



RECENT SOURCING PRACTICES IN SMALL ENTERPRISES – A EMPIRICAL STUDY

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Abstract:

This paper attempted to study the importance of Small Enterprises in post. In order to accomplish the said objectives researcher collected data from the secondary source such as official websites, Newspaper, Financial Magazines and Research Articles. Researcher employed the analytical and descriptive research technique in order to study the importance of Small Enterprises in present scenario, in addition to this analyse the various funding sources for starting in India from early to late stage. According to data, the rise of the Small Enterprises ecosystem has generally been concentrated states with financial depth, particularly in IT-enabled industries like ecommerce, transportation, and banking. Small firms outside of metro areas are not fully aware of or incorporated into, programmes that give different government incentives and tax advantages to entrepreneurs. Japan and the US, equity crowd funding has been a good option for start-ups. Pre-order crowd funding allows customers to order products and Small Enterprises advertise their products produced on the internet and raise funds for their operation. This is legal in India though not widely prevalent.

Keywords: Start-up, Fundraising, Digital India, Initiatives.

1. INTRODUCTION

According to data, the rise of the Small Enterprises ecosystem has generally been concentrated states with financial depth, particularly in IT-enabled industries like ecommerce, transportation, and banking. Small firms outside of metro areas are not fully aware of or incorporated into, programmes that give different government incentives and tax advantages to entrepreneurs. Despite progress, Indian businesses face significant challenges, including the unorganised and fragmented nature of the market in most sectors, a lack of clear and transparent policy initiatives that Small Enterprises can quickly tap into, a lack of infrastructure, a lack of knowledge, and exposure, and complications in doing business. Increasing awareness of government programmes and incentives, loan distribution to key industries, increasing outreach and network advantages to

Tier 2 and Tier 3 cities, and simplifying financing and tax exemptions for international and domestic investors might all help Small Enterprises in India.

2. DEFINITION OF SMALL ENTERPRISES IN THE INDIAN CONTEXT

Though there is no precise definition, the accepted characteristics of a “start-up” span its age, scale of operations, and mode of funding. It is usually defined as a young company, a few years old, and yet to establish a steady stream of revenue. These firms have a small scale of operations, usually with a working prototype or paid pilot with the potential to grow and scale rapidly. They are initially funded by the founders’ own private network of friends and family and actively seek additional funds to sustain themselves and become a viable business.

3. IMPORTANCE OF THE SMALL ENTERPRISES IN PRESENT SCENARIO

Small Enterprises are small companies but they play a big role in the economic process. They create more jobs which insinuate more employment, and more employment means an improved economy. Not only that, a Small Enterprise contributes to economic development by increasing innovation and inducing competition. New entrepreneurs come up with new ideas, much needed for constant innovation and to generate competition.

Creation of Wealth

Entrepreneurs attract investors to invest their resources, which would benefit society when Small Enterprises grow. Since the benefits are shared with society, wealth is generated in the form of employment. Small Enterprises employees multitask, and therefore the employees could double-up because of the relationship manager. This adds continuity to customer relationships and enables Small Enterprises to retort to emergencies. Most Small Enterprises support learning and have tolerance for mistakes. Both factors enhance the flexibility of Small Enterprises employees.

Open New Markets

Small Enterprises create new markets or completely transform old markets by introducing products, services, and ideas that change the world. New technologies often create new opportunities. Truly Small Enterprises create an enormous value over mature businesses, inspiring competition, and pushing the economy to evolve. However, not all Small Enterprises succeed. According to James Surowiecki of MIT Technology Review, one of the many reasons behind this can be the increased power of established businesses and organizations.

Develop the Ability to Make Something from Nothing

Some people have the ability to form something from absolutely nothing. Maybe you have some crazy idea in your head that you want to bring to reality. Presumably, it exists on some napkins or a Photoshop file right

now, but eventually, it'll become reality. There is a good chance it's something that may sway a number of individuals... round the world. But that is something not many can or could have achieved, even 20 years ago. But that does not mean one should not try. Failures teach us more than success ever can. However, it is easier to start something new given the level of technology and access to the internet and information we have now. So try, no matter how stupid you feel the idea is.

Customers of a Start-Up

Fundamentally one begins by identifying a prospective customer and an unmet need or desire that the market has not addressed yet. Finally, the question that needs to be answered is- What is that you can provide that's so meaningful that somebody will gladly pay you for it? Ideally, the customer you identify will represent a market that matches your own needs and talent. If you're well-funded, then it is likely that you are looking at an outsized scalable problem to unravel. Think both in terms of satisfying a necessity and whether this can be the proper marketplace for you to handle.

The Ability to Extract the Most Out Of Limited Resources

One thing that you just can do is offer commissions to people who bring new business opportunities to your company. This is often a pleasant offering, turbocharging the earnings of your employees. Additionally, it helps them learn more about business and makes them want to be a part of the team building a sense of belongingness. Also, it attracts new talent. This will ultimately cut the cost of hiring using a recruiting firm and it gets you young and fresh talent who already have some familiarity with what you are doing.

4. OBJECTIVES OF THE STUDIES

1. To study the importance of Small Enterprises in post present scenario
2. To analyse the various funding source for starting in India from early to late stage.
3. To analyse the government support through Small Enterprises in India and other initiatives

5. RESEARCH METHODOLOGY

In order to accomplish the said objectives researcher collected data from the secondary source such as official websites, Newspaper, Financial Magazines and Research Articles. Researcher employed the analytical and descriptive research technique in order to study the importance of Small Enterprises in present scenario, in addition to this analyse the various funding sources for starting in India from early to late stage.

