

ENTREPRENEURSHIP IN MEDIUM SMALL AND MICRO ENTERPRISES IN INDIA

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***Abstract :** The Small and medium enterprise sector has, over the years, generally recorded higher growth rate than the industry sector as a whole. It contributes significantly to labour absorption and promotion of entrepreneurship. An environment with special focus on education and training provided to entrepreneurs will foster small and medium enterprise development. Women's entrepreneurship has increasingly become recognised as an important source of employment and growth. However, there appears to be market failures and impediments which operate to limit the extent to which women become entrepreneurs and the prospects for success. This paper focuses on the need for skill development of women entrepreneurship in medium, small and micro enterprises in India. The paper is divided into the following parts 1) introduction 2) performance of micro, small and medium enterprises 3) Role of women entrepreneurs in small and micro enterprises 4) Initiatives to promote women entrepreneurship 5) constraints 6) policy recommendations.*

***keywords:** women entrepreneurship, micro and small enterprises (MSMEs), Entrepreneurship development programmes (EDPs) Small industries development organisation (SIDO)*

RESEARCH METHODOLOGY OF THE STUDY:

This article is based on secondary data collected from the published reports of RBI, NABARD, Census Surveys, India Development Report, SSI Reports, books, journals and websites.

Objectives of the study:-

- ✍ To describe the status of women entrepreneurs in small and micro enterprises in India.
- ✍ To highlight the constraints faced by them.
- ✍ To enlist policies to promote women entrepreneurs in small and micro enterprises.

Hypothesis:

- ✍ Women entrepreneurs in small enterprises face many constraints.
- ✍ Promoting skill among women entrepreneurship in such units will help in sustainable development of India.

1. Introduction

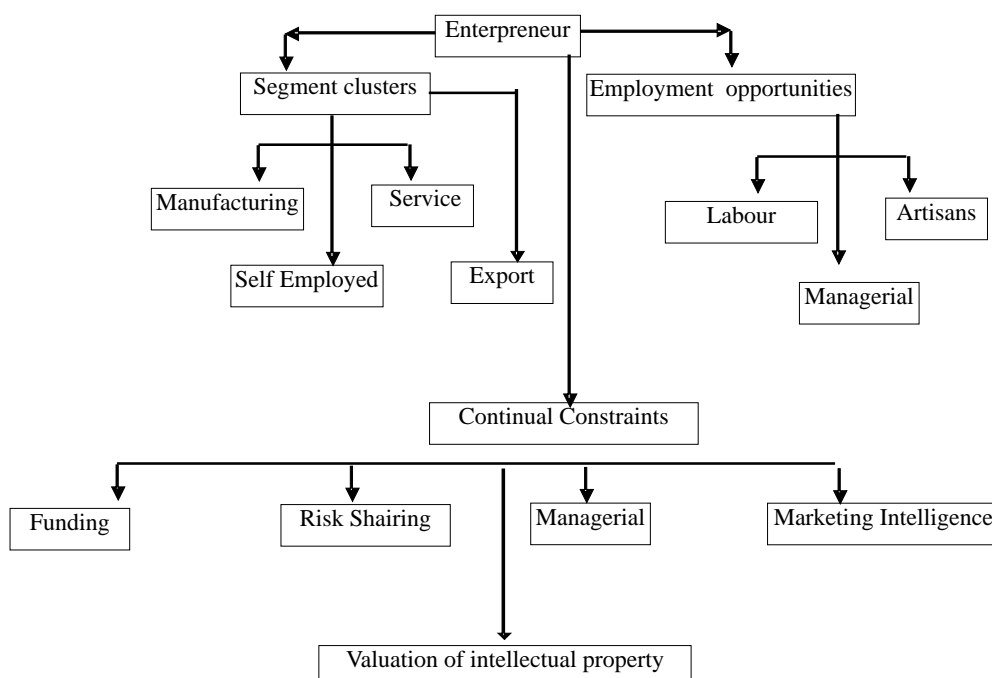
Small and medium enterprises (SMEs) have been the backbone of the [Indian](#) economy. At 48 million, India has the second largest number of SMEs in the world. China leads with 50 million. It employs close to 40% of India's workforce and contributes 45% to India's manufacturing output, The country's 1.3 million SMEs

account for 40% of India's total exports. The MSME share of non-farm economic activity is astounding, with the sector accounting for close to 90 percent of all enterprises in India, close to 40 percent of manufacturing output, 90 percent of its employment and one-third of total exports.

However, due to their low scale and poor adoption of technology, have very poor productivity. They only contribute 17% to the Indian GDP (economic times, 2013). A large number of micro enterprises in India are own-account enterprises. The firms have little incentive to invest in upgrading skills of largely temporary workers or in investing in capital equipment.

2. Performance of MSME sector in India.

It is a well known fact that such enterprises play a catalytic role in the development process of any country. In most countries of the world this sector has helped in the growth of entrepreneurs from small to medium and to large enterprises. It generates cost-effective, widespread employment, thus addressing the problem of poverty and fostering inclusive growth.



