

A study on problems and challenges faced by micro small and medium enterprises: A special reference to manufacturing sector in Coimbatore district

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Abstract

MSMEs, as a major contributor towards growth of domestic economy and employment generation, should get adequate support in terms of policy framework, incentives and other relevant aids. There are 35 million enterprises in various industries, employing 69 million people. Together, these account for 45% of the industrial output and 40% of the exports. Although 95% of Micro, small and medium enterprise units is informal in nature, the contribution of the sector to India's GDP has been growing consistently at 11% per annum, higher than overall GDP growth of 7-8%. Nationwide, Micro, Small and Medium enterprises (MSMEs) have been acknowledged as the engine of economic acceleration and for promoting unbiased progress. The finest benefit of this sector is employment generation for the development of Indian Economy by increasing of standard of living of the people. In this background researcher made an attempt to study the role of Small, Micro and Medium Enterprises in inclusive growth of Indian Economy. Steps like providing infrastructure facilities, developing various industrial parks and technology incubators under MSME cluster development programmes, creating networks of organizations that help provide training to skilled workforce to improve productivity, encourage entrepreneurship and competency in management, funding R&D investments, technology advancement may work for the betterment of the sector. This paper focuses on the prospects of MSME and the major challenges for sustained growth.

Keywords: MSME, R & D, HRD

Introduction

For a developing economy like India which is often faced with chronic problem of unemployment and severe foreign exchange crunch, sustained development of tiny and small firms offers an idea opportunity and a real challenge. It also holds the promise of fulfilling the cherished goals of planners. The generation of adequate employment is to achieve near full employment by the turn of this century.

Objectives

- To study about the scenarios of MSMEs in Coimbatore District.
- To study on major challenges are faced by Micro, Small and Medium Enterprises.

Research methodology

The present study based on both primary and secondary data. The primary data are collected through the personal discussion with manufacturing sectors owner. Secondary data are collected from the annual reports published by the MSMEs and various national and International Journal. The study covers the period from 2013 – 2016. The Study concentrated from one region in Tamil Nadu i.e. Coimbatore District. The sample size was 25.

Tools for Analysis

The data collected through primary sources. The tools used for the analysis were as Chi-square analysis and ANOVA

Review of literature

Ernani Hadiyativ (2015) ^[1], examined there are several ways to measure the success of the government's role in the empowerment of MSMEs. The success is the development of national and local economics performance through Gross Domestic Product and Gross Regional Domestic Product, generating employment and contributing to the revenue of non-oil exports.

Ashu Katyal and Betsy Xaviour (2015) ^[2], endeavored to analyze the current status of HR operations in MSME, find out the contribution of MSMEs in economic development of the country, challenges confronting by MSME and finding out ways to overcome the challenges in MSME and issues related to HRM. The results revealed that lack of formalization in the management of HR Issues. This is in contrast to multinational companies operating in India who have adopted structured and formalized HR systems. As the studies showing very less MSME's have formal HR department and in new small business unit's owners only handling the HR practices. So the business owners or HR managers should ensure good HR practices in their organizations to remain competitive.

N. Aruna (2015) ^[5] focused that the role of MSMEs helped in economic restructuring and development of India. Empirical data showed that hurdle like financial constrain and issues relating to power, raw material procurement should be more effectively dealt by the government. The data collected revealed that overall globalized business environment of India has been

average favorable for the growth of micro and small scale industries.

Abhijeet Biswas (2015) ^[3], highlighted the technology up gradation and innovative schemes for the MSME sector and to identify the barriers to Technology development among Indian MSMEs. In order to enable MSMEs tide-over the problems of technological backwardness and enhance their access to new technologies, it is imperative to offer them a conducive environment, which in the present context of globalization, calls for approach with knowledge playing a predominant role.

Dr. K. Balasubramaniam (2015) ^[4], brought out that the Khadi and Village Industries Programme holds great potential for generating gainful employment opportunities for the rural poor, arresting migration of rural unskilled workers to urban areas and for promoting the strategy of sustainable development. It can also be a viable and effective social safety net to enable the poor to ward off the adverse impacts of structural adjustment and economic reforms on their wellbeing.

