

FLEXIBILITY AND INNOVATIVENESS FOUND IN SME (SMALL AND MEDIUM ENTERPRISE) IN RECENT YEARS

Raghav Wadhwa
Assistant Professor in Commerce
Dev Samaj Post Graduate College for Women- Estd. 1934
Ferozepur

ABSTRACT

Most of the works in the economical literature concerning the decision and the decision-making process are circumscribed to the large company. Although the SMEs and entrepreneurship are an in vogue theme in the economical literature, the decision inside the small business is an extremely less approached theme. The researches in this interest area are focused on the decision of creating an enterprise or becoming an entrepreneur and are less interested in the decision-making processes interfered after creating the enterprise, in its daily activity. Also, many authors underline different characteristics of the decision-making process in the SMEs (the non-rigorous foundation, the time pressure, the individual character etc.).

Keywords: *entrepreneurship, small, medium, entrepreneur, etc.*

1. INTRODUCTION

The SMEs makes more efficient use of capital and labour for developing economy and they are able to produce a unit of output with lesser capital but more labour than the larger units. In the capital scarce and labour surplus economy like India both aspects i.e. more output and more employment are equally important. The recent enunciation of the long awaited new policy for small and medium industries by the prime minister at the National Conference on small and medium industries in New Delhi has been widely welcomed by the industry. The small entrepreneurs nurture a genuine fear that the market-oriented reforms have not only adversely affected their interests, but are a threat to their very existence. The recession in the economy since 2006 seemed to confirm their worst fears. The recent announcement has therefore, raised considerable hopes that the new policy will bring some relief and helps them cope with the intensely competitive environment created by the twin policies.

Small and medium enterprises enjoys certain inherent strength such as lower over head costs, flexibility in production, informality in labour relations, exploitation of local resources an skills, capacity to execute small orders and to offer customized services. Small and medium industry in India needs to upgrade technologies on a continuous basis to remain competitive. Adopting information technology to increase productive and leveraging their advantage of flexible operating systems. There are very effective software packages available in the country for manufacturing units, which can eliminate waste, compress production cycles, and improve the quality of the products. If they are expensive and beyond the reach of individual small and medium units, the packages can be purchased by groups of units and used jointly on a time share basis, paying hourly fees.

The promotion of small and medium industries has been widely recommended as one of the most

appropriate means of developing industry in overpopulated backward countries. Japan is usually held up as the great example of what can be done in this way and now, even communist China is said to be following a similar path, at least in the rural areas. In no country, however has the doctrine of small industry received such strong official support as in India. There are a number of reasons for this. The most important is the legacy of Gandhian teaching. In addition, the very distribution of existing small industry in India, the great pressure of population, and the shortage of capital have all tended to direct attention towards the small scale sector as a possible means of increasing output and employment in Indian industry for at least the next few decades.

2. ROLE OF SMES FOR IN THE INDIAN ECONOMY

After Independence, the foremost task for the government was to achieve rapid industrialization of the country within the overall framework of a welfare state. The plan objective of economic growth with social justice was kept in view in the overall strategy of industrial development. Large, medium and small industrial units have been assigned a mutually complementary role with a view to facilitate an integrated and harmonious growth of industrial sector as a whole. National accounts statistics classify manufacturing income into income from registered and unregistered units. Income contributed by enterprises governed by the Indian Factories Act 1948 (i.e. those units which employ on any day of the year 10 or more workers while using power and 20 or more workers with completely manual process of production) is the income from registered units. Unregistered manufacturing income is the income originating from the establishment other than registered factories. The categorization of large scale and small and medium enterprises by labeling the registered manufacturing as the large scale and the unregistered manufacturing as the SMEs is not correct because the registered

manufacturing also includes the SMEs registered under the Factories Act.

Industrial Policies of the Government of India and the respective State Governments have been encouraging the small enterprises so as to fulfill the objectives of decentralization of industries, employment generation and entrepreneurial development. Opinion of the planners involved in the Fourth Five Year plan favoured the development of SMEs sector because they argued that the capital-intensive modern technology would not absorb the rising job seekers. However, in the absence of adequate data, exclusively on the SMEs sector, it was difficult to make realistic assessment of the performance of SMEs. It is clear from the inception of development programs, the revival of various stagnant village and cottage industries were given a prominent place in the country's economic agenda. The guiding principles were enshrined in the Directive Principles of State Policy in the Constitution of India, which enjoined upon the state to strive to minimize income inequalities and regional disparities, and promote cottage industries in the rural areas. Because of the historical background and the constitutional mandate, the Government of India, while framing the industrial policy, accorded special status and importance to the "Small and medium enterprises".

