



# A CONCENTRATE ON STARTUP AND ITS EFFECT ON MSME IN INDIA WITH EXCEPTIONAL REFERENCE TO TAMIL NADU

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## ABSTRACT

Micro, Small and Medium Enterprises (MSME) sector has emerged as a exceedingly vibrant and dynamic quarter of the Indian financial system over the last five decades. MSMEs not simplest play crucial function in presenting big employment opportunities at comparatively decrease capital value than massive industries but also assist in industrialization of rural & backward regions, thereby, reducing regional imbalances, assuring extra equitable distribution of countrywide profits and wealth. MSMEs are complementary to massive industries as ancillary devices and this region contributes extraordinarily to the socio-economic development of the usa. MSME zone is the second biggest employment company in our u .S . And it is ideal automobile to gain inclusive and dispensed growth. Ministry of Micro, Small & Medium Enterprises (M/o MSME) envision a vibrant MSME zone by way of selling boom and improvement of the MSME Sector, inclusive of Khadi, Village and Coir Industries, in cooperation with worried Ministries/Departments, State Governments and other Stakeholders, thru supplying aid to current enterprises and encouraging advent of new organisations. This observe has undertaken to check diverse problems referring to SME finance from banks taking the published information and primary information into account, to look at the motives why banks turn away from lending to the world and what are feasible treatments to beautify accessibility of SMEs to financial institution finance.

4568

**Keywords:** SME's, Start-up India, SME clusters in Tamil nadu, SME Finance

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## INTRODUCTION

The Micro, Small and Medium Enterprises Development (MSMED) Act was notified in 2006 to deal with coverage issues affecting MSMEs as well as the insurance and funding ceiling of the arena. The Act seeks to facilitate the development of these firms as additionally enhance their competitiveness. It provides the first-ever felony framework for reputation of the idea of "company" which comprises both manufacturing and provider

entities. It defines medium corporations for the primary time and seeks to integrate the three tiers of these companies, specifically, micro, small and medium.

The Act also offers for a statutory consultative mechanism on the national degree with balanced representation of all sections of stakeholders, specially the 3 classes of establishments and with a massive variety of advisory functions. Establishment of particular



budget for the advertising, development and improving competitiveness of these companies, notification of schemes/programmers for this purpose, modern credit rating regulations and practices, choice in Government procurements to services and products of the micro and small corporations, more powerful mechanisms for mitigating the troubles of not on time payments to micro and small establishments and guarantee of a scheme for relieving the closure of corporation by way of those institutions, are a number of the other talents of the Act.

Micro, small and medium enterprises as according to MSMED Act, 2006 are

**The present ceilings on investment for enterprises to be classified as micro, small and medium enterprises are as follows:**

**MANUFACTURING SECTOR**

Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

**SERVICE SECTOR**

Enterprises	Investment in equipment's
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

**Salient Features of SME Sectors**

1. Instant decisionmaking
  - No notes, no papers, no consultation
  - Gut feeling
- 2 Personal Knowledge
- 3 Personal first hand information
- 4 No time clock for work (0 HRS to 24 HRS)
- 5 Often times –more often than not – everyone in the family is a contributor

described based totally on their funding in plant and machinery (for production corporation) and on gadget for companies offering or rendering services.

Recognizing the contribution and capability of the arena, the definitions and coverage of the Small Scale Industry (SSI) quarter have been broadened considerably under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which identified the concept of “company” to consist of each production and offerings zone except, defining the medium organizations.

tobusiness

- 6 Negligible labour problems: interpersonal relationship between the owners and the employees is intimate

**RESEARCH METHODOLOGY**

**Need of the Study**

To recognize the Avenues of financial succor for SMEs & Startups in India on the subject of



SME clusters in Tamil nadu.

### Objective of Study

1. To find how SMEs and start-ups of contribute to the development of ourcountry.
2. To examine economic crunch and clusters in financing SMEs & startups and the prominent source of financing and problems faced through them and the firms which the entrepreneur are willing to begin and activity which they want to peruse.
3. To study the nature of operations and type of organizations andindustry.
4. To know the Schemes framed by the Government under the MSMESector.

### Data Collection

Both

primary

and

secondary

data will be

used for

this study.

Methods of

data

collection:

1. Primary data is collected through survey techniqueQuestionnaire.
2. Secondary data is collected from Journals, Internet, MagazinesCompany's.

Record Data analysis: Once the data are collected, the information will be coded and appropriate data analytic techniques will be used to obtain meaningful information from the collected data. It involves editing, coding and tabulating the collected data.

**Sample size** –50 Experts

**Sampling technique** -In this study, probability/random sampling technique is adopted.

**Sampling Method** -Simple random sampling is used.

### Simplerandomsampling:

In this approach, each detail inside the population has a known and same hazard of being selected as a pattern. This sampling is high-quality applicable while the generalizability of the findings to the

complete population is the main objective of the study.

