SMALL SCALE ENTREPRENEURSHIP IN INDIA

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ABSTRACT

In a developing country like India, Small Scale Entrepreneurship plays a significant role in economic development of the country. These industries, by and large represent a stage in economic transition from traditional to modern technology after globalization. The variation in transitional nature of this process is reflected in the diversity of these industries. Most of the small scale industries use simple skills and machinery. Besides playing economic role in the country, small scale industries, because of their unique economic and organizational characteristics, also play social and political role in local employment creation, balanced resource utilization, income generation and in helping to promote change in a gradual and peaceful manner. The study of entrepreneurship is essential not only to solve the problem of industrial development but also to solve the problems of unemployment, unbalanced areas development, concentration of economic power and diversion of profits from traditional avenues of investment. In this backdrop, the present study attempts to get insights to review, in brief, the evolution of the concept of entrepreneurship, the definition of small scale enterprises and also to study the small scale entrepreneurship in India.

Keywords: Entrepreneurship, Entrepreneur, Small Scale Industry, India, Economic Power, and Development

1. INTRODUCTION

At a time when Indonesia is experiencing an economic crisis, small and medium enterprises (SMEs) showed its ability to survive the encounter a situation that caused a lot of big businesses went bankrupt. With the number of large (approximately 99%) the movement of the small and medium business sector analysis can strengthen the country's economy, soaking up labor and improve the people's welfare, but in fact it is not. Many SMEs that are not able to thrive despite the programs and help the government to encourage its growth has been carried out, thus causing its business performance is low (Octavia et al., 2013). Cannot be denied that to be able to successfully a business must have a high business performance. Success of a business can be measured from the high or low level of business performance (Westerberg and Joakin, 2008). Most of the SMEs in Indonesia have a low business performance and it is difficult to develop into a major business. One of the causes of the difficulty to thrive is mostly SMEs do not yet have access to banking finance (Octavia, 2013). Ginta (2014) mentioned the problems often faced by SMEs in Indonesia among other weak capital and market access. Problems of market access is a classic problem for SMEs. Not only are associated with weak information about markets, but included also weak product innovation, resulting in less demand by the market. This shows that small and medium

entrepreneurs are not yet fully market-oriented. Many researchers who found that market-oriented company has high business performance, among others, Kohli and Jaworski (1990), Deshpande and Gerald (1993), Bhuian and Gader (1997), Matsuno et al. (2002), Ali et al. (2005), Matanda and Ndubisi (2009), Asgar et al. (2013), Moghaddam et al. (2013). Cultural orientation in the market include strategic measures to create the most value for customers and oriented towards actions of competitors as well as having strong coordination functions performed within the company (Kohli and Jaworski, 1990; Cadogan and Dimantopaulus, 1995; Kotler and Clarker, 1996; Cravens, 1997).

There is some perspective on the orientation of the market i.e., (1) the perspective of the strategic approach, (2) a decision- making perspective, (3) customer orientation, perspective (4) perspectives of market intelligence, (5) cultural perspective (Teck, 2012). Some research results have proved the existence of a strong relationship between market orientation with performance (Matsuno et al., 2002), while other research results do not support the existence of a positive relationship between market orientation with organizational performance (Han et al., 1998; Jaworski and Kohli, 1990). The difference of this view point out that the implementation of the orientation of the market to increase business performance is not always positive, although some empirical results found otherwise.

Business performance is an indicator of the success of an undertaking (Westerberg and Joakin, 2008). There are several factors that may affect directly or indirectly against the performance of the business. Entrepreneurial orientation (entrepreneurial orientation) is an important factor in influencing business performance in addition to other factors. There is a positive relationship between entrepreneurial orientation towards business performance (Hermann, et al, 2010; Ginta, 2014). Together with the management capabilities and business strategies, entrepreneurial orientation can improve business performance is believed to be small medium enterprises (Ibrahim, 2013). Basically the key to support the efforts of fostering entrepreneurship in small and medium-sized employers are from innovative, proactive and risk taking ability (Kreiser and Davis, 2010).

One of the efforts made by the Government to form a market- oriented entrepreneurial culture is to provide management and technical assistance to small medium enterprises in the form of entrepreneurial training. Alasadi et al (2015) stated that the entrepreneurial training can improve the UMKM business performance. Entrepreneurial training has a positive relationship towards the competence and performance of the business (Eikebrokk and Olsen, 2009). Although capital flows pretty much to the SMEC, however if not followed by construction especially in utilizing such assistance, then the SMEC will likely not succeed. Through its entrepreneurial training will help improve the capability of the entrepreneurial management. According to Putha (2014) entrepreneurial training has the ability and expertise in the areas of management (management skill) compared to self- employment that does not follow the training.

