

# Managing Innovations Capability and Entrepreneurship in Small and Medium Enterprises

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**Abstract:** *This paper tries to seek attention towards a much neglected yet important sector of economy with immense potential for contribution to national economy and different developmental aspects. The growth & development of present state of small enterprises & role of entrepreneurs are depends on the demands in local market, consumers' perceptions, availability of resources, extension of primary & secondary sectors, professional skills, fringe services, adequate human capital infrastructural facilities as well as entrepreneurial potentialities. Presently, small & medium size enterprises need to innovate in order to survive and create competitive advantages. Small businesses contribute tremendously to the economy and are often termed as engines of job creation. They account for a huge chunk of the workforce in India. It becomes imperative for the government to support and provide the necessary resources to help them grow and sustain themselves. With this perspective, the government of India provides various opportunities through its ministries, bodies and programmes. Few of these are listed below.*

**Keywords:** *Innovation culture, Process & Performance Control, Generate new & unique social values, Innovation vision & strategy;*

## 1. INTRODUCTION

Managing Growth and Innovation in Small & Medium Enterprises : In Indian States

Small entrepreneurial organisations have high influence of entrepreneurs' personality and style, formal planning and control and loose organisation structure and administrative system. These organisations are the outcomes of initiatives of entrepreneurial talents.

Small businesses have some fundamental advantages. They need low investment as compare to their large counterparts. However due to this reason they also face resource limitation—both human and financial resources. They offer employment to the local talents. Flexibility and closeness to the customers are the major advantages; due to informal settings these organisations can strike the market fast. They also have the advantage of economies of scale and lower overheads. In entrepreneurial small organisations close control supports easy translation of entrepreneurial vision into action. But due to limited exposure the small organisations have less information about the market and suffer from lack of economies of scope.

Firms are the means for realising entrepreneurial ambitions of individual entrepreneurs. Entrepreneurial ventures work on the principle motto of profitability and growth with a long term desire of market dominance. This is based on innovation in products, processes or practices. There exists difference between strategic orientations of entrepreneurial and small ventures. All small ventures do not work on innovations or dominance motive.

The world has started accepting India as a major player in global economics. Analyst and Industry veterans' prophesize India to be a major power of the future. This is still a distant dream because India has a huge youth population of 300 million with just 100 million jobs in her pocket. The million dollar question is that which industry has got the nerves to absorb a workforce of this scale. The only rational answer to this problem is entrepreneurship which in itself comes with a new set of challenges.

Globally India is conceived as a country with aversion to innovation and entrepreneurship. The condition aggravates with the fact that we traditionally have had a miniscule amount of investments in our R&D facilities.

A comforting fact is that Indians have a tendency of self-employment which was revealed in the 62nd round of NSSO's report on employment showing a national average of 254 per 1000.

A quick glance at history enforces the thought that even Indians are adept entrepreneurs. Karsanbhai's Nirma, Munjal's hero, Iyengar's TVS group, Dhirubhai's reliance, Kiran Shaw's Biocon, Bharti's Airtel are few examples out of the inexhaustible list of Indians who have carved a niche in the golden temple of fame.

## 2. EFFORTS DONE BY STATE GOVERNMENTS TO PROMOTE MSME

Honourable Prime Minister Narendra Modi's historical Independence Day speech seems to have galvanised the nation into action, with his emphatic mentions of Skill India

movement and the 'Make in India' statement inviting multinationals to leverage India for manufacturing. In the 1960s, the entrepreneurial movement began in India in a small way with the establishment of NISIET (National Institute of Small Industry Extension Training) for promoting and encouraging entrepreneurship amongst the people of India. India has taken many steps since then in building up a startup ecosystem. The recent financial budget presented by the Finance Minister, Arun Jaitley appears to be very promising for young entrepreneurs with the INR 10,000 crore startup fund announced among other things. However, not all 29 states and 7 union territories are at the same level in terms of encouraging entrepreneurship on Indian soil. Some states are more advanced in terms of their policy implementation due to various historical, political, law and infrastructural conditions. Some of the startup friendly states are listed below along with major initiatives.