3. PRESENT POSITION OF SMES

Liberalization has exposed Indian SMEs to unequal competition with its counterparts in the industrially advanced countries. The challenges cannot be effectively met unless domestic economic policy focuses on removal of constraints, which limit the competitive strength of India industry and of the economy as a whole. The emergence of multilateral trade regime, WTO conditionality has added urgency to the task of enhancing competitiveness. It is essential to remove the constraints, which limit the competitive strength of Indian industry. It is not only the question of India coping with the WTO regime but for greater issue of how Indian can leverage the benefits of

large access to global market. Promotion and development of SMEs is primarily and the responsibility of the State Government. The support and facilities offered by the state government include land, developed plots and sheds on concessional terms, infrastructure facilities, investment subsidy in selected areas at varying rates, seed capital for setting up new units, financial assistance for preparation of project reports, assistance in purchase and marketing subsidy for technical know-how, testing of products in approved test houses and modernization, subsidy in power and generating sets, water at concessional terms, interest subsidy, exemption/deferment on sales tax, stamp duty, etc., Monitoring cells/ committees for rehabilitation of sick units also exist at the state level.

The State level inter-institutional committees, which exist under the Chairmanship of State Secretary Industries, have been playing important role in the rehabilitation of sick SMEs units. State Level bankers Committee also plays an important role in assessing and coordinating the credit needs of the state including those for the small enterprises. A major problem faced by the Indian SMEs sector is the challenge of globalization resulting into increased competition both internally and internationally. The fast changes brought out by global trade and new marketing strategy over the past few years has necessitated bringing about structural changes affecting the micro, small and medium enterprises throughout the world. The developing countries need to evolve new policies to suit the requirements of several changes in the field of industry, and trade, besides entrepreneurs adjusting to the new environment. The distinction between domestic and international market is getting blurred. The day is not far off when there will be only one market throughout the world. The market condition will be based on non-discrimination and same criterion for domestic and global market.

4. PROBLEMS FACED BY SMES

Small and medium industries are facing so many problems in their stride of development. In certain cases, it is found that they are not able to compete the large-scale industries in the aspects like marketing, manufacturing, power, labour and raw materials. The globalization of the economy is also indirectly affecting the competency of small and medium industries. It has been recorded in a span of five years after 2001 SMEs growth was blurred due to heavy competition in the global market. Besides these both straight and central government are employing collective efforts and strategies for the development of the SMEs in order to balance unemployment problems. As per the Special Group Report, the major problems faced by the SMEs sector relate to: a) Credit, b) Infrastructure, c) Technology, d) Skill Development and e) Marketing. The indicators of autonomous growth in recent times have been stifled due to impact of WTO agreement affecting India, like removal of Quantitative Restrictions (QRs), dumping of certain goods/items, power related inadequacies and credit related insufficiencies, etc. The employment generated through induced measures can serve as a useful supplement to the autonomous measures.

5. POTENTIAL CONTRIBUTORS TO SME STRATEGY FORMATION

Chakravarthy (2007) points out the strategy process that guides business growth in larger firms has been fully articulated and debated while in Small and Medium Enterprises (SMEs) the opposite is true, hence it is yet to be understood and described by business researchers. Moreover, a number of researches indicate that entrepreneurs in SMEs plan in a unique way compared to the standard approaches in textbooks. Furthermore, most of strategic decisions are believed to reflect the attitudes and personal leadership of the entrepreneur. As a strategist and decision maker, entrepreneur develops the vision, mission and strategies, and implements them. Therefore, as

stated, owner's personal goals and strategic orientation are likely to have a major impact on the enterprise's strategy.