### REVIEW OF LITERATURE

#### Courting SMEs (2014)

For a change, the investment banker is having a drink with the small business man. Usually driven by hints of big ticket deals, several i-bankers today are sensing opportunity in small and medium enterprises, better known as SMEs. High-street banks as well as boutique finance firms are exploring opportunity in this space. For instance the private bank, Indusland has recently launched a separate wing to look into investment banking possibilities in the SME segment. Besides, there are boutique players like Keynote with a focus on small cap firms. Others like Edelweiss Capital, Yes Bank and Ernst & Young are getting active in thesegment.

#### Lending to SMEs proving to be attractive entrepreneurial opportunity for startups (2015)

For tens of millions of small corporations in India, hunting for credit score has constantly been a mission. They represent the 'lacking middle' - un-catered to via monetary lenders that could alternatively attain for the top of the pyramid or the bottom. But the center is big. India has approximately fifty seven.7 million small business devices, many of them small proprietorships. A host of startups at the moment are stepping in, offering debt financing and running capital loans to those organizations. Venture and personal fairness, too, are pouring capital into this environment inside the making.

#### Gujarat Chamber of Commerce & Industry (2016)

To help 'Make In India' campaign, the Gujarat Chamber of Commerce & Industry (GCCCI) will take assist of PSUs to restore the closed small and medium organizations (SMEs) in the state."Under 'Make in India', government insists to increase ancillaries of defence and different sectors at home rather than uploading them. If units, which had been shut down for some reasons can be revived, they could contribute to the programme.

#### SME - A SECTOR OF HIGHER GROWTH

4570



SME is thought for its contribution in all round increase of an financial system along with employment technology is continuously increasing, exports and production also displaying increasing course for this quarter. While at micro degree, feedback turned into acquired from entrepreneurs on their common growth charge in turnover and profit all through remaining 3 years.

#### **Profitability of SME Firms**

1. Profit being sole motive of any commercial enterprise organization, pick parameters has taken into sample which has direct bearings on the profitability. These elements also are crucial for bankers while considering mortgage packages of the beneficiaries. Responses gathered from marketers are of qualitative in nature to get impressions of the respondents on decided on parameters of profitability underneath 4 categories which include growth, lower, unchanged and no longer applicable.

2. Almost all factors of fee inclusive of uncooked fabric, labour & staff fee, hobby fees and different running expenses have elevated at some point of last 3 years in majority of SME corporations and sales has additionally advanced in 81% firms except in cases of sixteen% & three% in which it changed into constant and decreased respectively

3. It witnessed that SMEs have flexibility and creativity to quick adopt the opposite possible enterprise proposition. Whilst from banker's view-factor, the diversification in business to be closely monitored thru handholding operations, else there are opportunities of boom within the variety of occasions of finances diversion.

Analysis also reveals that SMEs are less impacted from global meltdown during the last 3 years 2013-16 because the sales had increased in 81% firms despite world faced the recession. Indian economy overcame from the recessionary phase at the earliest without many problems because SMEs dominated economy normally registers sustain able growth.

#### **DATA ANALYSIS**

##### **1. Willingness of entrepreneurs to Start a Business**

As per our research major respondents were of the view to start the medium

category business and rest of the others were willing to start small and large category business.

##### **2. Sector**

Major of our respondent have chosen for manufacturing sector and some of them have chosen services sector.

##### **3. Nature of operation**

We found in our research study that most of the respondents wanted to do perennial and seasonal activity and some few wanted to do casual business.

##### **4. Type of Organization**

Our research depicts that major respondents wants to do business through partnership firm, private limited and proprietary organizations.

##### **5. Problems faced by SME**

Problems faced by the SMEs mainly are non-availability of finance and non-availability of skilled labour.

4571

#### **SCHEMES COVERED UNDER RESEARCH AND FRAMED BY THE GOVERNMENT OF INDIA FOR SME SECTOR:**

##### **1. NATIONAL MANUFACTURING COMPETITIVENESS PROGRAMME (NMCP)**

The Programme pursuits to expand global competitiveness among Indian MSMEs by improving their processes, designs, and era and market get right of entry to. The Programme envisages vast investments toward enhancing the entire fee chain of the MSME region. All the ten additives of NMCP have already been operationalized and are in all likelihood to spur innovation and boom inside the MSME region. These consist of Quality Management Systems and Quality Technology Tools, Design Clinic Scheme, Building Awareness on IPRs, Support for Entrepreneurial and Managerial Development, Marketing Support/Assistance to MSMEs, Setting up of New Mini Tool Room and Lean Manufacturing Competitiveness Scheme. These additives are searching for to introduce the nice elements of commercial competitiveness within the MSME sector, which has often been unable to afford such practices and techniques.

##### **2. CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS)**

CLCSS scheme aims at facilitating technology up gradation of small scale industries, which includes tiny, agro and rural industrial devices, by means of offering 15 percentage upfront capital subsidy institutional finance availed of by them for induction of well-mounted and progressed era in targeted sub -sectors / products accredited beneath the Scheme. The admissible capital subsidy underneath the changed scheme is calculated almost about the purchase rate of plant and equipment. The maximum restrict of eligible loan for calculation of capital subsidy beneath this scheme has additionally been raised from Rs. Forty lakh to Rs. 100 lakh. The modification within the CLCSS hints will in addition facilitate modernization of small scale industries.