3. Women entrepreneurship in MSMEs -Role and Status

There are vast numbers of industries under SME's sector and women are playing a major role in agriculture and home based industries. Apart from these, women entrepreneurs as small firms achieved remarkable heights of success in the world of fashion, beauty and career counselling. By and large they confine themselves to petty business and tiny cottage industries.

In India, the total number of women enterprises in SME's sectors estimated at 10, 63,721. In the states of Mizoram, Orissa, Karnataka, Goa, Lakshadweep, Kerala, Tamil Nadu and Pondicherry, the share of women employment is significantly higher (more than 20 percent). However, only 13 percent of the women enterprises are in the registered SME's sector and the remaining 87 percent are in the unregistered SME's sector. Kamala Singh's study (1992) on Women Entrepreneurs has made an attempt to diagnose the women entrepreneurs profile and has identified dominating entrepreneurial traits, their motivational forces and performance both quantitatively as well as qualitatively.

4. Initiatives taken to promote women entrepreneurships in micro and small enterprises

The 80s adopted a multi-disciplinary approach with an emphasis on three core areas of health, education and employment. Women were given priorities in all the sectors including SSI sector. Government and non government bodies too have paid increasing attention to women's economic contribution.

The SSI Board in 1991 revised the definition of women enterprises by omitting the condition of employing 50 percent of women workers. This provided a boost to women entrepreneurs to take up

business and avail all facilities / concessions as are applicable to small scale industries. The Small Industries Development Organization (SIDO), has been carrying out development programmes for women entrepreneurs and is providing technical schemes for setting up of SSI units.

In India, the micro, small & medium enterprises development organisations, various State Small Industries Development Corporations, the Nationalised banks and NGOs are conducting various programmes including Entrepreneurship Development Programmes (EDPs) to cater to the needs of potential women entrepreneurs. Small Industries Development Bank of India (SIDBI) has also been implementing special schemes for women entrepreneurs. Various government schemes for MSMEs like Prime Minister's Rozgar Yojana (PMRY) also provide certain special incentives and concessions for women entrepreneurs. Similarly, under the MSE Cluster Development Programme by Ministry of MSME, the contribution from the Ministry of MSME varies between 30-80% of the total project in case of hard intervention, but in the case of clusters owned and managed by women entrepreneurs, contribution of the M/o MSME could be up to 90% of the project cost. Similarly, under the Credit Guarantee Fund Scheme for Micro and Small Enterprises, the guarantee cover is generally available up to 75% of the loans extended; however the extent of guarantee cover is 80% for MSEs operated and/ or owned by women. The MSMED Act 2006 seeks to facilitate promotion and development of these enterprises and also made provisions for empowerment of women owned enterprises. The Credit Guarantee Fund Scheme provides 80 percent guarantee cover to MSME's operated/or owned by women. To facilitate export by women entrepreneurs, the National Small Industries Corporation Ltd (NSIC) will assist them to participate in 25 exhibitions over the period co-terminus with the XI th plan.

5. Constraints faced by women entrepreneurs in MSMEs

“Women in business” is considered a recent phenomenon in India. The gender empowerment measure ranks India as 110th of the 166 nations. Women constitute around 48 percent of the population but their participation in the economic activities is only 34 percent. As per the Human Development Report (2007), India ranks 96th on the gender related development index of 137 nations. The fact that almost half the population of this large country comprises of females while businesses owned and operated by them constitute less than five percent is a reflection on social, cultural as well as economic distractions in the decades of development.

Women's reasons for starting business are not always often driven by positive factors but also due to negative circumstances such as low family income, lack of employment opportunities, dissatisfaction with a current job or the need for flexible work (Robinson, 2001). It was observed that the availability of leisure time motivated women entrepreneurs from higher income classes (Rani, 1996). Contrary to the above, women entrepreneurs are forced to take entrepreneurship in the absence of any other means of contributing to family income (D'Cruz, 2003). Family support and encouragements are the highest facilitating factor which helped women to aspire entrepreneurship (Pillai and Anna, 1990). According to Hookoomsing and Essoo, 2003 and Richardson et al., 2004, traditional concept of the entrepreneurship cited the desire to self-employed, to generate income and to utilize skills motivated women to take to entrepreneurship. Women entrepreneurs often face gender-based barriers to starting and growing their businesses. Setting up an enterprise is not an easy job for women entrepreneurs and at the same time running the enterprise is a greater task. According to World Bank Report, 2005, it takes 71 days to launch a business in India and the entrepreneur has to pass through 11 stages before starting a business whereas in other Asian countries it is only 35.5 days. A challenge is always there for these women entrepreneurs to run their enterprise successfully earning profit and ensuring the growth of the enterprises which will severely test their entrepreneurial skill and survival of the unit.

Women face many constraints and difficulties with regard to control and decision making, social status and enthusiasm in the product or serviced in which they are dealing. Lalitha Iyer (1991), on “Women Entrepreneurs Challenges and Strategies” has analysed major constraints faced by women entrepreneurs and reflects upon specific policies and programmes for women entrepreneurship development.

