

# ROLE OF GOVERNMENT IN PROMOTING INNOVATION IN MICRO AND SMALL ENTERPRISES: A STUDY ON INNOVATIVE ENTREPRENEURSHIP

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## ABSTRACT

Economic growth in any area is due to the efforts of intelligent humans. Industrialization is seen as a vital component of economic growth. In order to speed up the process of economic development through industrialization, the government must play a significant role. An increasingly widespread consensus holds that entrepreneurship is a key driver of economic growth. Entrepreneurs are widely credited with sparking and maintaining economic growth. When it comes to national competitiveness in industry and business, innovation is essential. While most discussions of innovation focus on wealthy nations, the growth of emerging economies like India's has sparked fresh interest in learning about innovation in less developed nations. This article aims at examining and report on the situation of innovation in India's MSMEs today. The study also attempts to highlight the government's current involvement in fostering innovation among micro and small businesses. This research sheds light on the several steps that the Indian government has done to encourage cutting-edge entrepreneurship in the country. Entrepreneurship has the potential to generate economic growth and new job opportunities while solving existing challenges in novel ways. The government of India is making strides in this regard through a number of programmes that aim to encourage entrepreneurship and innovation at all levels of society.

## INTRODUCTION

Economic growth in any area is due to the efforts of intelligent humans. Industrialization is seen as a vital component of economic growth. Most social scientists agree that man is at the centre of this development process, playing pivotal roles as producer, consumer, worker, organiser, and agent of change. His position as an organiser and agent of change is the most fundamental of these responsibilities.

In order to speed up the process of economic development through industrialization, the government must play a significant role. The problem of industrialization is one aspect, and the task of achieving balanced economic growth is another. Both are significant for India and other developing countries. It has been recognised that the growth of the country's economy as a whole depends on the success of its small businesses.

An increasingly widespread consensus holds that entrepreneurship is a key driver of economic growth. Entrepreneurs are widely credited with sparking and maintaining economic growth. Those nations where entrepreneurs make up a larger share of the population tend to advance more rapidly than those where they are a

minority. They create more efficient structures and find novel ways to obtain and distribute goods and services. In order to overcome the obstacles presented by the social environment, entrepreneurs have an extraordinary amount of drive and energy.

**Mani, (2003)** states that India has one of the largest pools of technically skilled professionals in the world. Governments in market-oriented economies, especially the United States, Germany, and Japan, have been importing skilled IT professionals from India as of late to make up for shortages in the local labour market. Some fields of high technology, including as advanced computing, computer software, space research, and pharmaceuticals, have earned the country an international reputation. It also boasts a sophisticated system of government research institutes that focus on a wide range of industrial research projects. Meanwhile, the country has and continues to rely on foreign sources of technology for a great many of its products, and its exports of manufactured products have been underwhelming, both in terms of quantity and of technical content. There are many gaps in India's national innovation system.

People in India, especially the young, are desperate for work. However, even though there may be sector-specific barriers to entry, the government does provide employment assurance measures. However, these initiatives are meant to meet people's most fundamental requirements and hence offer labor-intensive professions unrelated to creativity. For "rapid growth to be sustained and poverty to be alleviated, India must aggressively harness its inventive potential, focusing on innovation-led, rapid, and inclusive growth to achieve economic and social transformation," it is now widely acknowledged (Dutz, 2007). If encouraged and nurtured by a robust innovation ecosystem, India's young population has the ability to foster the growth of the entrepreneurial spirit and provide the jobs the entrepreneurship so desperately needs.

Shri Narendra Modi, India's current prime minister, first mentioned the "Start-up India" programme in his Independence Day address. This programme is designed to help new businesses get off the ground by providing an environment that is ideal for their entrepreneurship. The goal is for India to transform from a job-seeking society into one that generates its own jobs. On January 16, 2016, the Indian Prime Minister officially unveiled the plan at a ceremony held in New Delhi's Vigyan Bhawan. An extremely large number of young Indian entrepreneurs (over 2,000) were present at the event since they had decided to take the plunge into entrepreneurship by founding their own Start-ups.

To foster entrepreneurial entrepreneurship, governments must take a significant role. Several agencies have been established by federal and state governments to encourage entrepreneurship startup and growth. They are as follows: -

1. "Small Industries Development Organization": SIDO is in charge of making plans for the growth of the country's small businesses. It aids in the dissemination of information vital to the success of rural entrepreneurship owners.
2. "Management Development Institute": MDI runs management programmes to help managers become more efficient.

