



RESEARCH TRENDS IN
**MULTIDISCIPLINARY
SUBJECTS** VOL-4

EDITED BY

Sruthi S, Dr. Nitu Maurya, Dr. Manikandan Iyer,
Dr. Kumar Ratnesh, Dr. P. Karthikesan

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CHAPTER 30

CHALLENGES AND OPPORTUNITIES OF RURAL SMEs IN COIMBATORE DISTRICT

Dr. S. Poornimadevi & Dr. V. Meera

ABSTRACT

SME is the abbreviation for Small and Medium Enterprises. These enterprises can be rightly called as the backbone of the GDP of India. India with its population of over 1.2 billion people represents 17.31% of the world's populations. India over a period since its independence has slowly and steadily accelerated its economic growth. Policy reforms, removal of License Raj, industrial reforms and other initiatives taken by the government led to the overall economic transformation of the country. It can now be said that India can succeed in transforming itself from third world country to the 4th largest economy of the world and is also considered to become the world's largest economy by 2050, overtaking US and China. Such is the potential of the country. The SME sector in India is growing at an exceptionally fast rate due to which it is proving to be beneficial to the Indian Economy. Industrialisation is an effective means for solving the problems of economic and social progress in developing countries of the world. This paper is concerned with challenges in rural small and medium-sized enterprises (SMEs), their support needs, and the types of policies required to encourage. The objectives are to present recent evidence of the nature and extent of innovative activity in rural SMEs; to identify barriers in rural SMEs, together with any weaknesses with respect to their innovative performance that may affect their future competitiveness; and to contribute to the development of a policy agenda designed to support and strengthen the performance of rural SMEs.

INTRODUCTION

It is a universal trend that Small and Medium Enterprises (SMEs) are playing an important and fundamental role in the nation's economic and social relationship. The worldwide perception of small and micro-businesses or firms has reached noteworthy importance in the economic progress of a nation. Globalization has placed small enterprises trustily in the publicity and attention. These are slowly and progressively the main strength for national economic development. All over the world, the entrepreneurs who operate them are getting thoughtful attention from planners, economists, governments, and multilateral agencies. In developing countries, this sector is beneficial in the development of rural regions, and have significance in poverty mitigation.

Small and medium enterprises are the backbone of industrial development. It is very important for both developed and developing country Small and medium enterprises always represented the model of economic development, which emphasize high contribution to domestic production, significant export earnings, low investment requirements, employment generation, effective contribution to foreign exchange earning of the nation with low import-intensive operations.

Manufacturing Enterprises – Investment in Plant & Machinery

Description	INR	USD(\$)
Micro Enterprises	upto Rs. 25Lakhs	upto \$ 62,500
Small Enterprises	above Rs. 25 Lakhs upto Rs. 5 Crores	&above \$ 62,500 & upto \$ 1.25 million
Medium Enterprises	above Rs. 5 Crores upto Rs. 10 Crores	&above \$ 1.25 million & upto \$ 2.5 million

Service Enterprises – Investment in Equipments

Description	INR	USD(\$)
Micro Enterprises	upto Rs. 10Lakhs	upto \$ 25,000
Small Enterprises	above Rs. 10 Lakhs upto Rs. 2 Crores	&above \$ 25,000 & upto \$ 0.5 million
Medium Enterprises	above Rs. 2 Crores upto Rs. 5 Crores	&above \$ 0.5 million & upto \$ 1.5 million

OBJECTIVES

The following are the Major objectives of study:

1. To study the major challenges faced by SMEs in India
2. To examine the opportunities available for SMEs
3. To suggest for policy recommendations

CHALLENGES

In spite of its contribution to the socio-economic growth of India, SMEs face a number of challenges:

- Lack of capital due to inadequate access to finance and credit
- Inability to attract talented and tech-savvy manpower
- Poor infrastructure and utilities resulting in low production capacity
- Lack of innovation
- Technology and digital knowledge gap
- Lack of marketing know-how

Due to these challenges, the Indian SMEs are unable to scale to their full potential, rise up to the standards of their international peers and become self-sustainable. On the positive side, these challenges should be perceived as untapped opportunities for the SME sector. These challenges offer a broad scope to strengthen the foundation of SMEs in India.

OPPORTUNITIES

The Indian government has been making commendable efforts to empower SMEs to overcome these hurdles. The National Manufacturing Competitiveness Programme encourages SMEs to adopt Information and Communication Technology tools and applications for their business processes. Then, there is Assistance to Training Institutions Scheme, which provides financial assistance to national level training institutions operating under the Ministry of MSME to strengthen SME infrastructure and create entrepreneurship skill development programs.

NASSCOM, India's industry association for the IT and IT-enabled products has formed SME Council for its SME members who account for 80% its total member-base. NASSCOM aims to empower SME to grow the next level and provide end-to-end assistance in terms of knowledge dissemination, best industry practices, networking, policy advocacy and brand building. The Indian corporate sector is also doing their bit to give a push to the SME sector in India. Facebook and Google have launched digital training programs and hubs exclusively targeted at digital skill development of SMEs in India. Many banks have introduced easy finance and credit schemes to help SMEs avail capital without any hassles. Some technology companies have also launched tailor-made products, services and solutions for SMEs.

