

# THE CHALLENGES AND OPPORTUNITIES FOR ENTREPRENEURS IN THE GLOBALISED SCENARIO (A EXCLUSIVE STUDY OF TAMIL NADU)

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**Abstract:** *Entrepreneurship has gained greater significance at global level under changing economic scenario. Global economy in general and Indian economy in particular is poised for accelerated growth driven by entrepreneurship. Admits environment of super mall culture we find plenty of scope for entrepreneurship in trading and manufacturing. An entrepreneur is a person who is able to look at the environment, identify opportunities to improve the environmental resources and implement action to maximize those opportunities (Robert E. Nelson) it is important to bear in mind the entrepreneurial skills that will be needed to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Taking this into consideration, we will find that each of the traditional definitions has its own weakness.*

**Key Words:** Risk taking ability, Self-confidence, Decision making ability, Knowledge of cum in growing to harvesting technology, Economic motivation, Market orientation, Risk factors, Soil and firm condition of experiences, Water resources,

## 1. INTRODUCTION

The Micro, Small and Medium Enterprises (MSME) sector has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. MSMEs not only play crucial role in providing large employment opportunities at comparatively lower capital cost than larger industries but also help in industrialisation of rural and backward areas, thereby reducing regional imbalances, assuming more equitable distribution of national income and wealth. MSME's are complementary to large industries as ancillary units and contribute enormously to the socio-economic development of the country. More importance is attached to this sector since more employment can be created per unit of investment at a comparatively shorter period than the larger-scale sector. MSMEs sector accounts for about 45% of the exports from the economy.

Realising the importance of the sector and sensing unequal competition between the large and MSME sector, the Government has consciously introduced various policy and protection measures in the past to protect the interest of this sector. These policy measures have laid emphasis on development of local entrepreneurship, women's employment and technology up-gradation to reap better economies to scale and also simultaneously started emphasizing on quality consciousness and building brand equality among the small scale entrepreneurs. The Government of India has earlier reserved around 836 items for exclusive manufacture in the Micro and Small Enterprises Sector in 1982. However consequent of liberalisation policy of government of India and with a view to upgrade the technology of Micro and Small Enterprises so that their product produced are of world class and competitive in the global market, the number of items reserved for exclusive manufacture in the Micro and Small enterprises has been subsequently reduced to 20 items as on 30.07.2010. Besides both government of India government of TamilNadu have introduced a system of providing purchase preference to 358 items manufactured by Micro and Small Enterprises and 15% Price Preference in exemption from payment of earnest money deposit to MSE in government tenders. Other prominent steps taken by the government for the development of MSE include introduction of various subsidies,

raising of excise and commercial tax limits etc. Government has also minimized the number of statutory licenses to make this sector more attractive to the investors.

## 2. MSME POLICY

The Government will come out with a comprehensive policy for the micro, small and medium enterprises (MSME) sector, to be drafted by a panel headed by former Cabinet Secretary PrabhatKumar. The committee will submit its report as early as possible, but certainly not later than June. At the moment, there is no integrated approach for the development of MSMEs despite the fact that the sector accounts for 40 per cent of India's manufacturing and 45 per cent of exports. "The idea is to integrate various policies pertaining to the sector and come out with one comprehensive policy. The Prabhat Kumar committee will also take into consideration all the suggestions, which have already been made by the small scale industry associations.

### **Framework for Revival and Rehabilitation of MSME:**

The Ministry of Micro, Small & Medium Enterprises has notified a Framework for Revival and Rehabilitation of MSMEs, in exercise of the powers conferred under section 9 of the Micro, Small and Medium Enterprises Development Act, 2006. In India, the existing mechanism for addressing revival, rehabilitation and exit of small enterprises is very weak. The most recent Doing Business (DB) Report, a joint project of the World Bank and the International Finance Corporation, ranks India 137 out of the 189 economies for resolving 27 MSME AT A GLANCE 2016 M S M E insolvencies. It notes that resolving insolvency takes 4.3 years on average and costs 9.0% of the debtor's estate, with the most likely outcome being that the company will be sold as piecemeal sale. Pending a detailed revision of the legal framework for resolving insolvency/bankruptcy, there is a felt need for special dispensation for revival and exit of MSMEs. The MSMEs facing insolvency/bankruptcy need to be provided legal opportunities to revive their units. This could be through a scheme for re-organization and rehabilitation, which balances the interests of the creditors and debtors. It is expected that above Framework will help the lenders and debtors in revival and rehabilitation of enterprises and shall unlock the potential of MSMEs, besides improving our international ranking in Doing Business Index.