3. “Entrepreneurship Development Institute of India”: Twelve unique institutes and centres for entrepreneurship development at the state level have been established with assistance from EDI.
4. “All India Small Scale Industries Board”: The Government seeks the advice of AISSIB on any and all matters pertaining to the small scale sector. It is the basis for plans and initiatives to foster the growth of localised manufacturing.
5. “National Institution of Entrepreneurship and Small Business Development”: NIESBUD coordinates the efforts of the several organisations contributing to the entrepreneurship growth plan.
6. “National Institute of Small Industries Extension Training”: The institute's primary focus is on guiding and coordinating the curricula used to educate aspiring micro-business owners. In order to help small business owners and managers, it hosts seminars for them.
7. “National Small Industries Corporation Ltd.”: Thanks to NSIC's extensive distribution system, the organisation is able to offer a global marketplace for the goods produced by small businesses. It's especially useful for small businesses because it facilitates export. (Vaidyanathan, 2008).

## SIGNIFICANCE OF THE STUDY

More than 90% of India's industrial firms are micro, small, and medium-sized businesses (MSMEs), making them the engine that drives the country's economic growth. The liberalisation of trade, shifts in manufacturing tactics, volatile and uncertain market circumstances, and the necessity to adopt particular growth strategies have all put Indian MSMEs in direct rivalry with their international counterparts. There is a pressing requirement for micro, small, and medium-sized enterprises (MSMEs) to innovate by using unconventional approaches to create distinctive selling points for their products. In order to join markets with a dearth of competitors, they will need to recruit Venture Capitalists and Private Equity investors. “Micro, small, and medium-sized enterprises (MSMEs) have traditionally been known for their innovative spirit”. The innovation process is considered as an iterative cycle of trial and error, where issues encountered during one phase of development need a return to a prior phase for re-evaluation. Although Indian SMEs understand the value of technical innovation, the vast majority of them continue to rely on imported technology rather than creating their own or working with national R&D centres.

The purpose of this research is to take stock of the state of innovation in entrepreneurship in the country and to catalogue the official stances the government now takes on this vital field.

## OBJECTIVE OF THE STUDY

1. The purpose of this research is to better understand how government policies and programmes promote micro and small business innovation.
2. To determine what motivates innovative entrepreneurship in Micro & Small Businesses.

## REVIEW OF LITERATURE

One of the keys to a successful business is being able to constantly innovate in order to make operations, products, and services interesting, as stated by Chad Brooks (2017). The rates of expansion of innovative SMEs in comparison to non-innovative SMEs were calculated by Bala Subrahmanya et al. (2010). According to research by Suresh de Mel et al. (2009), the product, process, marketing, and organisational innovations implemented by a company are dependent on the size of the business and the level of competition in the industry. Hall et al. (2009) found that the likelihood of a company having both process and product innovations increased with the size of the company, the intensity of its research and development, and its investment in machinery and other tools. According to research by Wijewardena and De Zoysa (2005), the following are the most frequently cited reasons for the growth and success of manufacturing businesses: a focus on the customer, high-quality products, effective management, a welcoming environment, easy access to funding, and a well-developed marketing plan. New economic value is created for predetermined parties using a mix of the inventive and entrepreneurial processes, as defined by Hindle and Kevin (2009).

To address policy difficulties impacting MSMEs and to set a ceiling on the sector's coverage and investment, the Micro, Small, and Medium Enterprises Development (MSMED) Act was notified in 2006. The Act's goal is to improve these businesses' competitiveness and help them grow. It's the first time the term "enterprise," which can refer to either a manufacturing firm or a service provider, has been codified legally. It's the first definition of a medium business and an attempt to merge the micro, small, and medium business sectors. "The Act also establishes a national consultative mechanism with broad advisory powers and equitable stakeholder representation, especially across the three types of businesses" (Jayalakshmi, & Venkateswarlu, 2018).

The ability of entrepreneurs to adapt to new technologies and market trends is crucial to economic progress, argues Naudé (2011). Now that the international economy operates as a global village, innovation is a crucial component of every successful entrepreneurship. The promotion of "Economic Freedom" is the subsequent necessary condition for the development of entrepreneurship. Business growth is correlated with both monetary liberty and economic efficiency. The provision of greater economic freedom has been found to increase both entrepreneurial intention and entrepreneurial behaviour.

According to the "Oxford Handbook of Innovation" (2013), the term "innovation" is a practical application of the concept of "invention." The outcome of technical entrepreneurship is a technological strategy that is focused and narrow, with an emphasis on technological innovation in product and process.