Small and medium business in Indonesia has a special characteristic, there is even a group again called micro enterprises. The division of this group based on certain criteria, among others, net worth and results of annual sales. Micro businesses are businesses that have a net worth a maximum of Rp. 50 million not including land and building businesses. Further results of the maximum annual sales of IDR 250 million. While small businesses in Indonesia have sale proceeds between the criteria of Rp 50 million up to IDR 250 million. Further sales results have years of Rp. 250 million- until Rp 2.5 billion. From the aspect of local wisdom, products produced by SMEs is a cultural based products such as handicrafts typical of certain areas. The

uniqueness of this being one attraction that actually have value to offer to the market. The challenge for SMEs is the uniqueness of offering something of value and make people want to buy. The capability exists if SMEs have the entrepreneurial orientation and the orientation of the market.

 Based on the background then the purpose of this research is to analyze:

   a.   The influence of entrepeneurial orientation and market orientation towards business performance of micro, SMEs
   b.   The influence of market orientation on performance business micro enterprises, SMEs
   c.   Influence of entrepreneurship and management skill training on performance business micro enterprises, SMEs.

2. LITERATURE REVIEW
2.1. Marketing Orientation

According to Cravens (1997) the orientation of the market (marketing orientation) is to collect consumer values and processes continuously to create the highest value for buyers. Cadogan and Dimantopoulus (1995) defines the orientation of the market as the orientation towards the customer, the alignment orientation of a competitor, the coordination function and the orientation of the profit. Kotler and Clarker (1996) defines the orientation of the markets is to develop managerial processes and maintains between the objectives of the Organization, expertise and resources as well as changes in market opportunities. Referring to Kohli and Jaworski (1990) the market orientation is an organization wide generation of market intelligence or customer information on current and future customer needs, dissemination of information, that across the departments and organizations wide responsiveness to it.

There is some perspective on the orientation of the market i.e., (1) the perspective of the strategic approach, (2) a decision-making perspective, (3) customer orientation, perspective (4) perspectives of market intelligence, (5) cultural perspective (Teck, 2012). Some research results have proved the existence of a strong relationship between   market   orientation   with performance (Matsuno et al., 2002), while other research results do not support the existence of a positive relationship between market orientation with organizational performance (Han et al., 1998). But in general the results of the study to test causal relationships between market orientation with the performance of the organization gives the conclusion that the market orientation has an impact on organizational performance (Bhuian and Gader, 1997; Despandhe and Gerald 1993; Jaworski and Kohli, 1990; Matsuno et al., 2002). Entrepreneurial orientation and the orientation of the market has a positive relationship towards the performance of the organization (Felgueira and Ricardo, 2012).

Verhees and Maulenberg (2004) found there is a relationship between market orientation, innovation and business performance. This research is also in line with Moghaddam (2013). While Harris et al. (2014) found to generate high business performance SMEs should focus to the internal environment and has the HRs that have high experience. Build high-quality companies that are also the characteristics of the market-oriented company. Its application through a process and demands the cooperation of various parties that exist in the organization. According to Kotler and Clarke (1996) the market orientation has five main attributes that is the philosophy of consumer marketing   organizations, integration, information marketing, strategic orientation and operational efficiency. Measurements against the market orientation has been developed by Kohli et al. (1993) called MARKOR covering intelligence generation, intelligence dissemination and responsiveness. The higher the market orientation

of an organization, then the higher the performance that was able to be achieved (Ali et al., 2005; Matanda and Ndubisi, 2009; Felgueira and Ricardo, 2012; Asgar et al., 2013). Hafeez et al. (2011) declaring the market orientation and the orientation of the entrepreneurial business can improve the performance for SMEs. Based on the observation of market orientation of many studies that focus on the strategic environment in developed countries, very few of which conduct research on developing countries especially to SMEs. Thus required a lot of testing on the orientation of the market based on Asia-Pacific perspectives (Teck, 2012).

