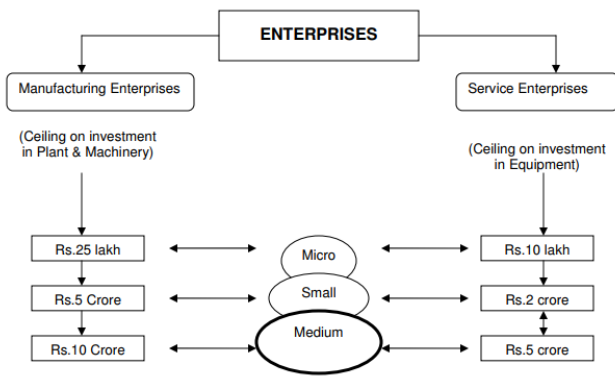
Small and medium enterprises is a dynamic sector and highly vibrant in India for the past fifty years. It helps rural and backward area people to get large employment opportunities in lower investment companies<sup>[4]</sup>. The enterprises can be proprietorship, cooperative, company, association of persons, cooperative, association of persons, etc. It is not restricted by the number of persons employed<sup>[1]</sup> by the firm nor the electricity consumed by the firm. SMEs are identified to provide special investment assistance and handholding as they contribute significantly to the employment, production and export in the country. It also reduces the local imbalances and guaranteeing moderate distribution of national prosperity and revenue. Small scale industries are almost equal to big industries as substitute unit and it contributes to the development of nations socio-economic. SME's contributions<sup>[2]</sup> plays a significant role in domestic production, earnings through export and low venture requirements. It gives an operational flexibility, imports in low demanding and aptitudes to develop fitting aboriginal technology. SME also contributes for location mobility, substitute product in import, defence production and industries based on technology. It plays a vital role in competitiveness among domestic market and export market. SME develops new entrepreneurs through skill development.

## Structure of SME in India

Even though SME developed in India for 5 decades only in 2006 MSMED Act was brought by the Government of India to stream line the segment by fixing the ceiling. This act encourages the development of these enterprises and increase their competitiveness. It also bring the micro, small and medium enterprises under one umbrella called SME.

The act provides a mechanism for statutory consultative with balanced representation of all stakeholders (inclusive three segment) at national level. As per the 2006 act micro enterprises falls in investment range upto 100K, small enterprises range 100k to 20000K and medium range is from 20000K to 50000K. The propped limit for manufacturing sector in 2015 increased for micro enterprises does not exceed 50 lakh rupees, small enterprises level more than 50 lakh rupees but does not exceed 10 crore rupees and for medium level more than 10 crore rupees but does not exceed 30 crore rupees. For service sector increment is micro enterprises does not exceed 20 lakh rupees, small enterprises level more than 20 lakh rupees but does not exceed 5 crore rupees and for medium level more than 5 crore rupees but does not exceed 15 crore rupees. Increasing the competitiveness of the industry and reducing the supply chain cost and time, by increasing the volume of trade based on latest IT technology and providing efficient last mile connectivity<sup>5</sup>. The Chennai Port suffers poor road connectivity especially when the trucks enters the city limit due heavy traffic congestion which city faces it directly and indirectly affects small scale industries<sup>6,7</sup>. The SME's can involve in small business like advisory service to start a business, supply and procurement for manufacturers, connectivity or broker ship between buyer and supplier or broker ship between manufacturers and suppliers etc. Support to public sector undertaking and multinational companies in procurement is one of the biggest opportunity to SME's. Most of the SME's are doing marketing and distribution for multi products. In Information technology world the new avenue like certification of evaluation of capacity of the company, identifying the potential investors, redressal of issues and solving problems of Industry are also done by SMEs. Supplying food, transportation between small distances, retail vendors, maintaining small warehouse and running educational institution are some the services provided by SMEs.

- Professor, AMET Business School, AMET University, Chennai. E.Mail: [prof.arivazhagan@ametuniv.ac.in](mailto:prof.arivazhagan@ametuniv.ac.in)
- Associate Professor, AMET Business School. AMET University, Chennai
- Professor, AMET Business School, AMET University, Chennai
- Assistant Professor, AMET Business School, AMET University, Chennai
- Lecturer school of Commerce and Management, DMI-St.John the Baptist University, Malawi



In Institutional support structure of MSME in India consists of Ministry of MSME, Small Industries Development Organization, National Small Industries Corporation, Khadi and village Commission, Coir board and Entrepreneurship development Institution under central Government. Directorate of Industries, District Industry Centres, State Finance Corporation, State Industrial Development Corporation, Technical Consultancy Organization and Entrepreneurship Development Institution at state level under MSME. Industry Associations, NGOs and Bank/Financial are other Structures associate with MSMEs.