The authors of "Entrepreneurship, Innovation, and Economic Development," Adam Szirmai et al. (2011), describe "the importance of micro, small, and medium-sized enterprises (MSMEs) to economies around the world". This is especially helpful in the context of a developing country because of the MSMEs' remarkable capacity to generate employment on a massive scale. Throughout the text, the authors detail the obstacles that entrepreneurship owners face and how these restrict them from being more creative. Most micro-business owners are survivors who struggle because of inadequate incentives and a lack of resources (such as capital and skills).

According to Peter F. Drucker's (2015) definition of innovation in his book "Innovation and Entrepreneurship," innovation is a means through which business opportunities can be exploited. That innovation can be presented as a discipline is something Drucker acknowledges and explains. He advised business owners to actively seek out opportunities for innovation and adapt quickly to new circumstances. In addition, he emphasised the importance of following the "Principles of Successful Innovation."

Micro, small, and medium-sized businesses (MSME) in India have grown rapidly over the past half-century, becoming an important factor in the country's overall economic development. A particular unit falls in the category of Micro unit if the investment is upto Rs 10 lakhs for service industry and Rs 25 lakhs for manufacturing unit. An unit is defined as small unit if investment is upto Rs. 2 crore / Rs. 5 crores depending on whether it is service/ manufacturing unit. A medium sized enterprise is defined as an unit having investment of upto Rs 5 crores in case of service industry and Rs 10 crore if the unit is a manufacturing one. MSMEs not only help equalise the distribution of national income and wealth across the country, but they also create a lot of jobs for a lot less money than the big companies do. Small and medium-sized businesses (SMEs) are crucial to the economic and social well-being of the country since they act as support structures for larger corporations. The MSME sector is the second largest employer in the country and a viable tool for increasing economic opportunity for all. (Shaik, Ramesh, Kumar, & Babu, 2017).

### Indian Innovation Policy Components

There are, in my opinion, four such factors.

1. There are plans to boost the availability of technically savvy workers
2. Strengthen the technological backbone
3. Incentivize research and development financially
4. Promote risk capital for tech start-ups.

### GOVERNMENT INITIATIVES FOR THE PROMOTION OF ENTREPRENEURSHIP AND INNOVATION

The Indian government is making substantial new investments to foster a climate favourable to innovation and entrepreneurship. Evidence suggests that innovation and entrepreneurship are important for driving economic expansion, hence deliberate efforts are being made to encourage their development. The lack of employment opportunities is a big threat that India must face. With the demographic dividend, however, we have enormous potential to spur employment creation through encouraging innovation and entrepreneurship. Our government has implemented a number of programmes to encourage entrepreneurship creation and innovation, including:



1. **Startup India:** When speaking to the nation on the occasion of India's 64th Independence Day, the Prime Minister of India unveiled the "Startup India, Stand Up India" initiative. As a result, important strides were made in the development and execution of policies, programmes, and strategies at the Federal and state levels. The government's Standup India programme encourages entrepreneurship ownership among SC/ST and women's communities.
2. **Make in India:** India's Make in India project was started in September 2014 with the goal of making the country a global centre for manufacturing and design. Businesses and investors around the world are being sent a strong message by this initiative: ditch your antiquated methods and focus on India's manufacturing sector.
3. **Pradhan Mantri Mudra Bank:** Small and micro businesses that are not corporations or farms can apply for loans of up to 10 million rupees through the Pradhan Mantri MUDRA Yojana (PMMY), which was established on April 8, 2015. Under PMMY, these loans are known as MUDRA loans. Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, Microfinance Institutions, and Non-Bank Financial Companies all provide these kinds of loans.
4. **Atal Innovation Mission (AIM):** To foster a culture of innovation and research and development in India, especially in technologically focused fields, NITI Aayog, India's policy think tank, has launched this initiative to provide a platform for promoting innovation involving academics, entrepreneurs, and researchers drawing on national and international experience.
5. **Support to Training and Employment Programme for Women (STEP):** In 1986, STEP was first put into action. STEP was a big programme to improve the lives of working women in the informal economy. Improvements in employment-related areas such as credit availability, general knowledge, health and nutrition education, gender sensitization, etc., are a primary focus.
6. **Digital India:** The Indian government is putting forth this effort so that people can gain access to information and services via digital means. The goal of the Digital India programme is to make India a global leader in the knowledge economy by facilitating the spread of digital technology and increasing the country's participation in the global market.
7. **Biotechnology Industry Research Assistance Council (BIRAC):** Department of Biotechnology established BIRAC as a public-sector enterprise dedicated to helping startups in the biotech industry. Strategic research and innovation will be ingrained in all biotech companies and businesses as a central priority.
8. **Department of Science and Technology (DST):** Different divisions within DST work together on a wide variety of important scientific and technical initiatives. Founded in 1971, it has since intervened to advance science and technology in the country by providing resources for researchers to learn new information and conduct experiments.
9. **The National Science & Technology Entrepreneurship Development Board (NSTEDB):** The government of India established NSTEDB in 1982 as an institutional mechanism to promote innovative business practises. NSTEDB's overarching goal is to facilitate the establishment of knowledge-based, creative businesses in India in order to provide lucrative self-employment opportunities for the country's scientific and technological workforce.

