

Risk Management in Micro, Small and Medium Enterprises (MSMEs) in India: A Critical Appraisal

Neha Yadav

Counsellor, Email - rajeev.immiglobalservices@gmail.com

Abstract: *The part that Micro, Small and Medium Enterprises (MSMEs) play, both in developed and non-developed nations, can't be over underlined and in this way their reality and endurance involves concern for the arrangement producers as well as for the scientists. Huge number of MSMEs die the same year that they are set up. The flow research was taken up to see how MSMEs deal with their danger and whether endeavor hazard the board is fundamental for endurance and reasonable advancement of MSMEs. The goal of the paper is to comprehend the particular idea of the MSMEs which make them defenseless, investigate the different dangers defied by MSMEs, see how the MSMEs deal with their danger, comprehend 'Venture Risk Management' and its segments and investigate the significance of 'Big business Risk Management' for the endurance and reasonable advancement of MSMEs. The outcomes show that MSMEs by excellence of their size, insufficient assets and confined skill by and large face wide-going dangers. In MSMEs the administration of danger is amassed in the possession of the proprietor chiefs and there are no foundational linkages between the arranging and danger the board. Hence, this investigation focuses on the requirement for coordinating a successful undertaking hazard the executive's framework with arranging and organization inside the MSMEs, to stay away from deadly outcomes.*

Key Words: risks, risk management, enterprise risk management, sustainable development.

1. INTRODUCTION-

Most business choices are done under states of vulnerability. This implies that there is some vulnerability and arbitrariness in the improvement of conditions for the business exercises, during these exercises, and furthermore in their outcomes. On the off chance that we can measure the probability of redirections of genuine cycles and results from the normal level, we talk about danger. Subsequently the danger is measured vulnerability. (Fetisovová et al., 2012) Business hazard has a perplexing structure since it includes numerous interrelated halfway dangers. Fetisovová et al. (2012) partition the enterprising danger on: essential dangers, operational dangers, monetary dangers, social-political dangers and notoriety hazards. As indicated by Hnilica and Fotr (2009) business danger can be considered as the likelihood that genuine out-happens to the business movement will contrast from foreseen results, while and these deviations might be attractive (organization accomplish higher benefits than arranged) or unfavorable (organization endures misfortune rather arranged benefit); the greatness of the variety might be variable. The creators order the dangers as creation hazards, monetary, market, monetary, credit, administrative, political, ecological, staff, data danger, and power majeure. Lusková, Hudáková and Buganová (2013) have the comparative order of the business chances. Endeavors that efficiently oversee key dangers can dispose of these dangers with fundamentally higher achievement rate than organizations that don't have characterized runs and organized way to deal with hazard the board. The organizations with a thorough Enterprise Risk Management, which is ordinary particularly for enormous and medium-sized endeavors, deal with those dangers at the most effective way. Less precise specially appointed methodology is common for independent ventures, while the greater part of them accomplishes unremarkable outcomes (Hudáková, 2013; Belás et al., 2014).

2. RISK MANAGEMENT IN MSMES:

For the most part, MSMEs have been characterized as high risk adventures with next to zero design for overseeing chances. As indicated by Federation of European Risk Management Associations (2002) MSMEs were the same as different associations, however their sizes made them helpless against risk, and they once in a while have satisfactory assets to utilize devoted risk the executive's experts. Mwaniki (2006) in the investigation uncovered MSMEs had frail danger evaluation and the board techniques set up. Frequently MSMEs had absence of business records, deficient staff preparing, and absence of important abilities for good dynamic, insufficient abilities to oversee chances. Ingirige et. al., (2008), saw that MSMEs particularly experienced lack of foresight, helplessness to income unsettling influences, absence of capital for recuperation, ineffective associations with public offices, infra-structure issues, nearsighted attitude and hierarchical culture and admittance to specialized skill to handle apparent openness to hazard.

3. ENTERPRISE RISK MANAGEMENT:

As organizations develop so do the dangers. Subsequently, associations need to adjust a coordinated methodology of danger the executives to moderate danger. The idea of 'Big business Risk Management' was created during the 1990s (David, O. and Desheng, W., 2008) to meet the prerequisite of business development and danger the board. Stephen, D. (2001) separated the Casualty Actuarial Society meaning of 'Big business Risk Management' as: The cycle through which business substances in various areas can quantify, oversee, endeavor, account and screen hazards from all sources, to build the estimation of investor stake in business. While conventional danger the executives thinks about danger as unmistakable danger, 'Undertaking Risk Management' sees chances with regards to by and large business system, and promoters to distinguish, measure, react to and forestall or screen dangers and vulnerabilities. Generally hazard the board centers around scaling back the potential misfortunes from hazard occasions, while 'Endeavor Risk Management' urges the executives to distinguish chances with both the chance of inborn increase and likely unfriendly effect (Investopedia, 2013). The two most notable 'Endeavor Risk Management' systems incorporate one by Casualty Actuarial Society (CAS) and the other by Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Casualty Actuarial Society conceptualized 'Undertaking Risk Management' as a way to build the estimation of an association and the cycle of 'Big business Risk Management' was represented by the idea of danger: hazard risk, monetary danger, operational danger and vital danger (CAS, 2013). COSO's 'Endeavor Risk Management' structure is a lot of complete in nature and contains eight interrelated parts which should be coordinated in the administration cycle to guarantee viable and effective utilization of assets, bringing about monetary benefit alongside consistence of laws and guidelines.