### Manufacturing Enterprises

the organization engaged in the production of goods relating to any business specified in the 1<sup>st</sup> schedule to the Industries (Development and Regulation) Act, 1951 or employing plant and machinery in the procedure of value addition to the finished product having a unique name or use. The Manufacturing organizations are *defined in terms of venture in Plant & Equipment*.

**Service Enterprises** are the organization engaged in giving or offering of services and are *defined in terms of investment in utensils*.

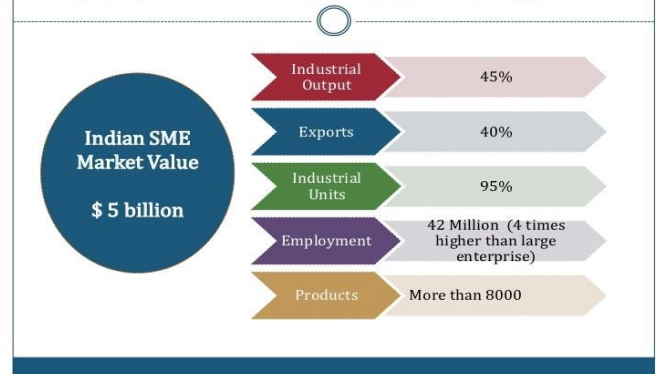
In this sector more than 42 million employees are working in almost 13 million units throughout the nation. In this sector approximately 6000 items ranging from high-tech to heritage are produced by SMEs. SMEs contribution are 45% Industrial production and 40% Exports and the rest in service sector.

### Factors:

**The influential elements for success of SMEs are:**

- Government provides reservation of items for selected industry in small enterprises sector.
- Financial institutions gives preferential credit support measures
- Fiscal Concessions also provided by banks
- State governments creates Infrastructural expansion like development of Industrial parklands, testing labs, shared facility centres
- SME's main advantage is Entrepreneurship development
- Government advices the Public sector banks to double the flow of credit to SMEs within 5 years with annual growth of 20%

### Contribution of SMEs in Indian Economy



- Most of the banks earmarked a minimum of 40% credit for priority sector lending which includes loans to MSEs
- Many private and public sector banks established branches in Industrial clusters for smooth flow of credit to SMEs.
- Under National Action Plan (NAP) one time settlement scheme available for SMEs
- For improving product quality by technology upgradation, credit linked capital subsidy 15% available through schemes up to investment of Rs.10 million.
- Government established centres to test quality certification, training centres and tool rooms for skill upgradation
- Associations and Sponsors including government support for participation in exhibition and trade fairs
- Government and private sectors arranging training programmes on packaging for exports with concession rates.
- In Government procurement SMEs gets Purchase preference
- For publicity, acceptance of current market put into practise and market studies Market development Assistance Scheme helps a lot.
- Co-operation programme organised at International level offers exposure to Small and Medium Enterprises to the latest technologies, industrial practices predominant in their arenas in different nations. This kind of programme encourages their involvement in multinational exhibitions for exports.

**The influential elements for success of SMEs are:**

- Even though banks and government are encouraging SME, practical problems like gain access to adequate and timely financing on reasonable terms especially longer tenure loans are biggest hurdle.
- Gain access to credit on easy way turn into difficult in the backdrop in present universal financial crises which pulls the SMEs overall development and growth.
- Generally institutional weaknesses like absence of good credit assessment, lake of tools for risk management and reliable credit information of SMEs are effecting its establishment in market.

- Policy and legal framework in terms of recovery, bankruptcy and contract enforcement are making SMEs life miserable.
- SMEs great strength is manpower. But gaining confidence of skilled manpower, Research and Development facilities and marketing channel are limited.
- Present scenarios like getting finance at cheaper rate, decision making skill of managers, accounting practices, corruption, bribery, technology upgradation and rigid procedures pulls the development of SMEs and interest of becoming entrepreneurs.
- Lack of appropriate management arrangements, decentralization approach which is necessary for sustainability depreciates the growth of SMEs
- High interest rates in banking sector forced SMEs to lower their exposure to bank credit.

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#### **Suggestions to get better growth of SMEs are:**

- Proper guidelines from the government to address the financial shortfalls
- Easy and transparent procedure from financial institution for getting loans
- Proper Training programme should be arranged for all working employees and future generation as per the requirement of real time industry.
- Skilled labours problems should be addressed properly
- Women Entrepreneurship should be encouraged.
- Government should give hand to SME during the time of slow growth Indian Economic.

#### **Conclusion**

SMEs growth rate in India is about 8%<sup>[3]</sup>. It is positive sign for new entrepreneurs. But the challenges in our country like skilled manpower problem, insufficient credit assistance, shortage of raw material, non-supply of raw material in time, lack of organized marketing, inadequate equipment and machinery, competition from large scale production of foreign goods, lack of knowledge while planning, inadequate managerial capacity, traditional designs without applying new technologies and more number of illegal concerns are to be addressed. Proper utilization of finance, manpower and technology will get SMEs into new high.

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