6. DIFFERENT TYPES OF FUNDING FOR STARTUPS IN INDIA FROM EARLY TO LATE STAGE

Financing for Small Enterprises in India has followed the Anglo-Saxon model, which encourages entrepreneurial activity through financing from private and venture capital, as they are considered too risky by banking institutions. Venture capital (VC) and private equity (PE) are not regulated as in Europe. Financing avenues extend from friends and family at the very early stages, and then move to seed/angel investors, and

finally VC and PE money. Once the company is well established, it can then take on debt from banks, closed-end funds, and investment banks once they are ready to absorb late-stage investments, and edge towards listing an initial public offering.

To raise fund the above methods used elsewhere in the world have not been tried or are not applicable in India. For instance, in Japan and the US, equity crowd funding has been a good option for start-ups. Pre-order crowd funding allows customers to order products and Small Enterprises advertise their products produced on the internet and raise funds for their operation. This is legal in India though not widely prevalent. Another way is to collect small amounts from individuals, as little as \$10–\$50 for a stake in the company called a “hometown investment trust” (HIT) fund to help riskier borrowers such as startups to get seed finance (Yoshino and Taghizadeh-Hesary 2014). However, this method, known as “equity crowd funding,” has been deemed illegal in India by the country’s financial regulator, the Securities and Exchange Board of India (SEBI) (Kaira 2019).

Similarly, many Asian countries have money lenders that provide finance to MSMEs and startups. These lenders might essentially be loan sharks, who are not regulated and tend to charge high interest rates. While the MSME sector in India does count on loan sharks, early-stage startup funding is dominated by Seed/Angel investors, HNIs, some VC firms, and a growing list of FinTech and nonbanking financial companies (NBFCs).

Besides Seed, VC, and PE funding, accelerators have also helped the startup ecosystem grow. The big trend in the past 3–5 years has been various accelerator programs – a type of accelerator sponsored by a profitable company in a bid to discover and evaluate new technologies and solutions by providing grants, paid pilots, or joint go-to-market options, while they charge a flat fee or acquire an equity stake of 6%–8% in the startup they help.

Accelerator and incubation programs span the following formats:

1. **Corporate accelerator programs** by multinational companies (MNCs) such as Google and Microsoft, etc. and Indian groups such as Reliance, etc.
2. **Public–private partnerships (PPPs)** such as T-Hub, T-Labs, Small Enterprises Village, etc.
3. **Department of Science and Technology (DST)-approved technology business incubators (TBIs)**, often in universities
4. **College/university-based incubators** in the nation’s premier institutions such as IIMs and IITs
5. **Industry-led incubator/accelerator programs** such as NASSCOM 10,000 Start-ups
6. **Private accelerator programs**, often led by VCs, such as Axilor Ventures, Sequoia Capital’s Surge, and others
7. **Government-sponsored programs** such as iStart Rajasthan and Kerala Small Enterprises Mission

7. GOVERNMENT SUPPORT THROUGH SMALL ENTERPRISES INDIA AND OTHER INITIATIVES

In 2012, India's market regulator SEBI had introduced new norms for angel investors to be registered as AIFs as a new class of pooled-in investment vehicle for real estate, private equity (PE), and hedge funds. To prevent abuse of the regulation through money laundering, SEBI restricted investment by such funds to INR 5–50 million and only in companies incorporated in India not more than 3 years old, and with no family connections. By 2019, INR 17 billion had been invested in 254 startups through SEBI's AIFs and SIDBI committed a further INR 31 billion, as of July 2019, to 47 AIFs registered with SEBI (FE Online 2019).

When the Startup India program was launched in January 2016, the GoI also announced a Fund of Funds for Startups (FFS) at the Small Industries Development Bank of India (SIDBI) with a corpus of INR 100 billion to be allocated to alternative investment funds (AIFs). In the 4 years since, this FFS has consistently fallen short of its targeted allocations, both in terms of direct investments in startups (only INR 6.02 billion across 142 startups) and in its allocation to AIFs (INR 226.5 million versus a targeted INR 33 billion) (Sen 2019).

A look at the industry-academic-government linkages in patents, for example, shows that India is emerging as a patent hub, especially with newer government initiatives such as the Startup Hub at the Ministry of Electronics and Information Technology (MeitY), which helps strengthen 51 incubation hubs through fast-track patent clearances, with India known to have far fewer international patents filed vis-à-vis other countries like the Republic of Korea and Japan.

8. CONCLUSION

Positioning oneself as a real candidate for funding necessitates a high level of professionalism and a well-thought-out strategy. The documents listed above are nothing more than necessary preparations for you to begin your fundraising adventure. It goes without saying that these documents should be carefully crafted, preferably with the assistance of subject matter specialists. Keep in mind that the delicate drafting of papers is the key to success in the Fundraising for Startups path.

“Capital is still necessary, but what is more crucial is knowing when and how to use it most efficiently in order to get the most out of it. Capital offers Entrepreneurs a huge edge over other competitors since it allows you to grow and grab a large market for yourself in a very short period of time”

9. REFERENCES

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