

THE BOOK

Small Scale Industries and Entrepreneurship are the two faces of a small coin – economic development. Small-scale industries are the engines of growth in any economy entrepreneurship.

Of value, the small sector accounts for 95 per cent of the industrial units, 45 per cent of the manufacturing output, 40 per cent of the total exports and providing employment to about 68.80 million persons in small scale units.

Small scale industries are the job-providers and technological innovators. Above all, they are the beehive of entrepreneurship. Small scale industries identify and develop business enterprise, building opportunities for small enterprises and entrepreneurship are thus, the driving force for sustained national growth.

"SMALL SCALE INDUSTRIES AND ENTREPRENEURSHIP" is designed to encourage people to seize their destiny and make a profitable career through self-employment. The study consists of 33 chapters.

The book is divided into two self-contained units comprising of objectives, inputs and analysis.

It discusses the tools and techniques of small-scale industries.

A lucid analysis of varied facets of small industry and entrepreneurship acts as a motivator to all concerned.

It provides a comprehensive study of small-scale industries and entrepreneurship.

It is enriched with practical tips and considerations on how to recognise and seize business opportunities and plan one's own successful ventures.

It is specially useful to students, teachers, resource persons engaged in conducting entrepreneurship training programmes.

It is an ideal resource material for vocational education students and teeming first generation entrepreneurs.

The layout of the contents renders the study extremely useful to the teachers/students too.

This book provides a wealth of information on small-scale industries, entrepreneurs and entrepreneurship in furthering an entrepreneurial culture to sustain a vibrant entrepreneurial society.

THE AUTHOR

Dr. Vasant Desai has been engaged in socio-economic research and has written on industry, entrepreneurial development, rural economics, rural development, financial system, banking and monetary policy for the last 30 years. Throughout this period, one of his persistent interest has been the study of economic problem in their social, cultural, political and institutional context. He has blended his wide experiences in research and banking to focus attention on issues in lucid as well as in an authoritative manner.

He has a wide background of research in entrepreneurial development, management, agriculture, rural development, savings, industry, banking, monetary economics and small-scale industries and has had many opportunities of discussing the issues with eminent economists, bankers, entrepreneurs, industrialists and authorities. His passion for knowledge has been responsible for the training of a bank of young students.

His comprehensive, lucid and well-documented three volume study, "Entrepreneurial Development and Management" stirred the management education in India and steered the process of entrepreneurial development efforts in the right direction.

His two-volume study on "Small-scale Enterprise" presents a kaleidoscopic review of varied related issues.

His latest study "Small-scale Industries and Entrepreneurship" focuses on the inter-relationship and the role of small scale entrepreneurs and the students. This study will assist in fueling ambitions and dreams as well as in guiding enterprises on the move, till they reach the peaks of success.

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VASANT DESAI



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IN THE TWENTY-FIRST CENTURY

VASANT DESAI



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**SMALL-SCALE
INDUSTRIES
AND
ENTREPRENEURSHIP
IN THE TWENTY-FIRST CENTURY**

SMALL-SCALE INDUSTRIES AND ENTREPRENEURSHIP

IN THE TWENTY-FIRST CENTURY

The Entrepreneur
Entrepreneurship
Small Enterprises
Problems
Opportunities
Challenges

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PREFACE



Globalisation has become the hallmark of the 21st century. Clearly, globalisation has the potential to make all people better. To make this promise a reality, however, we must find a way to carefully manage the process

Globalisation is characterised by an increase in flow of trade, capital and information, as well as mobility of individuals, across borders. It is not a new phenomenon – globalisation has progressed throughout the course of record history, although not in a steady or linear fashion.

In the new millennium, the economy continues to be in the throes of momentous change: the progressive reduction of barriers to capital flows and international trade the spread of market-based economy in key sector and the exciting possibilities of beneficial change brought by transformative technologies. These changes have provided great opportunities for the Indian corporate sector, and it is poised to brave the challenges in the new competitive global arena landscape and capitalise on these opportunities. The imperative to compete in the global arena demands a radical shift in business outlook that transcends a simple reliance on export as an indicator of an organisation's international credentials. I am confident that the Indian entrepreneurial class will demonstrate resilience of spirit in achieving this.

The millennium has opened up many an opportunities to entrepreneurs and accelerated the process of wealth creation. This Globalisation Process has also touched small-scale industries as well. The individuals will look for new anchor that will add meaning to their life as institutions like government, political parties, religion, etc., which are supposed to play that role, continue to erode in authority. The emergence of the "individual-in-control" will have tremendous implications for determining the behaviour pattern of all institutions and social mores in the future. Finally, the emergences of the internet and the revaluation in the telecommunication industry is going to change the landscape of your whole operating field. It is going to affect the way work, the way we move, the way we transact or in short the way we conduct our whole life. The century and the new millennium has owned with the above realities.

