

# Entrepreneurship in MSME: A Study on Challenges

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*Entrepreneurship plays a prime role in industrial development. India has always been a land of entrepreneurs and also occupied a strategic position in the Indian economy. Today, MSME units account for about 45% of the total industrial production, 30% of the country exports and estimated to employ 96 millions person in over 26 million units throughout the country. The government of India has defined entrepreneurship based on participation in equity and employed of a business enterprise. This paper studies the role of entrepreneur in micro, small and medium enterprises and various challenges faced by the entrepreneur in these enterprises.*

**Key Words:** Entrepreneurship, MSME, Industry.

## Introduction

Entrepreneurship has emerged as an important element in the organization of economies, and has long been considered a crucial mechanism of economic development. Entrepreneurship is a decisive factor in order to achieve dynamism and competition for today's knowledge-based economy. In today's start-ups and its new varieties, entrepreneurship is considered not only as a means of contributing to employment and social and political stability, but as a power for innovation and competition. There is a growing belief that entrepreneurship, innovation and new risks provide necessary fuel for modern development engines. Economists and entrepreneurship scholars consider entrepreneurial behavior as an entrepreneurial discovery existing in all economic and human activities. The entrepreneurship is usually understood with reference to individual business. Entrepreneurship has rightly been identified with the individual, as success of enterprise depends upon imagination, vision, innovativeness and risk taking. The production is possible due to the cooperation of the various factors of production, popularly known as land, labour, capital, and entrepreneurship. The entrepreneurship is a risk-taking factor, which is responsible for the end result in the form of profit or loss.

The role of entrepreneurship in MSME is also increasing very efficiently. There is a big role of entrepreneurship and MSME in growth of the country as well as employment generation. Micro, Small and Medium enterprises contributes nearly 8 percent of the country's GDP, 45 percent of the manufacturing output and 40 percent of the exports. MSME also provides the largest share of employment after agriculture. They are the nutrition for entrepreneurship and innovation. They are widely dispersed across the country and produce a diverse range of products and services to meet the needs of the local markets, the global market, national and international market.

## Role of Entrepreneurship in MSME

The entrepreneur who is a business leader looks for ideas and puts them into effect in fostering economic growth and development. Entrepreneurship is one of the most important inputs in the economic development of a country and MSME is the big platform for this. The entrepreneur acts as a trigger head to give spark to economic activities by his entrepreneurial decisions. He plays a pivotal role not only in the development of industrial sector of a country but also in the development of farm and service sector. There are various major roles played by an entrepreneur in the economic development of an economy and MSME. This paper studies the major role of an entrepreneur in growth of the MSME and challenges faced by them. The major roles play by the entrepreneur for growth of MSME as follows;

### ❖ Promotes Capital Formation

Entrepreneurs promote capital formation by mobilizing the idle savings of public. They employ their own as well as borrowed resources for setting up their enterprises. Such type of entrepreneurial activities leads to value addition and creation of wealth, which is very essential for the industrial and economic development of the country and growth of the micro, small and medium industry.

#### ❖ **Creates Employment Opportunities**

Entrepreneurs provide immediate large-scale employment to the unemployed which is a chronic problem of underdeveloped nations. With the setting up of more and more units by entrepreneurs, both on small and large-scale numerous job opportunities are created for others. As time passes, these enterprises grow, providing direct and indirect employment opportunities to many more. In this way, entrepreneurs play an effective role in reducing the problem of unemployment in the country which in turn clears the path towards economic development of the nation. An entrepreneur is the right platform to promote the employment with the help of MSME which grows employment opportunities as well as micro, small and medium scale enterprises for economic growth.

#### ❖ **Promotes Balanced Regional Development**

Entrepreneurs help to remove regional disparities through setting up of industries in less developed and backward areas. The growth of industries and business in these areas lead to a large number of public benefits like road transport, health, education, entertainment, etc. Setting up of more industries leads to more development of backward regions and thereby promotes balanced regional development. The government also promotes entrepreneurship in these areas for economic growth. There are various tax benefits, exemptions are given under the Special Economic Zone, etc to the entrepreneur to establish their enterprises in these remote areas to promote large as well as small industry.

#### ❖ **Reduces Concentration of Economic Power**

Economic power is the natural outcome of industrial and business activity. Industrial development normally leads to concentration of economic power in the hands of a few individuals which results in the growth of monopolies. In order to redress this problem a large number of entrepreneurs need to be developed, which will help reduce the concentration of economic power amongst the population.

#### ❖ **Wealth Creation and Distribution**

It stimulates equitable redistribution of wealth and income in the interest of the country to more people and geographic areas, thus giving benefit to larger sections of the society. Entrepreneurial activities also generate more activities and give a multiplier effect in the economy and helps MSME to grow.

#### ❖ **Increasing Gross National Product and Per Capita Income**

Entrepreneurs are always on the look out for opportunities. They explore and exploit opportunities, encourage effective resource mobilization of capital and skill, bring in new products and services and develops markets for growth of the economy. In this way, they help increasing gross national product as well as per capita income of the people in a country. Increase in gross national product and per capita income of the people in a country, is a sign of economic growth.