- The solution with most potential in increasing the competitiveness of rural SMEs is digitalization. The world has become digital and physical locations have become less relevant on the digital market. Therefore, rural SMEs ability to innovate by taking advantage of the technological advances of a digital society are better than ever before. Naturally, this requires that the region is equipped with high-speed broadband and wireless internet connection. In order to promote ICT uptake and to utilize digital technology rural SMEs, entrepreneurs and youth might need incentives and support, whether in the format of trainings, mentoring or by providing co-working spaces with the relevant ICT hardware. Promoting ICT uptake and integration of modern ICT tools in daily business routines is the focus of the SKILLS+ project which was highlighted in this policy brief.

- Another important lesson is that sometimes it is necessary for policy makers to facilitate cooperation among regional actors. Especially local businesses might be used to seeing each other just as competitors but not as cooperation partners. The latter can be of key importance to raise the potential of the region by increasing the regional value offer. Cooperation and cross-fertilisation between relevant sectors, stakeholders and local actors make the regional

ecosystem stronger and create a basis for innovation. This has been the focus of the Rural Growth project highlighted above.

- For some rural areas the opportunities lie in the tourism industry and the visitor economy. This policy brief highlighted some good examples of how a thought-out and coordinated tourism offer of the region or a specific support measure for SMEs in the hospitality sector can go a long way in increasing the competitiveness of the region.

- And finally, it should be emphasized, that none of the challenges are easy and there is no silver bullet solution for supporting the rural entrepreneurial ecosystem. In some regions, workable solutions could instead require focusing on community involvement, social innovation and a completely new way of looking at the challenges and solutions. Rural areas have inherent advantages in some emerging industries because they offer lower costs or access to relevant raw materials. One component of a rural development strategy could be focusing on expanding industries where rural India has unique competitive advantages.

The SME sector has also gained recognition from the United Nations. According to the United Nations, these type of enterprises act as the first responders of the needs of the society, provide a safety net for inclusiveness and are a primary driver of poverty alleviation and development. Hence, the United Nations celebrates ‘Micro-, Small and Medium-sized Enterprises Day’ on 27th June every year to raise public awareness of this sector’s contribution to sustainable development.

There are immense opportunities for the Indian SME sector to grow and thrive. All it needs to do is to adapt to the changing trends and embrace digital skills.

KEY POLICY RECOMMENDATIONS.

- Ensure stable macroeconomic and framework conditions to underpin the entrepreneurial business environment. Policy design in areas such as competition, the regulatory framework, the tax system, labour markets, financial

markets and bankruptcy laws should take account of the way these areas impinge on SMEs and innovation in knowledge-based economies.

- Ensure the reduction and simplification of administrative regulations and costs which fall disproportionately on SMEs. Take account of SME views during the regulatory process; require regulatory agencies to prepare Small Business Impact Statements; establish one-stop shops for regulatory information and transactions; and promote the use of e-government tools.
- Promote an entrepreneurial society and entrepreneurial culture, in particular through education and training. Integrate entrepreneurship at all levels of the formal education system and ensure access to information, skills and expertise relating to entrepreneurship via “lifelong learning” programmes for the adult population. Promote the diffusion of training programmes by stimulating the private market’s supply of such services and providing hands-on focused courses.
- Integrate the local development dimension into the promotion of entrepreneurship. The roles of sub-national authorities in the promotion of entrepreneurship are of paramount importance and should be defined and coordinated with central governments, as appropriate for each country.
- Ensure that programmes in support of SMEs and entrepreneurship are realistic in terms of cost and are designed to deliver measurable results. An evaluation culture should be developed to ensure that programmes are systematically monitored and assessed for their performance in achieving objectives and for their cost-effectiveness.
- Strengthen the factual and analytical basis for policymaking so that policy makers can take decisions in an informed manner based on empirical evidence. A strengthened statistical base will permit cross-country comparative

analysis and policy-relevant longitudinal studies. An internationally comparable set of indicators should be developed for monitoring the level of entrepreneurial activity and the entrepreneurial environment in each country.

CONCLUSION

These factors indicate the current the outlook of the world economy towards the investments in India. The Government of India has always given top priority to the Indian SMEs, leading to their growth and have contributed heavily to the growth of the Indian economy. The government too has introduced incentives for the SMEs in order to make them competitive in the international markets. In order to enable SMEs get easy access to the finance, government has also introduced priority sector lending and has made mandatory on the domestic and foreign banks to lend 40% and 32% of their Net Bank Credit (NBC) to the SMEs. The opportunities exists for foreign SMEs looking to expand in the Indian market in the field of technology transfer, setting up the new business in the country, obtaining the sub-contracting rights, outsourcing to their Indian partners etc. Thus this study provides a comprehensive review of the four critical factors influencing the growth of Entrepreneurs in the SMEs. The recommendations made in this study provide useful guidelines to entrepreneurs, government, associations, the NGOs and other relevant stakeholders. These would aid in better positioning the significance of these critical factors towards the success of entrepreneurs in Coimbatore.

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