Small and medium enterprises (SMEs) too are quickly gearing up to meet the emerging challenges in the global economy through constant innovation and adoption of cutting-edge technology to prove superior customer solution. As in the past SME's motivation for undertaking this proactive transformation is guided by its *raison d'être*, the Indian industry, and a desire to acquire the requisite competencies to play an important role in the emergence of a globally competitive Indian corporate sector. In the process SME would continue to be spurred by the imperative for driving organisational growth and shareholder value, and create economic and intellectual capital that benefits all stakeholders.

Will we drive towards an edge of chaos or will there be more opportunity for all of us? The past decade of liberalisation and globalisation has seen several paradigm shift. From a fear of foreign capital (remember FERA), we are now going all out to woo FDI. From bank nationalisation and direct credit, it's M&A season for a new breed or private banks and competition for funds. Government monopolies are being dismantled. Yesterday's luxuries have become necessities. The consumer is the king.

Against this background, "Small-scale Industries and Entrepreneurship" in the 21st century, is a subject of great importance.

New Opportunities

Literate on entrepreneurs and small-scale industries has been growing in recent years. Though there have been numerous articles in various journals on entrepreneurial development, especially in India and quite a few edited books containing contributed articles on different topics. It is, therefore, no exaggeration to say that there has not been a single comprehensive, critical analytical book on the subject, explaining, analysing and assessing the various aspects of the subject. This book is an attempt to fill this gap. It is also intended to help evolve a perspective of development of the vital sector of the national economy.

The 21st century and the new millennium has ushered in with high hopes and immense opportunities. New opportunities are opening up in the field of small-scale sector in India and the world over. To foster managerial and the organisational excellence, the study is designed for entrepreneurs who needs to understand the application of special skills to lead them to excel in their work. The study will help to attain a good grasp of the fundamentals of financial management, marketing strategy and make optimal operational and strategic decisions in their industries. The study help to emerge victorious by strategy, decision-making and teamwork.

As an applied science, management education is expected to have close interaction with the education apart from various enterprise business world. In our country this may be partly true in the case of large organisation but nothing is mentioned, or discussed, in these institution about Small-scale Enterprises (SSEs), although the contribution of this sector to the economy in terms of employment output and export to include service activities too. However, pretty little is being done in the area of small business development programmers organised by industrial development agencies. It is time we sit back and look at management education as it relates to small business.

The picture of the entrepreneur that is drawn here has of necessity been painted with a broad brush. It could not be otherwise if the analysis were to be confined to a single volume. The purpose is to describe the essential features of an entrepreneur and entrepreneurship to provide a sense of direction for planners and policy-makers, on the one end, and the emerging crop of young entrepreneur, both men and women educated-uneducated, professional and non-professional, to reap immense benefits and decide the future-course of action on the other. In fact, this book *"Small-scale Industries and Entrepreneurship"* is neither a fresh beginning nor is the last word. Subsequent studies will elaborate on many of the issues raised here.

We need people who can become entrepreneurs. Having recognised that the qualities of entrepreneurship can be inculcated, we have to re-examine our activities towards entrepreneurship development. In India entrepreneurship development programmers are of short-term nature in general, primarily intended to produce quick 'entrepreneurs'. As Prof. Malcolm Harpers (of Canfield School of Management) study shows, a majority of such programmers all over the world have a duration of three weeks. Training in entrepreneurship and management education are covered in this period.

The vibrancy of an economy depends on the constant flow of entrepreneurs who can take up challenges in both business and agriculture. This can be achieved only in the long-run. As noted by Richard Morse of East-West Central, Hawaii, entrepreneurial education should start in schools.

School level education can however, be an introduction to business, At a higher level management education is unavoidable for serious businessmen. Business schools are the Best agencies to after long-term management education to potential small entrepreneurs. These institutions with a discipline structure have already the framework; they only have to redefine the target market and reorient the course. They have to cater to the small business managers too. Management institutions have to be a direct source of training for both existing and potential entrepreneurs.

Admitted, this is too short a period to have any strong foundation in management education. These short courses are catering to a small market segment. What about the bigger segment of the market whose wants remain unsatisfied, or where the demands is not created yet?

From all points of view this book provides a new insight into small-scale industry which is playing a catalytic role in the rapid development of the country. This will not only continue to assist the students to prepare for the examination but also inspire them to be young small entrepreneurs by exposing them to the varied aspect of small-scale industries, and entrepreneurship. There is an urgency in this book that affects the future of each one of us, and hence society.

Organisation of the Book

Small-scale industries and entrepreneurship has been of the most popular subjects that has aroused the interest of students and young entrepreneurs in large measure. The importance of the subject is magnified manifold in today's economic climate.

The book consists of **THIRTY-THREE** chapters and project work has been divided into three sections. Section I deals with multidimensional aspect of small-scale industries, Rural Industries, Industrial Estates, Organisation Ownership Finance, Taxation, Marketing, Problems and Prospects.

