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Dr. V. P. Pawar

Principal & Chief Organiser

Dr. R. B. Lahane

Convener

Ph.: Off. 02443 - 234037

E-mail : majalgaon_college123@yahoo.in

Fax : 02443 - 234037

Website : www.mcm-college.com


PRINCIPAL

Late Ramesh Warpudkar (ACS)
College, Sonpeth Dist. Parbhani

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**Late Ramesh Warpudkar (ACS)
College, Sonpeth Dist. Parbhani**



Innovative Trends in Industries for Entrepreneurship Development (MSME)

By

Dr. Chavan Ashok Daulatrao

Asst. Prof. in Commerce,

Late Ramesh Warpudkar ACS College,

Sonpeth, Dist: Parbhani-431516. (MII)

Introduction:

Globally, Micro, Small and Medium Enterprises have been accepted as the engines of economic growth. According to the quick results of the fourth all India census of Micro, Small and Medium Enterprises, there were 32 million Micro, Small and Medium Enterprises in India, which provided employment to about sixty million people. Today fast changing global economic scenario has thrown up various opportunities and challenges to the Micro, Small and Medium Enterprises in India. While on the one hand, many opportunities have opened up for this sector to enhanced 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. The present paper is an attempt to study the role of Micro, Small and Medium Enterprises on innovative trends in Entrepreneurships development in India.

“Combination of capital and integrity will be the key to success for small entrepreneurs.”

--Narendra Modi

After ‘Skill India’, ‘Digital India’, and ‘Make in India’, Prime Minister Mr. Narendra Modi has taken one more ambitious step in the direction of economic revival of the country and creating jobs for rural and urban youth. On April 8, 2015, he launched a new Micro Unit Development and Refinancing Agency (MUDRA) for Micro and Small entrepreneurs, which will provide them easy loans Rs. 10 lakh. It has become a unique feature with most of Mr. Modi’s initiatives, apart from being the abbreviation of full name of the Agency created under the scheme, the name MUDRA. Hindi parallel word of currency in English, also carries a special meaning for the intended target beneficiaries. The prime minister made it more explicit when he said that the main objective of the MUDRA was to make available money to those who did not have it.

2.4 Billion Dollar fund was sanctioned to emerging Indian entrepreneurs during January to August 2016 by America.

The sector contributes about 8 per cent to GDP besides 45 per cent to the total manufacturing output and 40 per cent to the exports from the country. Rural enterprises account for 52 per cent of all Micro, Small and Medium Enterprises. The majority of the enterprises are in the service sector; manufacturing units make up around 28 per cent of the total. The largest sector within the Micro, Small and Medium Enterprise sector is retail trade and repair and maintenance of personal and household goods, which accounts for a little over a third of total employment in the sector. The bulk of Micro, Small and Medium Enterprises to unregistered category. It gives a clear idea how Micro, Small and Medium Enterprises play pivotal role in the overall industrial economy of the country. At the same time growth of Micro, Small and Medium Enterprise sector is crucial for promoting equitable development in the country. The major advantage of the sectors its employment potential at low capital cost. Also, a significant number of Micro, Small and Medium Enterprises are owned by people belonging to the disadvantaged sections of society. For instance, nearly 13 per cent of Micro, Small and Medium Enterprises are owned by women entrepreneurs. Hence, the sector is fundamental in taking forward the inclusive growth process. The Micro, Small and Medium Enterprises are the best vehicle for inclusive growth, to create local demand and consumption and also to fight with the global meltdown.

Definition of Micro, Small and Medium Enterprises:

Micro, Small and Medium Enterprises Development Act 2006: According to Micro, Small and Medium Enterprises act the enterprises are broadly classified in terms of activity such as

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enterprises engaged in the manufacturing / production and enterprises engaged in services. While the manufacturing enterprises were defined in terms of investments in plant and machinery, the service enterprises are defined in terms of investment in equipment.

Research Methodology:-

I select descriptive and analytical the research methodology. This study mainly based on secondary data. The required data have been collected from various Reports, journals and books. For this present research paper research have selected descriptive and analytical research mythology.