2.2. The Entrepreneurial Orientation

Improving the management capabilities of self-employment through entrepreneurial training (Putha, 2014). Entrepreneurial training has the ability and expertise in the field of management compared to the entrepreneur who does not follow the training. This is in line with the opinion Alasadi and Al Sabbagh (2015) that with training in the field of management then employers will be better able to improve the performance of its business. Training is a systematic planning and action to enhance skills and capabilities through learning to improve performance. Traditional training programs focus largely to increase entrepreneurial souls but few who try to touch the management activities as part of a training program. The characteristics of the personality shown as his expertise is one of the factors in improving business performance (Krueger, 1998). Skills management is the ability of a network to develop entrepreneurial, take the initiative, make decisions, take advantage of opportunities, innovative, able to solve problems and strategic thinking. Eikebrokk and Olson (2009) stated there is a positive relationship between training, competence and performance of the business. Altinay and Chaterine (2011) declaring the much needed education and training especially to find out what is wanted and needed by consumers. Gheorghe (2013) stated the entrepreneurial orientation and basic learning in the field of marketing (training) will affect the company's ability to innovate. Even the environment is variable between entrepreneurial orientation and performance (Milavanovic and Zoran, 2014). To improve the performance of the business management skills required can be obtained through the entrepreneurial training (Figures 1 and 2).

3. RESEARCH METHODS

Figure 1: Conceptual framework
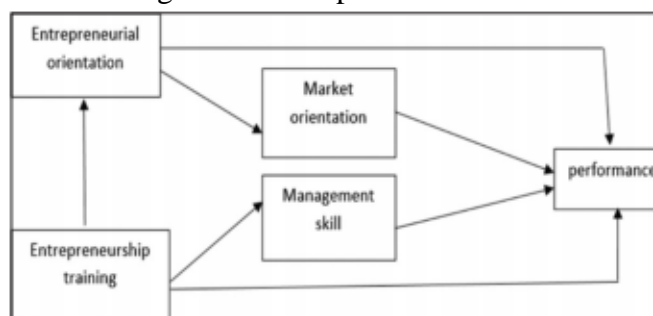
Primary sourced data capture from the owners of SMEs that are located in the province of Jambi, data retrieval is done by means of dissemination of the questionnaire, interviews to the perpetrators of the SMEs and conduct observation of the behavior of SMES. The instruments used are questionnaire. The scale of measurement using the likert scale of five

numbers. Secondary data is sourced from government and non government agencies, particularly agencies that have community empowerment programmes, cooperatives and SMEs as small medium enterprises and Cooperative Agency of Jambi province, Planning Board Pembangangunan Area and the Central Bureau of Statistics the province of Jambi. Secondary data include data on the number and development of SMES. The data used in this study includes primary data and secondary data with data collection techniques include: (1) The spread of questioner, this technique is used to take research data that has not been published, (2) the study of Librarianship. This technique is used to collect the data in a secondary that has been published from both research results and supporting data that are relevant to research. This secondary data source obtained through electronic journals, a journal published by the institution, the electronic library and library institutions, internet as well as research results are not published. To achieve the research objectives then used the structural equation modeling (SEM) analysis tool. Hair (1998) proposed the stages of SEM and analysis into steps as follows:

3.1. Development of Model Based Theory

SEM based on the kasualitas relationship, where changes in one variable is assumed will result in changes in other variables. The relationship kasualitas can mean a relationship between two variables that are assumed by researchers lies in theoretical justifications to support the analysis. So it is clear that the relationships between variables in the model is the deduction of the theory.

3.2. Draw Up a Diagram of the Path and the Structural Equations

There are two things that are done that is compiling the structural model that is connecting between the latent good endogenous or invalid constructs exogenous and compiled a measurement model that is connecting the endogenous or exogenous latent invalid constructs with indicator variables or manifest.

3.3. Select the Type of the Input Matrix and the Proposed Model Estimation

The correlation matrix in structural equation is a variant standardized/covariant. The coefficient obtained from the correlation matrix of the form standardized unit equal to theregression equation on the beta coefficient and its value in the range -1, 0 and $+$ 0. The magnitude of sample size provides the basis for mengestimasi sampling error. With the model estimation using maximum likelihood (ML) minimum required 100 samples. Estimation of structural equations model engineering is done by ordinary least square regression, but the dwarf is replaced by ML estimation and weighted least squares, generalized least squares and asymptotically free distribution.