Section II provides an insight into the concept of the Entrepreneur, Entrepreneurship, Characteristics, Classification, Role, Environment, Entrepreneurial Development and Training, Institutions and Opportunities and Challenges. Project work is provided in Section III.

Acknowledgements

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No words can adequately express my debt gratitude to my late father, Shri Ranganath Balwant Mutalik Desai, and my late mother Smt. Laxmi Devi, for generating in me a perennial interest in higher studies.

I will be failing in my duty if I do not mention here the tremendous cooperations I received from my wife, Mrs. M. V. Desai in the completion of this book and I wish to thank for her patience, continuous support, encouragement, her understanding and love helped to bring this efforts to fruition.

Mumbai

Vasant Desai

ENTREPRENEURIAL MISSION STATEMENT

- The entrepreneur lives and work in an environment that is fiercely competitive. It is, therefore, crucial that the entrepreneur sharpens his/her cutting edge to stay ahead.
- The entrepreneur as the engine of economic growth, job creation and prosperity, always served the society. Customer priority and quality are his mission and passion.
- The entrepreneur shall adopt organisational structures to speed up communication, decision-making, job creation, income generation creation.
- The entrepreneur displays courage to take risk of putting his own money into an idea; courage to take on the competition and courage to take a leap into an unknown future and create new enterprises/business. This creative process is the lifeblood of the strong enterprises that derive growth and propel the nation forward.
- The entrepreneurial activities blossom and thrive under conditions where citizen participate and compete in the marketplace under conditions of equity and are not unduly burdened by regulation.
- The entrepreneur will always strive for a natural and sustainable enhancement of entrepreneurial society.
- Entrepreneurism is the lifeblood of any economy; but in India, where first generation innovators are still battling the odds to make on the global economy, enterprise in an idea whose true potential; is yet to be realised. Ironically, Indian entrepreneurship is more about overcoming barriers — be it finance, bureaucracy, and infrastructure — than about achieving the fruits of liberalisation. That is not an inspiring image for a country that dream soft begging a critical component of tomorrow's knowledge economy; of creating vibrant digital valleys; and of having its own Bill Gates and Michael Dells. Yet the changing Indian economy arena is always a busy with the news of mavericks that have discovered bold new ways of competing. And they have done so in areas that have been extremely tough to compete in, dominated as they are by mighty multinationals.
- Entrepreneurism triggered by liberalisation and the advent of the brainpower industry, demands the systematic development if business cluster in India, or geographical concentrations of competitiveness where technology diffusion is rapid and supply-chains are short and efficient. Clusters, where the levels of competitiveness are always high, are the educational institutes and research centres, and a good quality of life, to thrive. A hassle-free environment can leverage the diverse capabilities of Indian entrepreneurship.



Ground Reality

"Simulating a business situation in a classroom is very ineffective and is a very bad simulation. You can't simulate management that way, because management has to be about what's happening on the ground, not what's happening in executive offices."

— Henry Mintzberg, Management Guru

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SECTION

SMALL-SCALE INDUSTRY



A rewarding feature of economic development in India has been the impressive growth of modern small-scale industries. The small enterprises have by now established their competence to manufacture a wide variety of sophisticated goods in different product-lines requiring a high degree of skill and precision. They have made a notable contribution in realising the principal objectives of expanded employment opportunities, adoption of modern techniques and dispersal of industries in small towns and rural areas. This has been possible as a result of the successful implementation of the programmes for assistance of small-scale industries. The diversified, rapid growth of these industries is a significant feature of India's economic development in recent years.

The small-scale industry has emerged as the most dynamic sector of the Indian industrial economy accounting for over 45 per cent of the total value of industrial production. Over 33 per cent of the country's exports and more importantly providing employment opportunities to over 322.28 lakh people in 133.68 lakh units have been the focus area of this sector. Further, MSME sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6,000 products ranging from traditional to high-tech items, which are manufactured by the MSMEs in India. Added to in the MSMEs provide the maximum opportunities for self-employment and jobs after agriculture. All along, it has shown the growing spirit of entrepreneurship. Empirically, small-scale industries have contributed over 200 lakh entrepreneurs. If we add, entrepreneurs from small businesses, the growth of entrepreneurs increases manifold. Thus, small business is the seed bed for entrepreneurship. What is true of these entrepreneurs is that they continue to strive to excel in their fields. They have been learning failures, which do not dampen their spirits. Instead in their characteristic fashion, these enterprising businessmen/businesswomen have swept them aside to continue on the winning track. Many have grown big. In other words, small business is the open university for entrepreneurs to translate their vision, innovative ideas into a reality and stand out distinctively in the society. In the process, they not only produce wealth, service but also create employment opportunities to others. Small business is thus the seed of entrepreneurial dreams. Today, the entrepreneur remains the backbone of society, to be more specific, economic society.