Objectives of the Study:

The objective of the study is to highlight The Micro, Small and Medium Enterprise Development in India. I express an opinion on the following objective of the research paper.

- To know the contribution of Micro, Small and Medium Enterprises.
- To know the growth and performance of Micro, Small and Medium Enterprises.
- To know the need of the financial infrastructure.
- To identify the major problems / challenges before Micro, Small and Medium Enterprises.

Classification of Micro, Small and Medium Enterprises in India:

The Micro, Small and Medium Enterprises Development, Act 2006 (MSMEDA) classifies the Micro, Small and Medium Enterprises as under (on the basis of investment in Plant and Machinery).

No.	Enterprise	Investment in Plant & Machinery
1	Micro Manufacturing Enterprise	Less than Rs. 25 Laacs
2	Micro Service Enterprise	Less than Rs. 10 Laacs in equipments
3	Small Manufacturing Enterprise	Less than Rs. 5 Crore
4	Small Service Enterprise	Less than Rs. 2 Crore
5	Medium Manufacturing Enterprise	Less than Rs. 10 Crore
6	Medium Service Enterprise	Less than Rs. 5 Crore

Original cost excluding land and building and furniture-fittings and such items, specifically, excluded.

The Micro, Small and Medium Enterprises (Manufacturing and Service) are classified under Priority Sector:

- Small Road and Water Transport operator.
- Small Business, Professional and self Employed Persons and all other service enterprises (How-ever Retail Trade is not included under Micro, Small and Medium Enterprises (Service)).
- Warehouses, Godowns, Silos, Cold Storages registered as Micro, Small and Medium Enterprises
- Manufacturing of Medical Equipment and Ayurvedic Processing and Piggery Farms.
- Tobacco Processing.
- Beedi / Cigarette manufacturing and other tobacco products.
- Extraction of Agave spirit and Agave juice (imported medicinal plants).
- Manufacture of Bio-fertilizer.

Today following are the Share of various Sectors in Micro, Small and Medium Enterprises:

Sr. No.	Sub-Sector	Productwise Share (%)
1	Food Products and Beverages	14.26
2	Wearing Apparel	13.67
3	Fabricated Metal Products	8.96
4	Repair and Maintenance of Personal and Household goods; Retail Trade	8.46
5	Textiles	6.78
6	Furniture	6.36
7	Machinery and Equipments	4.66

8	Other non-metallic Mineral products	3.77
9	Repair and Maintenance of Motor Vehicles Sale of Automotive Fuel	3.72
10	Wood and Wood Products	3.53
11	others	25.82
		100.00

Growth of Micro, Small and Medium Entrepreneurships:

The Micro, Small and Medium Enterprises sector contributes significantly to the manufacturing output, employment and export of the country. It is estimated that in terms of value, the sector accounts for about 45 percent of the manufacturing output and 40 per cent of the total exports of the country. This sector is estimated to employ about 595 lakh persons in over 261 lakh enterprises throughout the country. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over six thousands products ranging from traditional to high-tech items, which are being manufactured by the Micro, Small and Medium Enterprises in India. It is well known that the Micro, Small and Medium Enterprises provide good opportunities for both self-employment and wage employment.

Recognizing the contribution and potentials of the sector, the definitions and coverage of the Micro, Small and Medium Enterprises sector were broadened significantly under the Micro, Small and Medium Enterprises Development Act, 2006 which recognized the concept of 'enterprise' to include both manufacturing and services sector besides, defining the medium enterprises. For collecting and compiling the data for the Micro, Small and Medium Enterprises sector including Khadi, Village and Coir Industries, the Fourth All India Census of Micro, Small and Medium Enterprises with reference year 2006-07, was launched during 2007-08 in the country.