Figure 2: Model significance of relationships between variables
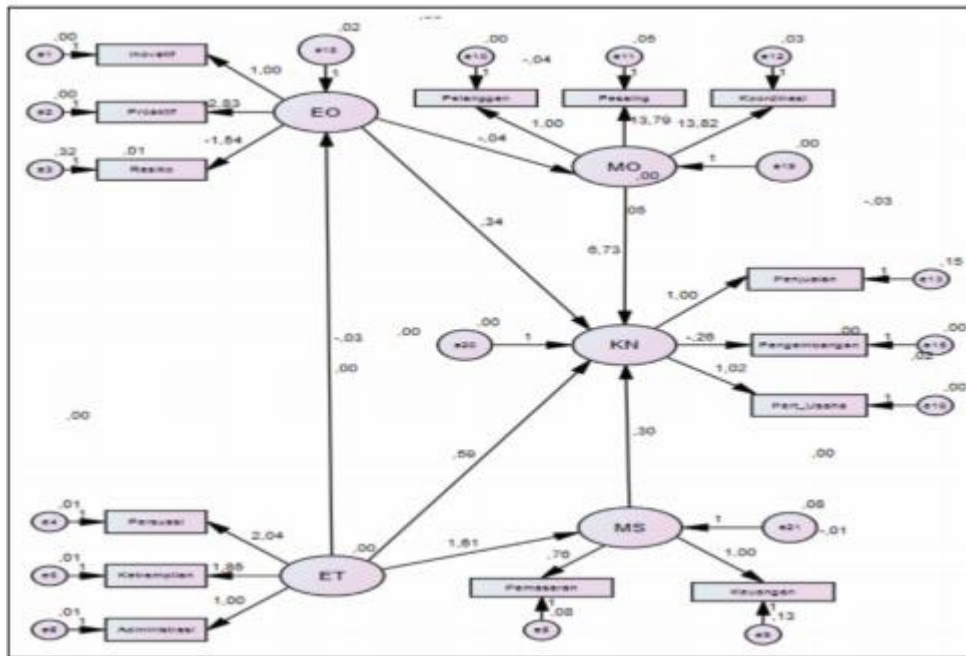
3.4. Assess the Structural Model Identification

The identification of the structural model encompassing three things, namely (1) the magnitude of the sum of the coefficients being estimated relative against the number of covariant or correlation, (2) the use of the reciprocal influences between invalid constructs and (3) set the value of the fix on a scale of invalid constructs.

3.5. Judging Criteria of Goodness-of-fit

The steps that must be done before assessing the feasibility of a structural model is assess whether the data to be processed by the SEM assumptions meet. There are three basic assumptions as well as on the dwarf multivariate that must be met to be able to use the SEM, namely: (1) The observation data independent, (2) the respondents taken as a random and (3) have a linear relationship. SEM is very sensitive to the characteristics of the distribution of data in particular multivariate normality distribution in violation of or the existence of a high kurtosis (kemencengan distribution) in the data. For it before the data processed must be tested in the past there was not an outlier data and normal data distribution should be normal in multivariate. After the assumption of SEM was filled the next step is to see whether or not there is an estimate that is offending the estimated coefficients in both the structural model or models of measurement value is above the limit.

4. RESULTS AND DISCUSSION
4.1. Market Orientation and Business Performance

Verhees and Maulenberg (2004) as well as Moghaddam (2013) found there is a relationship between market orientation, innovation and business performance. Testing conducted in this study do not support the second opinion that, where the influence of market orientation and performance shows the value of the P value is significant at alpha 0.078 value 0.5. While Harris et al. (2014) found to generate high business performance of SMEs

should focus to the internal environment and has the HRs that have high experience. This is a contradiction with the earlier statements that emphasize on the factor of market orientation. In the study of Octavia (2006) found that HR factors affecting business performance indirectly through market orientation. In this capacity include the HRs workforce on the training that was provided to governments and other institutions/agencies strongly supported the improved business performance against the SMEs.

Building a high-quality company that is characteristic of a market- oriented company. Its application through a process and demands the cooperation of various parties that exist in the organization. According to the results of previous research the higher the market orientation of an organization, then the higher the performance that was able to be achieved (Ali et al., 2005; Matanda and Ndubisi, 2009; Felgueira and Ricardo, 2012; Asgar et al., 2013). Hafeez et al. (2011) declaring the market orientation and the orientation of the entrepreneur can improve business performance for SMEs. But not in Indonesia, based on the observation of market orientation of many studies that focus on the strategic environment in developed countries, very few of which conduct research on developing countries especially to SMEs (Teck, 2012). The results of the research on SMEs shows that there was no influence between market orientation towards business performance (P = 0.078). This result contrasts with the results of previous research tha says that there is a significant influence on performance of the business. The difference in results is not only due to the difference of the object of research. Indeed most of the research that found there was significant influence the orientation of market-business performance was done on large industry. This type of industry has adopted the concept of market orientation, such as market orientation and the orientation of the competitor as well as a coordination function, while for small business strategy has not been a focus to customers and competitors. 32-47% stated that businessmen to form the market orientation, there are three main factors, namely the orientation to customers, competitors and coordination functions. As many as 59% of business owners and founders stated that market orientation is important for improving business performance. However, these results provide the fact that most SMES do not have a market-oriented culture. This is supported by the observations that SMES lack the motivation to win the competition. Product in create a potluck, lack of innovation, not according to the tastes of the market and rely on the government's role for marketing its products.