Ravin Kadian and Aarti Chahal (2015) ^[6], this study focuses on the role of MSMEs in the “Make in India” initiative. Quantitative data regarding this has been collected using various reports like RBI Database on Indian Economy, Database of Department of Industrial Policy and Promotion and report of CII’s 13th manufacturing summit 2014. It has been analyzed that the key area of progress for India would be the development of its MSMEs to achieve and manage scale effectively. Our supply chains are over-dependent on MSMEs. The MSME sector employs over 80 million people in 36 million units, and contributes 45 percent of the manufacturing output. However our MSMEs are struggling due to lack of access to investment.

Bilas S. Kale (2015) ^[7], the study shown that there is a continuous growth of number of units. The growth of these sectors enhances employment, investment and exports of the state as well as in our country. Entrepreneurship development is considered as a key factor to fight against unemployment, poverty and achieve overall socio economic growth in our state. Last but not the least, growth rate of MSMEs is very good and healthy sign towards progress and prosperity of Maharashtra.

Suliyanto, Weni Novandari and Sri Murni Setyawati (2015) ^[8], the purpose of this study to investigate the effect of economic motive, negative job perception and artistry in painting batik on job Loyalty. Data were collected using in-depth interviews and questionnaires. Survey data were collected among 120 artisans of painting batik MSMEs in Purbalingga Regency – Indonesia. Data analysis using Structural Equation Modeling (SEM) is based on the analysis concluded that economic motive and artistry in painting Batik have positive effect on Job loyalty, while negative job perception have no effect on Job loyalty.

M.V. Rawlani and Dr. A.M. Vaidya (2016) ^[9], showed that the MSMEs sector contributes significantly to manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45% of the manufacturing output and 40% of total exports of the country. To make this sector

to become more vibrant and significant player in development of the Indian economy the Government of India has taken various initiatives. The study concludes that the MSMEs need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments. It also aims at motivating the companies to follow TQM principles in future.

Challenges for Sustained Growth

Listen to Market place

The real challenge was production, no matter what the costs were. Even to-day our cost of production in many industries is about three times the international prices. The challenge today is termed as ‘myopic vision’ and make the firms market driven. The manufacturers must understand that the needs and desires of the market precede and not follow the product.

Technology –The Key to Growth

High Technological obsolescence leading to shorter product life cycles (PLCs) is one of the major causes of business failures. “Small business firms produce two and a half times as many innovations as large firms, relative to the number of persons employed”.

Opt for Technology Based Products and Services

While many new firms start up each year, very few reach to the commercialization stage. Nearly half of them are out of business within 18 months. It adds, “Excessive sickness in the small scale sector has been on the increase”.

Promotion is a serious business

“If a man writes a better letter, book, preach a better sermon, or make a better mousetrap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door”. One of the biggest constraints facing a small business firm is the scarcity of funds in general and for promotion in particular. Very often the promotional budget is allocated on a residential basis.

Use profit as a Barometer

Profits are the life sustaining force for MSME business. If profits are insufficient, the business cannot succeed. The entrepreneur must raise his sights and be on the lookout for newer opportunities. The entrepreneur has to create the market for the new product. At times what appear to be non-existent market, are really situations of dormant demand.

Experts are Fallible

Many entrepreneurs choose the short cut of obtaining expert opinions before starting the units. Expert opinions are always welcome but to rely solely on individual opinions can land the entrepreneurs in trouble. Consider several supposedly expert opinions regarding the practicability of then new technologies. There is no short cut to marketing research. Decision based on entrepreneurs egos or on recommendations of friends is one of the major causes of business failures.

Make Government an active partner in your Business

Our Government Central, State and Local are dedicated to the development of a strong, healthy and profitable business. Various development agencies provide management assistance at no charge, offer financial

assistance and aid in securing government business on preferential basis. But unfortunately Governments throughout the world have been criticized and accused of excessive regulation.

Analysis and Interpretation

Relationship between the Scale of operation and challenges

		Challenges faced by owner while running the business						Total
		Access to finance	Access to markets	Access to infrastructure	Access to people	Access to technology and environmental compliance	Access to knowledge in regulatory framework	
Scale of operation	Micro Scale	9	1	3	1	4	2	20
	Small Scale	1	0	3	0	0	0	4
	Medium Scale	0	0	0	0	1	0	1
Total		10	1	6	1	5	2	25

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.000 ^a	10	.358
Likelihood Ratio	10.201	10	.423
Linear-by-Linear Association	.404	1	.525
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.358) is greater than 0.05, Null Hypothesis is accepted at 5% level of significance. Hence, it is concluded that

there is no significant relationship between scale of operation and challenges faced by owner while running the business.