The size of registered Micro, Small and Medium Enterprises is estimated to be 15.64 lakh units of the total working enterprises. 94.94 per cent are micro enterprises, 4.89 per cent are small enterprises and only 0.17 per cent are medium enterprises. 67.10 per cent enterprises are engaged in manufacturing activities and 16.13 percent in repairing and maintenance 16.78 per cent in services. About 45.3 per cent of the enterprises are located in rural areas and 54.7 per cent in urban areas. Small and Medium Enterprises contribute about 44.86 per cent to total industrial production and 8.72 per cent GDP of the country.

Agricultural Entrepreneurships development in India:

"Agriculture is the backbone of the Indian Economy" said Mahatma Gandhi. Even today, the situation is still the same, with almost the entire economy being sustained by agriculture, which is the mainstay of the villages. It contributes 16 per cent of the overall GDP and accounts for employment of approximately 52 per cent of the Indian population. Rapid growth in agriculture is essential, not only for self-reliance, but also to earn valuable foreign exchange. Indian farmers are going to ensure food and nutritional security to the Nation. Despite the focus on industrialization, agriculture remains a dominant sector of the Nation. Despite the focus on industrialization, agriculture remains a dominant sector of the Indian economy both in terms of contribution to Gross Domestic Product as well as a source of employment to millions across the country.

Food Industry: The Indian food industry is poised for huge growth, increasing its contribution in world food trade every year. In India, the food sector has emerged as a high profit sector on the back of the scope it offers for value addition, particularly with the food processing industry getting recognized as high-priority area. Accounting for about 32 per cent of the country's total food market, the food processing industry is one of the largest industries in India and is ranked fifth in terms of production, consumption, export and expected growth. The total food production in India is likely to double in the next 10 years with the country's domestic food market estimated to reach US \$ 258 billion by 2015.

Need of Financial Infrastructure:

Establishing a solid financial infrastructure should be a priority in the financial development agenda, as it can lower the costs and risks to financial institutions of serving Micro, Small and

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College, Sonegh Dist. Parbhani

Medium Enterprises. There is a need for adequate and reliable credit information mechanism, such as an Micro, Small and Medium Enterprise credit bureau, that serves the needs of both the Micro, Small and Medium Enterprises' and the potential leaders. Transparency shall facilitate them in obtaining finances, getting favourable contracts and improving their business prospects.

I focus on the major problems, challenges, issues faced by the Micro, Small and Medium Enterprises and, more specifically, by the Micro and Small sector:

Access to credit:

One of the biggest problems facing the Micro, Small and Medium Enterprise sector is the lack of access to credit. More than ninety per cent of the units are self-financed; institutional finance is only for a minority. There is also a significant difference in access for registered and unregistered units- more than ten per cent of registered Micro, Small and Medium Enterprises have received finance through institutional sources, while less than five per cent of unregistered Micro, Small and Medium Enterprises have had that advantage. Although the small-scale sector, now designated as micro and small units, has been a part of priority sector lending for commercial banks, small units continue to face significant credit constraints. At the end of March 2016, the total outstanding credit provided by all Scheduled Commercial Banks to the Micro, Small and Medium Enterprises sector stood at Rs. 8575 billion. Despite the increase in credit outstanding to the sector, the Micro, Small and Medium Enterprise borrowers feel that the lenders are not doing enough for the Micro, Small and Medium Enterprise and are catering more to the needs of the large corporates. Though financing to Micro, Small and Medium Enterprises is on high priority, it is also highly risky. Despite the efforts, there continues to be a huge demand-supply mismatch in small enterprise financing. Systemic risks are beyond the control of any enterprise. Such risks make up the environment in which a business operates. Risks due to change in preference of customers, a catastrophic event, and changes in economy are all examples of systemic risks.

First Time Entrepreneurs:

The Micro, Small and Medium Enterprises borrowers, especially new generation entrepreneurs, do not have collaterals to offer to avail of bank finance.

Infrastructure:

The state of infrastructure including power, water, roads, etc. in such areas is inadequate and unreliable. The industry continues to face deficit in manpower with the right skill-sets for specific areas like, manufacturing service marketing etc. the Human Resource problem is further exacerbated by the low retention rate.