### **Definition of Micro, Small and Medium Enterprises in India 8 MSME AT A GLANCE 2016:**

M S M E Micro, Small and Medium Enterprises Development (MSMED) Act 2006 9 MSME AT A GLANCE 2016 M S M E Classification Micro Rs. 2.5 million / Rs. 25 lakh Rs. 1 million / Rs. 10 lakh Rs. 20 million / Rs 2 crore Rs. 50 million / Rs 5 crore Rs.50 million / Rs. 5 croreRs 100 million / Rs 10 crore Small Medium Manufacturing Enterprises\*. (Investment limit in Plant & Machinery) Service Enterprises\*\* (Investment limit in equipment) The term "village industries" has been redefined in amended KVIC, Act, 1956 as "any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of artisan or worker does not exceed Rs. one lakh (Rs. one lakh and fifty thousand in case of village industry located in a hilly area) or such other sum as may, by notification in the Official Gazette, be specified from time to time by the Central Government"

### 3. OBJECTIVES OF THE STUDY

The objectives are:

- 1.To study on the opportunities available for budding entrepreneurs before and after the globalisation.
- 2.To study on the performance of E-Governance facilities availed by the budding entrepreneurs before and after the globalisation
- 3.To study on the performance of credit schemes availed by the budding entrepreneurs before and after globalisation
- 4.To study on the performance of subsidy schemes availed by the budding entrepreneurs before and after the globalisation.

### 4. METHODOLOGY

The data structure for the study is based on official publications Micro, Small and Medium Enterprises Department, Government of Tamil Nadu. The data were analysed using Correlation Analysis and Data Envelopment Analysis (DEA) of Banker Charnes-cooper-(BCC) Model using window analysis.

### 5. STATISTICAL ANALYSIS

#### 5.1 E-Governance Initiatives for entrepreneurs

Tamil Nadu e-Governance Agency (TNeGA), as a State Nodal Agency has been formed to support and drive all e-Governance initiatives of the Government of Tamil Nadu. TNeGA is implementing various e-Governance projects with the objective of making all Government services, wherever feasible & accessible to the common man in an efficient and transparent manner. Board Members of Tamil Nadu e-Governance Agency consists of the Secretaries of the 11 Mission Mode Departments to guide the Tamil Nadu e-Governance Agency in its e-Governance activities and deliver the services to citizens.

Tamil Nadu e-Governance Agency aims to fulfil the Vision, "Through use of Information Technology in Governance and delivery of services to public at their doorsteps." This e-Governance Agency was formed under the Information Technology Department, Government of Tamil Nadu to function as an intrinsic arm of the Government with a mandate to drive e-Governance in the State. This agency has been registered under the Tamil Nadu Societies Act. The Policy is to achieve the vision of integrated service delivery to the Citizen at the nearest location at an affordable cost. To achieve this, a simple front end delivery mechanism, a robust back-end computerization, connectivity with adequate bandwidth (TNSWAN) and support infrastructure (SDC, SSDG, State Portal and other stakeholders) along with the application software integrated with the required MIS is absolutely necessary.

#### Credit Schemes:

##### MSME CREDIT SCHEMES – At a glance

| S.No. | Name of the scheme | Important Features                                                                                                                                           |
|-------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.    | IOB – MSE PLUS     | Working capital & term loan can be combined as a single term loan<br>No collateral /Third party guarantee<br>Maximum Rs 100 lakhs<br>Compulsory CGTMSE cover |

2. IOB – SANJEEVINI  
Loan to Doctors for establishment of a Clinic with all sorts of medical amenities, purchase of medical equipments Purchase of all sorts of medical equipments for already existing clinic
3. IOB CA – FOR CHARTERED ACCOUNTANTS  
Term loan for construction of Office Premises, furniture, etc Purchase of Car for business use Loan amount – Rs 10 lakh to Rs 125 lakhs Margin 20 – 25%No collateral up to Rs.10 lakhs under CGTMSE
4. IOB - SAGARLAKSHMI  
Scheme for fisher women for processing of fish as working capital and also for purchase of equipments Loan above Rs 1 lacs will be covered under MSE(uptoRs 1 lakh under agri )Term loan up to Rs.10 lakhs Covered under CGTMSE
5. IOB GOLD  
For business purpose against gold ornament - minimum Rs.1 lakh maximum of Rs.25 lakhs Market Value is an added attraction
6. SME INSTA FUND  
To carry out unforeseen bulk orders with a cap of 50 % over regular working capital limits for SME 1 rated accounts and 30 % for SME 2 & 3 rated accounts Bullet repayment within 6 months
7. IOB – MICRO ONE  
Fresh borrowers qualifying under Micro Enterprises norms Collateral free Less interest BR + 1.75 %Low margin 15 % for WC and 25 % for book debts Low processing charges Max Rs 5000 only
8. WEAVERS CREDIT CARD SCHEME  
Working capital up to Rs. 2 lakh Interest rate – BR+0.75%No collateral/ coverage under CGTMSE Interest Subvention of 3%/Margin Money subsidy Rs 4200/ CGT Guarantee cover free for 3 years to be absorbed by Ministry of Textiles
9. IOB ENGINEER  
For Civil Engineers for Establishment of Office Premises/purchase of equipments Processing charges 0.25% of loan amount No collateral up to Rs.10 lakhs coverage under CGTMSE Interest rate – reduction of 0.50% if collateral coverage is 100% or above Repayment – Max 7 years
10. IOB - SME MAHILA PLUS  
To encourage women entrepreneurs in Micro and Small sectors. Term Loan/Cash Credit Up to Rs.2.00 Crs for manufacturing units Upto Rs.1.00 Cr for service enterprises No Collateral upto Rs.1.00 Cr. Coverage under CGTMSE up to advance of Rs.1.00 Cr.Repayment - CC renewed every year; Term Loan - 10 years and 7 years Processing Charges Rs.200 per lac maximum Rs.20000/-
11. IOB RICE MILLS PLUS  
To finance rice mills-construction, purchase of machineries(import also)Job work units not eligible Up to Rs. 5.00 CrsCGTMSE coverage upto Rs.1.00