In decision-making process entrepreneurs are likely to be flexible and opportunistic. In this regards, in her famous article on Causation and Effectuation: Toward a Theoretical Shift From Economic Inevitability To Entrepreneurial Contingency, Sarasvathy mentions that according to effectuation theory, in their decision-making process, entrepreneurs begin with three categories of the "means": they know who they are, what they know, and who they know. That means apart from their ability in personal and firm level, their available knowledge in personal and firm level, they count on who they know (social networks, organizational resources, social and political institutions). This phenomenon applies to entrepreneurial SME owners who have limited capital and knowledge within their firms. Apart from other things, SME owners require and look for trustable information and advisory sources to turn for advice in strategic decision-making should it are necessary. These sources are widespread from professional, business and personal sources. Among others, owner's family and friends, board of directors, accountants, lawyers, bankers and management consultants are important sources of information

6. CURRENT PERFORMANCE & POTENTIAL ESTIMATION

The formal decisions SME owners make have significant impacts on the current status of their respective companies. On a deeper level, the formal ideas they have in their mind and the existing way of doing business further influence their future development. They barely pay attention specifically to this "system inertia", but they do know what makes them get here and what is important to their future growth. "Technology, talents retainment, existing service base, new business ideas" (SME1), "trust and brand building" (SME2), "company liquidity, fixed physical assets, the experience in negotiation with

different clients, the ability to raise capital and quick decision making" (SME3), "personal networking ability and product innovation" (SME4). All of these factors are considered to be influential to current and potential performance of the SMEs. We sort out these factors into four different categories: the resource based factors, the experienced based factors, opportunity based factors and the control based factors.

7. FUTURE PROSPECTS OF SMALL AND MEDIUM INDUSTRIES

Irrespective of the degree of support extended by the government and irrespective of the amount of effort put in by small industries and their association, India is going to experience the emergence of the small industry sector, which is qualitatively superior, technologically vibrant and internationally competitive, in the next 5-10 years because the "inefficient one" are likely to vanish gradually. The objective of the policy-makers as well as small industry associations should be to enable the sector to be vibrant and competitive without a considerable reduction in its size and thereby enable it to make a sustainable contribution to national income, output and exports.

8. CONCLUSION

Evidence demonstrates that all factors in the firm attributes were observed to be noteworthy in no less than one of four wellsprings of finance. The factors are: business arranging, business objectives, way of life objectives, relationship, networking, company's age, estimate, resource structure, and profitability. The discoveries are reliable with past examinations which found that these factors have an effect on decision making of the organizations. Results uncover that held income are decidedly connected with age of the firm, way of life objectives, and profitability, and contrarily identified with business arranging, business objectives and resource structure.

REFERENCES

- [1] Charles, N. A., Ojera, P. B., & David, O. (2015). Factors Affecting Choice of Strategic Management Modes of Small Enterprises. *Journal of Innovation and Entrepreneurship*, 4 (4), 1-22.
- [2] Papadakis, V., Lioukas, S., & Chambers, D. (2008). Strategic Decision-Making Process: The Role of Management and Context. *Strategic Management Journal*, 19, 115-147.
- [3] Díaz M. and Alonso C. L. 2010. Wood mouse *Apodemus sylvaticus* winter food supply, density, condition, breeding, and parasites. *Ecology* 84: 2680–2691. doi: 10.1890/02-0534
- [4] Shapira, Z. (2005). 'Introduction: Foundations of research on cognition in organizations', in T.K. Lant and Z. Shapira (eds.), *Organizational Cognition: Computation and Interpretation*. Mahwah, NJ: Erlbaum, 1-12.
- [5] Ketchen, (2006). *Research methodology in strategy and management (Volume 4)*. Oxford, UK: Elsevier
- [6] J. Von Neumann and O. Morgenstern, *Theory of Games and Economic Behavior*. Princeton 2014.
- [7] Pasadilla, G.O. 2010. *Financial Crisis, Trade Finance, and SMEs: Case of Central Asia*. ADBI Working Paper 187. Tokyo: Asian Development Bank Institute. Available: <http://www.adbi.org/working-paper/2010/01/25/3440.financial.crisis.trade.smes.central.asia/>
- [8] Anderson, H.; V. Havila and A. Salmi. 2013. "Can You Buy a Business Relationship? On the Importance of Customer and Supplier Relationships in Acquisitions." *Industrial Marketing Management*, 30(7), pp. 575-86.
- [9] Paul Derreumaux, *SME financing in Sub-Saharan Africa*, page 17, 2010
- [10] Palacín-Sánchez, M. J., Ramírez-Herrera, L. M., and di Pietro, F. (2013). Capital structure of SMEs in Spanish regions. *Small Business Economics*, 41(2), 503-519.