Access to Alternate Sources of Capital:

At present, there is almost negligible flow of equity capital into this sector. Absence of equity capital may pose a serious challenge to development of knowledge-based industries, particularly those that are sought to be promoted by the first-generation entrepreneurs with the requisite expertise and knowledge. There is a demand for a dedicated Exchange for Micro, Small and Medium Enterprises. NSE and BSE have recently got a nod for starting small and Medium Enterprises exchange in India.

Delayed Realisation of Receivable:

Considerable delay in settlement of dues/payment of bills by the large-scale buyers to the Micro, Small and Medium Enterprises units adversely affected the recycling of funds and business operation of Micro, Small and Medium Enterprise unit.

Sickness of Units:

The causes of sickness are both internal and external. The major causes are: Limited financial resources, Lack of organizational, Financial and management skills and expertise, Non availability of power supply, shortage of raw materials, Marketing difficulties, Delayed and inadequate credit, Obsolete technology and Inadequate infrastructure, etc.

Exit policy for Micro, Small and Medium Enterprises:

An exit route for non-viable units is necessary to manage sickness. The existing legislations may have to be toned up so as to provide for efficient liquidation on non-viable businesses.

Today India Government continues to give full support to the Micro, Small and Medium Enterprises and has identified three thrust areas: Technology up-gradation, Skill development and

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College, Sannath, Pimpri, Maharashtra

Financial support. In addition specific tailor made programmes are also being organized for the skill development of socially disadvantaged groups like OBC, SC, ST, Minorities and Women. The Government has set up a Credit Guarantee Fund Trust for Micro, Small and Medium Enterprises. Under the scheme, credit facilities extended to micro and small enterprises are guaranteed up to 75 per cent of the amount in the event of a default. The Government is also taking considerable initiatives to step up credit flow to Small and Medium Enterprises.

In fact, what the small entrepreneurs need to focus on are four typical mistakes entrepreneurs make as rightly pointed out by **Peter F. Drucker** in his book *Managing in the Next Society*. Many new businesses start out with high promise but suddenly run into trouble after a year or two. There are typical mistakes entrepreneurs make and all are foreseeable and avoidable.

Firstly, majority of successful new inventions or products do not succeed in the market for which they were originally designed. So one has to keep options open and not be dogmatic about pushing a product in a market for which initially designed or targeted. Success may lie elsewhere.

Secondly, entrepreneurs believe that profit is what matters most in a new enterprise. But profit is secondary. It is the cash flow that matters. A business that grows fast devours cash. Constant investments have to be made to just keep even.

Thirdly, when a business grows, it is necessary to create a management team. Young entrepreneurs often cannot afford to bring in an external management team. So, it is necessary to identify the core competencies of the people working with you. This planning should take place well in advance.

Lastly, when the business is a success the entrepreneur needs to ask what the business needs at this stage and whether he is concentrating on the right things. As successful entrepreneurs, they have gained experience and wisdom from their mistakes and going forward, it is necessary to ensure that the same mistakes are not repeated.

Conclusion:

The policies should be conducive to incubate and foster entrepreneurship and innovation and cluster development should be integrated within a comprehensive regional planning exercise. The policy environment should be generate large-scale employment in the process. No doubt, some hand-holding is required for Micro, Small and Medium Enterprise unit, but this could be done through a policy of promotion rather than protection. Besides, policy support by way of: Marketing and technology assistance, easing of bottlenecks in land buying, Fast-track clearances in environment, water supply, power, etc.. for startup units, and unshackling of inspector raj at the state level are important. A special package may be devised for these Micro, Small and Medium Enterprises where some tax holiday, say for five years, can be extended for incurring capital expenditure in R & D-related activities. Further, various chambers of commerce may organize business fair at local as well international level for the benefit of Micro, Small and Medium Enterprises, so that Micro, Small and Medium Enterprises could acquire information about local, global market which would provide vital inputs to them about demand for their products and would also help develop networks among suppliers and clients. Micro, Small and Medium Enterprises may utilize the services of specialized marketing agencies for promoting products, services through the online mode which will provide wider coverage and faster reach at affordable cost.

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