4. CHALLENGES FACING THE MSME SECTOR IN INDIA CAUSING SICKNESS AND BUSINESS FAILURE:

The MSME area, regardless of its conspicuousness in the Indian economy, experiences various shortcomings. Considering three measuring sticks to gauge infection in the MSME area in India, i.e.

[A] Delay in reimbursement of advance more than one year,

[b] Decrease in net worth by half and

[c] decrease in yield in most recent three years, about 14.47% of the enlisted MSME units were distinguished to be either wiped out on insipient debilitated (Quick Results, Fourth All India Census of Micro,

Little and Medium Enterprises 2006-07, Government of India, Development Commissioner (MSME), Ministry of Micro, Small and Medium Enterprises).

The board issues were distinguished to be one of the variables causing such disorder. Such discoveries have been supported by the investigations of different researchers (Misra and Nayak 2008, Panda and Meher 1992, Mathur 1999, Bhat 2000, UNIDO-CDP, Ghalla Bhansali Stock Brokers Pvt Ltd., 2009).

Studies did by the previously mentioned researchers recognize the accompanying nonexclusive variables to be upsetting the advancement of the MSME area in India and in some different nations too. The variables have been masterminded arranged by significance which has been founded on the quantity of studies recognizing them.

5. EXTERNAL FACTORS TO THE ORGANIZATION:

Lacking and postponed monetary backings by banks

- Absence of smooth and convenient stockpile of crude materials
- Power deficiency
- Inadequate infrastructural uphold
- Uncongenial government approaches

Factors Internal to the Organization

- Innovative and administrative inadequacy
- Insufficient data base
- Inappropriate monetary administration including reserve broadening
- Out of date innovation, defective creation strategies and inappropriate limit use
- HR related issues including flawed enlistments and high work turnover
- Advised showcasing the executives
- Flawed Planning
- Improper Product Mix
- Flawed Demand Analysis and Forecasting
- Suspicious trustworthiness of business visionaries
- Inconsistent constitution of business

6. THE GAP IN THE TRADITIONAL APPROACH FOR EMPOWERMENT AND DEVELOPMENT OF THE MSME SECTOR IN INDIA:

As has been brought up before, MSMEs in India are overwhelmingly restrictive in nature and as a characteristic continuation, are powerless against the related issues. In this way, the enterprising characteristics of the proprietors of MSME units are critical for economical advancement of the particular units. The business visionary of MSMEs needs to assume numerous parts in their separate associations. They must be visionaries, organizers, pioneers and administrators. As lion's share of the MSMEs in India are ownership constitutions, associations being a removed second, legitimate structure for administration of such associations is additionally absent. The zone of giving preparing to the business visionaries of MSME units in India, both existing and potential, about the fundamentals of danger evaluation promotion the executives is still to be given its due significance. An appropriate structure for giving preparing to the business visionaries of the MSME units in India, both existing and potential, about the essentials of distinguishing, appraisal and the executives of danger factors as relevant to their individual associations, is inadequate.

6. CONCLUSION:

MSME units have a noticeable presence in the Indian economy and can possibly add to the financial advancement of the country. Aside from commitment to GDP, business age and fare acquiring, MSME units can eliminate pay disparity and territorial lopsided characteristics in industrialization. MSME units being a characteristic natural surroundings for business visionaries, has the potential for outfitting the inert ability accessible locally for creating merchandise and enterprises required by the general public. Be that as it may, MSME units, with their characteristic limits of low value base, tight based administration with lacking administration abilities, little size, restricted assets and obliged utilizing limit, are defenseless against different danger factors which are inescapable, all the more so in the current time of hyper serious market situation and quick dynamism in business climate. To be better prepared to counter the danger factors and have a superior potential for success of enduring an unfriendly circumstance, MSME units needs ERM to be tied indistinguishably with their business techniques. ERM is subsequently an essential apparatus in the possession of MSME units to acquire upper hand which is fundamental for endurance and progress in the present hyper-serious and exceptionally powerful business situation and in this manner for adding an incentive for its investors.

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