### **3.PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME(PMEGP)**

Government of India has authorised the advent of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by way of merging the two schemes that have been in operation till 31.03.2008 namely Prime Minister's Rojgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) for era of employment

opportunities thru establishment of micro enterprises in rural in addition to city areas. PMEGP may be a crucial quarter scheme to be administered by using the Ministry of Micro, Small and Medium Enterprises (MoMSME). The Scheme may be implemented by way of Khadi and Village Industries Commission (KVIC), a statutory enterprise beneath the executive control of the Ministry of MSME as the unmarried nodal enterprise at the National level. At the State stage, the Scheme could be implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs) and District Industries Centres (DICs) and banks

### **SCHEME OF FUND FOR REGENERATION OF TRADITIONAL INDUSTRIES (SFURTI):**

Scheme of Fund for Regeneration of Traditional Industries (SFURTI) was launched in 2005-06 for making Traditional Industries extra productive and competitive with the aid of organizing the Traditional Industries and

artisans into clusters. The Government of India has permitted the revamped SFURTI with modified norms for continuation for the duration of the XII Plan. Initially, within the first segment, 71 clusters could be evolved across the us of a related to an outlay of Rs.149.Forty four crores. Under the twelfth Five Year Plan it's far proposed to soak up 800 clusters with funding from the Government of India and Asian Development Bank.

The time body for the implementation of the mission for each cluster may be three years and the investment pattern under the scheme has provision for smooth interventions including skill training, capacity constructing, design development, and so on. Difficult interventions inclusive of Common Facility Centres, Raw Material Banks(RMB), schooling centres, and many others. And pass reducing thematic interventions which encompass logo building & advertising, information media advertising, e-trade, innovation, R&D tasks and growing linkages among clusters.

In addition to Khadi and Village Industries Commission and Coir Board as Nodal Agencies for Khadi and VI clusters and coir primarily based clusters respectively, the remodeled SFURTI also affords for engagement of reputed country wide/ regional level establishments with sectoral information in the primary sub-sectors of the traditional industries, as Nodal Agency.

The scheme also provides for enticing the offerings of reputed countrywide/ regional degree establishments with confirmed knowledge in artisanal and small business enterprise cluster traits as Technical Agencies to offer handholding and implementation support to the SFURTI clusters.

### **Awareness of Scheme**

We found in our study that many of the respondents are aware of the only one scheme provided by the Government and awareness of the other available schemes is less.

### **FINDINGS**

We have blanketed some of the SMEs and Start-up in our examine/research. The reason of Findings is to offer a concise, clean precis regarding the topic given to us. Below mentioned are the findings determined at some point of the direction of our research.



-Emergence of various SMEs and Start-ups. In the Indian marketplace have created environment each at the National & nation level for marketers to begin the various companies. They depict the significance of the various manufacturing & provider sector at special levels.

-Regarding the Tamil Nadu vicinity, the existence of the diverse SME cluster has been discovered as regards to monetary crunches confronted by way of the various SMEs.

-Our finding is that the younger marketers need to do business via carrier quarter due to to be had boom inside the service region with the assist of Government of India's Start-up – make in India initiative.

-Our finding is that the SMEs are very vital for development of any financial system as it facilitates in technology of employment and reshaping effective sectors however they go through issues due to non-availability of finance & non availability of skilled labour at lower priced fee.

#### **SUGGESTION**

After the detailed study of the research, we can form some of the suggestions to provide the proper and required financial help to SME clusters and Start-up enterprises:

Government of India along with the State Governments should take initiative and conduct various programs to make people aware about the various Schemes provided by the Governments to SMEs and SME cluster.

As the SMEs are a major player in the development of the economy of the country, Banks and other sources should provide the finance at cost effective manner according to the need of the various sectors of SME cluster.

As Startup scheme is a fully online facility, so government of India should provide internet facilities to all the remote areas of the Nation so that entrepreneurs get their innovation implemented through their own places.

#### **CONCLUSION**

The survey had fourteen questions. The file has been closed questions. Number of respondents have been 38 out of fifty. Overwhelmingly the responses have proven a tremendous attitude to the questions asked. Although SMEs is a higher increase region alongwith imparting employment possibilities

but it lacks in obtaining finance from the Government Departments, Banking Sectors, Financial institutions and so on. And also monetary making plans, limited understanding, lack of ability labour, Ineffective advertising Credit policy, no longer adoptability of new era, non-stop modernization.

SMEs clusters plays a crucial function in general manufacturing output in decided on products of India for instance, the Auto Components cluster of Thoothukudi . However, the general public of Indian clusters, mainly within the handicrafts zone, are very small with out a more than hundred employees, so specialized that no other region in the global matches their competencies and the excellent of their output. But simplest few clusters are globally competitive.

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