- Lac Cash Credit, Overdraft, Bank Guarantee, Letter of Credit, etc., Interest-Base Rate + 1.50% payment 84 months - 12 months holiday Processing Charges Rs.100 per lac ; maximum Rs.25000/-
12. IOB SME ADD ON Existing borrower with good track records and the accounts should be standard and performing. Branch may sanction Term Loan for purchase of Plant and Machinery, transport vehicle, etc, as per requirement of the borrower with the ceiling of Rs. 25 lacs. Margin 15% to 25% DSCR needs to be worked out  
Discretionary powers Branch Managers in scale I, II, III - 50% of their per borrower discretion. Scale IV & above – 25% of their per borrower discretion.  
Interest and charges as applicable
13. IOB SME CONTRACTOR SCHEME Financial support to individuals, proprietors, partnerships, private limited company, limited companies registered with Central/State governments. Loan amount Rs.10.00 lacs and subject to maximum of Rs.500.00 lacs (FB + NFB) Working capital in the form of Cash Credit / Bills limit for purchase / discounting of the accepted bills. Term Loan for purchase of construction equipments/machinery, vehicles, etc., Margin Fund based limits: As per MSE LOAN POLICY Non Fund Based: for SME 1 TO 3 rated borrowers L G Financial Minimum 15% ; Performance – Minimum 10% Processing Charges : For SME 1 – 3 rated borrowers: Upfront fee for term loan – 50% of applicable fee Processing Fee for Term Loan and Cash Credit – 75% of applicable rate Repayment max. 5 years including three to six months holiday period. Interest: SME-1 to SME -3 rated borrowers Up to Rs. 1.00 Cr Base Rate + 1.75 % Above Rs. 1.00 Cr and upto Rs.5.00 Cr Base Rate + 2.75 For others : As per applicable rates to MSME Sector
14. IOB KANAKA SCHEME To meet the capital expenditure and working capital requirement of new/existing MSE engaged in the processing of cashew nuts. Loan amount based on requirement Margin Term Loan 15% and Cash Credit 25% on fully paid up stock and receivable up to 120 days LC for import of raw cashew nuts for processing: 25% upfront deposit margin. Loan amount up to Rs.1.00 Crore under CGTMSE cover  
Above Rs. 1.00 Cr. Collateral security coverage should be to minimum extent of 80% of total exposure. Repayment max. 7 years Rating: up to Rs. 2 Cr. CRR Model and above Rs. 2 Cr. CRISIL RAM  
Interest rate up to Rs.1 Cr. BR + 1.75% and above Rs. 1 Cr. BR + 2.00 %

Indian Bank 2016

## 6. FINDINGS AND CONCLUSION

The study has been carried out to measure the performance MSMEs, Credit schemes, E-Schemes of MSMEs and various incentive schemes. The study reveals that the overall performance increases after the globalisation and there is increasing opportunities for budding entrepreneurs to start new ventures. The study also has been carried out to measure the technical efficiency of EM, credit schemes and MSMEs. From the forgoing analysis it is seen that tamilnadu Micro and, Small Enterprises, has been exhibited a good performance in the recent years. However the entrepreneurs, who are doing similar products, can make use of the government of India scheme called Micro and Small Enterprises Cluster Development Programme under Public Private Partnership Concept. Apart from infrastructure support, direct catalytic subsidy support, technical support, information and marketing support, technical support, information and marketing support, there is lot of support provided by both State and Central Government for the budding entrepreneurs to compete in the global market.

## SELECTED REFERENCES:

1. *MSME at a Glance 2016 Manual.*
2. *Comprehensive MSME Policy 08-January-2016 15.*
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4. *Tamil Nadu e-Governance Agency (TNeGA), as a State Nodal Agency has been formed to support and drive all e-Governance initiatives of the Government of Tamil Nadu.*