### 3. KARNATAKA

The government of Karnataka is aiming to make Karnataka the unequivocal IT innovation and startup capital in the world by drafting a new Startup Act, the first of its kind in the country, in the next two months. In order to strengthen the academia-industry relations, as part of the 'Karnataka New Age Incubation Network' the government has granted INR 5 lakh to nine colleges to fund research on projects solving local problems. There are many facilities provided by the government to the startup community of the state, like plug-and-play space with internet at a reasonable rate of Rs 5-15 per square feet. It is also planning to set up two new venture funds and a network of incubators in small cities to boost up the entrepreneurial activity in the state. Women-founded companies may get free incubation space for six months in the coming future. For providing global exposure and mentorship to the startups of the state, the United Kingdom Trade and Investment board and the Karnataka Information Technology Venture Capital Fund have inked a partnership recently. The NASSCOM 10,000 startups initiative too has set up a warehouse in Bangalore for startups to function out of and collaborate while getting structured mentorship.

### 4. KERALA

A few weeks ago, the government of Kerala has decided to invest 1% of the state's budget (approximately INR 500 crore) in the nascent startups of the state. The entrepreneurship culture of the state was previously restricted only to trade, transport and tourism with active trade unions. The public sector training institute, namely Kerala Institute for Entrepreneurship Development (KIED) has been set up to foster and encourages the entrepreneurship spirit of the youth of the state. Under the Student Entrepreneurship Scheme there is a 20 per cent attendance relaxation and 4 percent grace marks for the students who pursue entrepreneurship and innovation during their studies. The Startup Village of Kochi

was established through a public private partnership to incubate around 10,000 product startups over a period of 10 years. At the grassroot level a Panchayat-level scheme, the Kerala State Self Entrepreneur Development Mission (KSS EDM) was set up to provide training and soft loans of up to INR 20 lakhs to 10 select entrepreneurs in each Panchayat to start an enterprise.

### 5. WEST BENGAL

According to the claims of the current Chief Minister Mamta Banerjee, West Bengal has become the leading state in India in terms of credit flow in the micro and small scale Industries (MSME) sector. According to her, this has been possible due to the persistent follow up of the West Bengal government in providing entrepreneurs all necessary assistance for setting up and running business successfully. The state government has set up myEnterprise.wb.gov.in as the single window for all applications, information and all forms. The government has also tied up with IIM-Calcutta for training officials to go over each district educating and assisting all prospective entrepreneurs with everything they need to start their own ventures. The target is to create 4000-5000 new entrepreneurs along with helping existing ones. The state government in collaboration with Bengal National Chamber of Commerce & Industry has created a non-profit institute called Enterprise Development Institute for strengthening entrepreneurship with structured training and certification programs such as Executive Masters of Business Creation & Administration (EMBCA) and other diplomas. Recently NASSCOM too has offered to build the first ever Incubation Centre for young and aspiring entrepreneurs in Kolkata.

### 6. MAHARASHTRA

Mumbai is the financial, commercial and entertainment capital of India. The increased entrepreneurial activities of the state are due to the presence of technology and business hubs in Pune and Mumbai. IIT-Bombay e-cell is one of the largest business incubators of the country set up in an educational institute. The state gives many incentives for backward regions ranging from power tariff subsidy to tax refunds for MSMEs. It invests up to INR 5 lakh crore with employment generation for 20 lakh people. Maharashtra Centre for Entrepreneurship Development is an autonomous body under the Department of Industries, which has 8 different offices across the state. The MCED offers entrepreneurship training programs and other scheduled sessions focused on banking, agritech, food processing and others across different districts throughout the year. Among other incentives offered are exemptions from stamp duty on the purchase of land, partial reimbursement of equipment purchased for power and water conservation, rebate on expenditure on energy and water audit.

## 7. DELHI NCR

The startups growing in this region are mostly non-tech based startups. The region is the main center of political and industrial power with good infrastructure and transport services. There are many big investor and venture funds concentrated in the region. The region is not as well developed as the four states mentioned above in terms of support and initiatives. The IIT-Delhi entrepreneurship cell runs multiple small programs that are more informative in nature. The state government does has some support initiatives for handloom, handicrafts and women entrepreneurship through its industries department.