Marketing: Women face marketing challenges in the form of competition from cheaper and substitute product, delayed payment and liberal credit terms. Women entrepreneurs neither have knowledge nor access to proper market, thus they sell their product through the middle man.

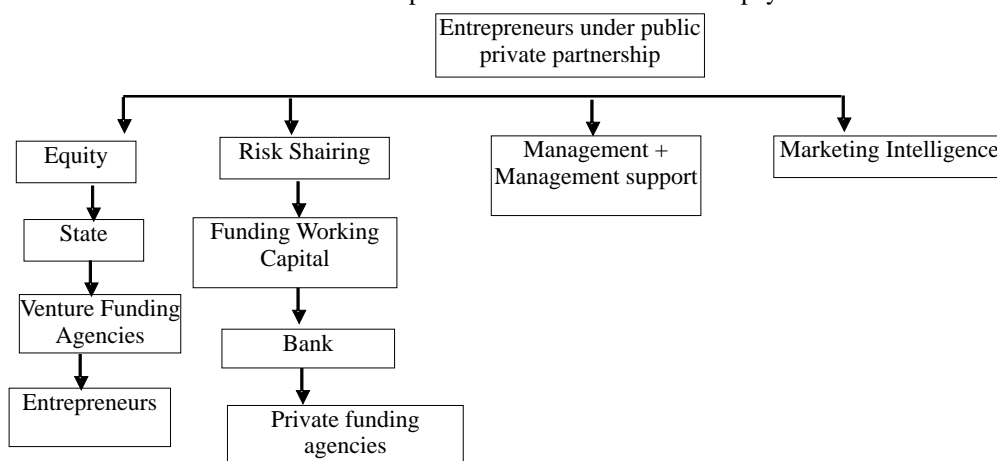
- ✍ Finance: Finance is a critical resource for venture creation. It is very important that women entrepreneurs have adequate knowledge and information of the various financial institutions which are rendering financial incentives and many other help for the women entrepreneurs in the region.
- ✍ Operational: Women entrepreneur have to overcome problems of production process like, scarcity of raw material, lack of technical skills, lack of utilities and infrastructure facility.
- ✍ Management problem: It is normally believed that women have low managerial skill. But in fact women are stronger in more logic based skills though they are weaker in self promotion and handling

frustration.

- ✍ **Mobility constraints:** Although now women have got relatively more freedom in terms of entrepreneurial activity but also by the family members if they move out after normal hours.
- ✍ **Dual responsibility:** The most exploited individual of the day are the working women, as they have to perform dual responsibility, one at work and another as family as mother of wife.
- ✍ **Risk-taking ability:** They are being suppressed by the protected environment and are not allowed most of the time to take any type of risk even if she is willing or she has the ability to bear.
- ✍ **Absence of entrepreneurial attitude:** Involvement of women in small scale sector as owners stands at mere 7 percent. Women who are imparted training by various institutes must be verified on account of aptitude through the tests, interviews etc.
- ✍ **Quality of EDPS:** All women entrepreneurs are given the same training through EDPs. Second-generation women entrepreneurs don't need such training as they already have the previous exposure to business.
- ✍ **Family Conflicts :** Women also face the conflict of performing of home role. Their inability to attend to domestic work, time for education of children, personal hobbies, and entertainment adds to their conflicts.
- ✍ **Credit:** Though women constitute about 50 per cent of population, the percentage of small scale enterprise where women own 51 percent of share capital is less than 5 percent. Women are often denied credit by bankers on the ground of lack of collateral security. The complicated procedure of bank loans, the inordinate delay in obtaining the loans and running about involved do deter many women from venturing out. At the same time, a good deal of self-employment program has been promoted by the govt. and commercial banks.
- ✍ **Shortage of raw material:** Women entrepreneurs encounter the problems of shortage of raw-materials. The failure of many women co-operations in 1971 such as these engaged in basket making were mainly because of the inadequate availability of forest-based raw materials.
- ✍ **Heavy competition:** Many of the women enterprises have imperfect organizational set up. But they have to face severe competition from organized industries.
- ✍ **High cost of production:** High cost of production undermines the efficiency and stands in the way of development and expansion of women's enterprises, government assistance in the form of grant and subsidies to some extent enables them to tide over the difficult situation. They face problems of human resources, infrastructure, legal formalities, overload of work, lack of family support, mistrust etc.

Key policy recommendations

A study conducted by World Bank on financing and development of the small and medium enterprises recommended the need to introduce risk-sharing facility for the sector. Such risks should be shared on pari-passu basis between the bank and the entrepreneurs in this sector even on payment of a fee for this purpose.



When women have economic power- defined as control of income and capital, they gain more equality and control over their own lives, while contributing directly to their children's development and thereby indirectly to their nations income and growth.

1. Periodically evaluate the impact of SME related policies on the success of women owned businesses and the extent to which such businesses take advantage of them.
2. Strengthening the statistical basis for carrying out gender related cross-country comparative analysis.

3. Promote the development of women entrepreneur networks.

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