10. Stand-Up India: In 2015, the government of India introduced the initiative to increase the economic involvement of the country's poorest citizens. So that underprivileged groups like women and members of the SC and ST can benefit from the country's economic development, the strategy prioritises granting them access to institutional credit.
11. Trade related Entrepreneurship Assistance and Development (TREAD): During the 9th plan period, the government of India introduced a programme called Trade-Related Entrepreneurship Assistance and Development (TREAD), which has since been tweaked and is now active. The strategy plans to help these women improve their financial standing by providing them with access to vocational education, market research, and counselling on a variety of goods and services.
12. Pradhan Mantri Kaushal Vikas Yojana (PMKVY): The Government of India has launched a programme called Pradhan Mantri Kaushal Vikas Yojana (PMKVY) to help develop and standardise skills. The PMKVY program's goal is to improve the employability of both potential and current daily wage earners by providing them with financial incentives and high-caliber training.
13. National Skill Development Mission: In July of 2015, the Indian government established a programme called National Skill Development Mission to promote collaboration between different businesses and between different states. With the goal of creating a "Skilled India," it is intended to speed up the process of making decisions across industries in order to deliver skills on a massive scale without sacrificing quality or efficiency.
14. Launch of eBiz Portal: The government has launched eBiz portal, the first Government to Business (G2B) platform that aggregates 14 regulatory permission at one place, in an effort to make it easier for businesses to operate, create new jobs, and stimulate entrepreneurship in the country.
15. Science for Equity Empowerment and Development (SEED): Motivated researchers and employees in the field will be able to put their skills to use on SEED's location-based projects that will have a positive social and economic impact, especially in underserved rural areas. To ensure that underprivileged groups, in particular, can share in the advantages of technological progress, SEED prioritises equity in development.
16. Self-Employment and Talent Utilization: The funds from the SETU scheme are being used to fortify incubators and establish "tinkering laboratories" where ideas can be moulded into prototypes.
17. GLOBAL ENTREPRENEURSHIP SUMMIT 2017: In 2017, the government of India, along with the United States, held the Global Entrepreneurship Summit in Hyderabad with the hope of fostering a culture of entrepreneurship throughout the country. The summit's theme centres on encouraging people, especially women, to pursue and develop their innovative ideas.

## CONCLUSION

India's population is enormous and diversified, and many of the country's young people are currently in the job market. Even if progress has been made, the pace of expansion has been modest. As part of its effort to shed the ill effects of its colonial past, the government has identified the central causes of the most pressing issues and instituted necessary changes, particularly in the areas of administration, economics, and labour. To spur national economic growth, entrepreneurship and innovation are important. Its significance for maintaining and expanding

a healthy economy has been proven time and time again in historical records. Without a shadow of a doubt, the literature demonstrates the critical importance of nurturing entrepreneurship and innovation. The positive demographic dividend has increased the importance of entrepreneurship in the Indian environment. India has been an independent nation for over seven decades, but the country still faces many social, economic, and environmental issues. Just a few of the many problems that need a lot of work include those associated with employment, sexism in the workplace, educational quality, health, and nutrition. Entrepreneurship has the potential to generate economic growth and new job opportunities while solving existing challenges in novel ways. The government of India is making strides in this regard through a number of programmes that aim to encourage entrepreneurship and innovation at all levels of society.

Since the turn of the century, several efforts have been made to further science, technology, and innovation. The money put into R&D in the STEM fields hasn't produced the results we'd hoped for just yet. The government has adopted significant policy steps with a strong innovation agenda, realising that innovation-led entrepreneurship development offers promise for growth.

### SUGGESTIONS;

1. The Indian government is making a concerted effort to improve the skills of its workforce through a number of programmes, but there is still a pressing need to do so.
2. Workshops, seminars, and other forms of training should be organized to provide micro and small business owners the self-assurance and skills they need to take the sort of measured risks that are essential to business innovation.
3. The longevity of micro, small, and medium-sized enterprises (MSME) requires attention, and innovative enterprise should be encouraged. There is a need to revise the definitions of MSMEs and increase the limit of investments considering the inflation.
4. Businesses need to get along better with one another so that they can pool their resources and talents to create innovative new ventures.

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