Not conducted market analysis and target market becomes the cause of a lack of cultural orientation to the market. This condition becomes cause factor there is no relationship between market orientation and business performance. Based on the test there is no influence between market orientation towards business performance. Thus the hypothesis that states there is significant influence market orientation towards business performance is not proven.

4.2. Entrepreneurial Orientation

Most of the respondents argue that the high business performance highly profitable businesses and be the deciding factor in the success of the effort. A lot of SMEs that are not able to maintain the viability of its business due to its inability in maintaining the level of sales. Defensive strategy is an option most of the SMEC, so they are very dependent on the help of the other party (government) to market its products. The weakness of the SMEs lies in their inability to gain market access. The resulting product stack up can't be sold because they rely solely on orders, the bit that uses the strategy offensive.

Business performance is a benchmark of the success of an undertaking (Westerberg and Joakin, 2008). Performance can be known only if the individual or group of individuals that have had success criteria that have been set. This success criteria in the form of objectives or specific targets to be achieved. According to McDowell et al.(2009) there are several factors that make up the performance of the business trust, dependency, information about the quality of the product and the ability to improve quality continuously.

The results of this research found there was a significant influence on entrepreneurial orientation to business performance. Thus the hypothesis 1a states that there exists a significant influence entrepreneurial orientation towards business performance are met. The higher the level of entrepreneurial orientations then the higher business performance will be achieved, the results of this research provide support in finding Kreiser and Davis (2010) as well as Mahmood and Hanafi (2013). The research also found that there is an influence of the entrepreneurial orientation towards market orientation. Thus the hypothesis 1b which states that there is influence entrepreneurial orientation towards market orientation are met.

Entrepreneurial orientation indicators used in this study were three that is innovative, proactive risk and courage. Unlike the Islam et al. (2011) that measures entrepreneurial orientation into five dimensions i.e., autonomy, innovation, daring to take risks, to act proactively, and aggressive in competing. Autonomy is the act of an individual or a team that carries ideas or new vision and strive to achieve it. Innovation is defined as the tendency of companies to enable and support new ideas, experiment, and the creative process that may be in the form of new products, new services, or process technologies. Dare to take risks was the courage of the businessmen to take the risk of any decisions taken. Acting proactively is the courage of the perpetrators of the attempt to take action to confront the problem in the future, needs, or changes that may occur. Aggressive in competing is the courage of the businessmen to open up new markets and try to much success. The fifth dimension is becoming a single entity within entrepreneur and later became a guide of action for entrepreneurs.

Entrepreneurial orientation dimension used in this research is almost similar to Fairoz et al. (2010), in which the author finds the same factor that is innovative, responsive, proactive and courage taking risks is the dimensions of the entrepreneurial orientation. Shehu and Mahmood (2014) stated the entrepreneurial orientation factors and business environment is a factor that affects business performance. According to Mahmood and Hanafi (2013) through the entrepreneurial orientation, the leadership will be able to take the company achieve better performance. These results are also consistent with the research of Ramo and Busatlic (2015). Entrepreneurial orientation positive effect on performance of the business (Hermann et al., 2010; Tang and Jintong, 2012; Ginta, 2014; Mahmood and Hanafi, 2013; Fairoz et al., 2010). The higher the higher the entrepreneurial orientation the orientation of the market which will ultimately improve the performance of organizations (Felgueira and Ricardo, 2012). Even the business characteristics and gender is a factor that also affects business performance (Alowaihan, 2004).

Researchers are focusing on the orientation of the entrepreneur agree that attitudes to entrepreneurship should tend towards innovative, proactive and dare to take risks. Entrepreneurial orientation into mediation variables between business strategy and business performance (Ibrahim et al., 2013).

5. CONCLUSIONS AND SUGGESTIONS

Partial test found that there was a significant positive relationship orientation relationship of entrepreneurship and entrepreneurial training orientation towards the market. Empirical test results support the hypothesis that there are significant and positive influence on entrepreneurial orientation towards market orientation. Testing against a market orientation and business performance shows that there was no influence between the two variables. To improve the competitiveness of the SME's needed three parties work together, namely the government, the private sector and strengthening the performance of SME's. The government should formulate programmes geared to strengthening the competitiveness of SME's. These programs not only provide assistance related to the equipment, technical and management, but also strengthen the motivation in SME's to thrive in particular oriented to the desire shown by the market. For example, the requirement to produce the modern motives, yet still being able to maintain the characteristic.

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