Relationship between the Scale of operation and strategy for sustained growth

		strategy for sustained growth							Total
		Listen to market place	Technology - The key to Growth	Opt for technologies based products and services	Promotion is serious business	Use profit as a barometer	Experts are fallible	Make government an active partner in your business	
Scale of operation	Micro Scale	1	4	4	1	5	2	3	20
	Small Scale	1	2	0	0	0	1	0	4
	Medium Scale	0	1	0	0	0	0	0	1
Total		2	7	4	1	5	3	3	25

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.750 ^a	12	.724
Likelihood Ratio	10.053	12	.611
Linear-by-Linear Association	2.533	1	.111
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.724) is greater than 0.05, Null Hypothesis is accepted at 5% level of significance. Hence, it is concluded that

there is no significant relationship between the scale of operation and strategy for sustained growth.

Relationship between the Nature of activity and challenges faced by owner while running the business

		Challenges faced by owner while running the business						Total
		Access to finance	Access to markets	Access to infrastructure	Access to people	Access to technology and environmental compliance	Access to knowledge in regulatory framework	
Nature of the activity	Textiles and Garments	3	0	2	0	1	1	7
	Fabrication	0	0	1	0	1	0	2
	Jewelers Making	2	0	0	1	0	0	3
	Engineering Works	5	1	3	0	3	1	13
Total		10	1	6	1	5	2	25

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.384 ^a	15	.573
Likelihood Ratio	12.643	15	.630
Linear-by-Linear Association	.044	1	.835
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.573) is greater than 0.05, Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that

there is no significant relationship between nature of activity and challenges faced by owner while running the industry.

Relationship between the nature of activity and strategy for sustained growth

		strategy for sustained growth						Total	
		Listen to market place	Technology - The key to Growth	Opt for technologies based products and services	Promotion is serious business	Use profit as a barometer	Experts are fallible		Make government an active partner in your business
Nature of the activity	Textiles and Garments	0	2	1	0	2	2	0	7
	Fabrication	0	0	0	0	0	0	2	2
	Jewelers Making	0	1	1	0	1	0	0	3
	Engineering Works	2	4	2	1	2	1	1	13
	Total	2	7	4	1	5	3	3	25

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.068 ^a	18	.229
Likelihood Ratio	17.763	18	.471
Linear-by-Linear Association	1.842	1	.175
N of Valid Cases	25		

The chi-square table reveals that the probability value (0.229) is greater than 0.05, Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that

there is no significant relationship between the nature of activity and strategy for sustained growth.

ANOVA Table for Profile of the enterprises and Strategy for sustained growth.

		Sum of Squares	df	Mean Square	F	Sig.
Scale of operation	Between Groups	1.679	6	.280	1.032	.437
	Within Groups	4.881	18	.271		
	Total	6.560	24			
Form of the Organization	Between Groups	.545	6	.091	.780	.596
	Within Groups	2.095	18	.116		
	Total	2.640	24			
Nature of the activity	Between Groups	6.773	6	1.129	.567	.752
	Within Groups	35.867	18	1.993		
	Total	42.640	24			
Sources of finance	Between Groups	1.169	6	.195	.726	.635
	Within Groups	4.831	18	.268		
	Total	6.000	24			
age of the enterprises	Between Groups	2.919	6	.487	1.237	.334
	Within Groups	7.081	18	.393		
	Total	10.000	24			
Capital	Between Groups	4.776	6	.796	1.277	.317
	Within Groups	11.224	18	.624		
	Total	16.000	24			

There is no significant difference between scale of operation, nature of activity, sources of finance, age of the enterprise, capital, form of organization and strategy for sustained growth. Hence, Null hypothesis gets accepted.

ensure their sustainable growth. The need today is also to manage on modern technologies to harness human capability through the process of increased communication, cooperation and linkages, both within the enterprise as well as across enterprises and knowledge producing organizations.

Suggestions

There is a need to understand and assess the real needs of the MSMEs and accordingly devise approaches that

Conclusion

It is necessary to support the MSMEs, educate and give

power to them to make optimum utilization of the resources, both human and economic and informed of the latest developments taking place globally and helped to acquire skills necessary to keep speed with the global developments. It concludes that simple and clear policies and acts are to be made so that these enterprises can understand them and make use of as well as implement them in the business for compliance and secure benefits. There are many government schemes but from the study it was observed that most of these enterprises are not aware and do not understand how they can benefit out of them.

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