#### ❖ **Improvement in the Standard of Living**

Increase in the standard of living of the people is a characteristic feature of economic development of the country. Entrepreneurs play a key role in increasing the standard of living of the people by adopting latest innovations in the production of wide variety of goods and services in large scale that too at a lower cost. This enables the people to avail better quality goods at lower prices which results in the improvement of their standard of living.

#### ❖ **Promotes Country's Export Trade**

Entrepreneurs help in promoting a country's export-trade, which is an important ingredient of economic development. They produce goods and services in large scale for the purpose earning huge amount of foreign exchange from export in order to combat the import dues requirement. The problem of balance of payment will also be diminishing with the help of increase in exports. The role in export is also increasing with the help of MSME.

#### ❖ **Facilitates Overall Development**

Entrepreneurs act as catalytic agent for change which results in chain reaction. Once an enterprise is established, the process of industrialization is set in motion. This unit will generate demand for various types of units required by it and there will be so many other units which require the output of this unit. This leads to overall development of an area due to increase in demand and setting up of more and more units. In this way, the entrepreneurs multiply their entrepreneurial activities, thus creating an environment of enthusiasm and conveying an impetus for overall development of the area.

### **Challenges for Entrepreneur in MSME**

There may be a variety of barriers to enterprise, depending on the industry sector, region and type of enterprise. This paper identifies a number of common barriers which act to limit enterprise including regulatory barriers, administrative barriers to entry Cultural and social barriers, fear of failure, lack of entrepreneurial knowledge and skill, financial and economic barriers, insufficient access to risk capital, both seed /early stage and longer term financing. There are also various barriers or challenges faced by the new entrepreneur in starting a new enterprise in MSME. This paper explores the various challenges in detail, faced by entrepreneur in MSME.

#### ➤ **Family and Entrepreneurship**

In traditional society where men work outside the home to earn money and women play an important role in doing housework and bringing up the children, men are more likely than women to transmit business idea. The modern structure of family in today's society and consequently the women's role outside the home may result in the emergence of new manifestation of creativity and innovation in both males and females. Following this change in attitude, manner of production, lifestyle, parental roles within the family were also affected by these changes so that parents can play an important role in developing confidence, creating new ideas in the family and determining children's career path.

#### ➤ **Education**

One topic of interest to researchers is whether individuals are born entrepreneur or will become entrepreneur through academic education. This strongly points out to the importance of education in entrepreneurship. Regarding the concept of education, Wesper believes that failure is more likely to happen in entrepreneurs who have experience but no degree. The second group of entrepreneurs whose failure is more likely to happen than the first group includes those who are trained but not experienced. In complete contrast, experienced and well-trained entrepreneurs are believed to lead the most lucrative business. Especially in today's market, the need of education is also arising very much. There is a big need of application of mind and knowledge of marketing strategies to capture the market, which the entrepreneur gains only with education.

#### ➤ **Finance**

Finance is the only lifeline of any business. The need of financial planning is very effective especially in MSME enterprises where the flow of money is very less and use of limited resources in effective manner to continue their enterprise growth. Finance is the only key of success and progress in launching a business to attract and provide sufficient funds to start up a small business. There are many sources for raising capital. It is note worthy that we should examine all possible resources prior to making any decisions.

➤ **Physical resources**

Physical resources are defined as organization's tangible assets using in producing goods and services as well as managing organization. These resources consist of equipments, machineries, land and facilities. Some organizations possess natural resources such as minerals, energy resources and land. These natural resources may affect the quality of raw materials and physical outputs. The Government of India provide various tax incentives to MSME enterprises for establish these resources.

➤ **Marketing**

Today, the problem faced by companies is not the shortage of goods, but lack of customers. Most companies are unable to sell their goods and consequently go bankrupt. Marketing is very essential for growth of the enterprises. The entrepreneur must aware about the different market conditions as well as different marketing strategies to grow in the market.

➤ **Socio-cultural factors**

The beliefs, attitudes and values of a society towards the subject of entrepreneurship are known as the entrepreneurial culture of that society. Type of attitudes, values and norms determines the culture of the society and consequently this culture causes the development, progress and innovations. In a survey conducted on 21 women entrepreneurs in the US, they faced many problems including getting credit and overcoming this social belief that women are not serious in their work as much as men. According to some researchers, lenders, customers, employees and spouses do not believe in women as much the men. In a research conducted on 129 women entrepreneurs in the US, some of them suggested that they are not able to enter social circles due to being woman. With respect to establishing communication and contact networks, it seems that men enjoy more privileges and facilities than women.

## **Conclusion**

The role of entrepreneurship is increasing rapidly for the growth of micro, small and medium enterprises and also helps the economy to promote and growth in future. When we study entrepreneurship in MSME then various issues arises regarding this, basically this paper explores the various issues which faced by the entrepreneur in MSME. The Government of India and Ministry of Micro, Small and Medium Enterprises took necessary measures and various initiatives to abolish these hurdles but these measures are not enough to abolish this. We conclude that there are various opportunities available for the growth of MSME, but entrepreneurship is very good platform to promote and growth of this industry and provides employment generation.

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