## 8. GUJARAT

The state offers good infrastructure and business environment for the startup enthusiasts. The Gujarati entrepreneurial DNA and the high investment & deal-making potentials are key reasons which make the state's ecosystem extremely attractive. Under the leadership of Narendra Modi when he was the chief minister of the state, Gujarat has set up a world class Center of Excellence in Entrepreneurship & Technology with its own incubation center. The centre is guided by an advisory council led by NR Narayana Murthy. It follows a model of idea identification through SparkUps at colleges, followed by grooming and then formal incubation to take the startup to the next level. There is also the Entrepreneurship Development Institute of India, an autonomous and non-profit institute setup in 1983 and supported by the state government. It has helped set up twelve state-level centres and also runs a premier PGDM-BE, a full time two year residential program for entrepreneurs and managers. The presence of Center of Innovation, Incubation and Entrepreneurship (CIIE), IIMA also provides a large platform for the youth entrepreneurs of the state.

## 9. TAMIL NADU

Tamil Nadu is known as the "Detroit of India" as it hosts the manufacturing centers of the big international automobile companies like Ford and Hyundai. Given the automotive hub, there has been a tremendous growth in the ancillary and part supplier ecosystem that work closely with these OEMs. The entrepreneurial activities of the state are concentrated mostly in Chennai because of the presence of many big business parks and IITM incubation cell and also because it offers a strong local networking environment for the budding entrepreneurs of the state. The Center for Entrepreneurship Development CED has established an IT Incubation Center where 80 IT entrepreneurs can be supported at a time. The government has also committed that the subsidy given to entrepreneurs on machines and equipments is being hiked from 15 to 25 per cent up to a ceiling of INR 30 lakh. The state has also doubled the funding given for New Entrepreneur Cum Enterprise Development (NEED) to INR 100 crore

which will be utilized for capital subsidy of 25 per cent and training support.

## 10. ANDHRA PRADESH/TELANGANA

The status of entrepreneurship in Andhra Pradesh and Telangana is in its developmental stage. Association of Lady Entrepreneurs of Andhra Pradesh (ALEAP) organises many training programs through their networks to empower women to earn a sustainable living. ALEAP has also supported the Center for Entrepreneurship Development CED which runs entrepreneurship training programs. Hyderabad and Visakhapatnam are the technology and business hubs of the state. The state government is also in talks with the Kerala government to share lessons and set up something similar to the Startup Village which has seen tremendous traction over the years. A few months back ISB Hyderabad's incubation centre Wadhvani Center for Entrepreneurship Development launched an open accelerator named Dlabs for the budding entrepreneurs of the country.

Many other states such as Goa and Odisha are taking measures and instituting programs on similar lines to build out the ecosystem in their states. In addition to these state specific programs, there are certain training programs and support initiatives organised by central government institutions such as National Science & Technology Entrepreneurship Development and National Institute for Entrepreneurship and Small Business Development. Many of these initiatives run at a national level might also feed into the ambitions smart cities program too, since many of these cities are being set up around technology / trade hubs.

## 11. CONCLUSION

As a result of globalization and liberalization, coupled with WTO regime, Indian SMEs have been passing through a transitional period. With slowing down of economy in India and abroad, particularly USA and European Union and enhanced competition from China and a few low cost centers of production from abroad many units have been facing a tough time. Those SMEs who have strong technological base, international business outlook, competitive spirit and willingness to restructure themselves shall withstand the present challenges and come out with shining colours to make their own contribution to the Indian economy. MSMEs, as a major contributor towards growth of domestic economy and employment generation, should get adequate support in terms of policy framework, incentives and other relevant aids. Steps like providing infrastructural facilities, developing various industrial parks and technology incubators under MSME cluster development programmes, creating networks of organizations that help provide training to skilled workforce to improve productivity, encourage entrepreneurship and competency in management, funding R&D investments, technology advancement may work for the betterment of the

sector. Although, Indian MSMEs are finding it difficult to sell their products in the domestic and international markets because of increasing competition. To make their products globally competitive, Indian MSMEs need to up-grade their technology and put more emphasis on innovation.

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