PROBLEMS AND PROSPECTS OF MICRO SMALL AND MEDIUM ENTERPRISES IN THANJAVUR DISTRICT

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ABSTRACT

The present article deals with micro, small and medium enterprises and their role in economic growth and employment generation in the Indian context. The important problems are financial, marketing, social and psychological problems. The degree of problems varied among the male and female entrepreneurs. The female entrepreneurs’ perception of the problems is higher among than the male entrepreneurs. But at the same time, the female respondents are also viewing that there are more opportunities to micro, small and medium enterprises. The level of perception on problems is significantly associated with the profile of entrepreneurs especially personality trait. This article highlights problems and prospects of micro small and medium enterprises in Thanjavur district.

Key Words

Entrepreneurs, Enterprises, Problems and Prospects, MSMEs (Micro, Small and Medium Enterprises), MSEs (Micro and Small Enterprises), SME (small and medium enterprises), Financial, Marketing, Social and Psychological Problems.

Introduction

Micro, small and medium enterprises (MSMEs) constitute a large part of the industrial fabric. By offering possibilities to gain income, training and work experience MSMEs are said to provide livelihoods to millions of people worldwide. However, across developed and developing economies empirical observations suggest that most micro and small enterprises are stagnating and only a minority of firms manages to upgrade their businesses into medium and large enterprises. In this study, upgrading is defined as successful firm-level innovation inducing growth in the enterprise’s returns, assets or number of regular employees. Different strands of literature suggest five major groups of factors affecting upgrading: (1) entrepreneur characteristics, (2) enterprise characteristics,
(3) social and (4) business networks and (5) factors associated with the business environment. It further shows that many success factors driving enterprise upgrading are related to the entrepreneur’s capabilities and his or her exposure in certain social and business networks. In India, the emphasis on the small scale industry has been growing with the introduction of each five year plan. A large number of innovative fiscal incentives and concessions and other supporting facilities are being provided to small entrepreneurs for strengthening the economic base, leading thereby to more intensive industrialization. Such a provision includes subsidies credit on easy term, planned training programmes, supply to machinery on hire purchase facility and technical counseling through the Small Industries Service Institute (SISI).

The Micro, Small and Medium Enterprises (MSMEs) sector is a significant contributor to the Indian Economy. Based on official figures from the Ministry of MSMEs, November 2008, this sector contributes 8 per cent of National Gross Domestic Product. It comprises 50 per cent of India’s total manufactured exports, 45 per cent of India’s total industrial employment and 95 per cent of all industrial units. The MSME sector in India has been changing over time, mostly through changes in government policy. The government of India passed the MSME Development Act of 2006 and brought about major changes in this sector.

Micro, Small Medium Enterprise (Manufacturing Sector)

- **Micro Enterprise** is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;
- **Small Enterprise** is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and
- **Medium Enterprise** is an enterprise where the investment in plant and machinery is more than Rs. 5 crore but does not exceed Rs. 10 crore.

Micro, Small Medium Enterprise (Service Sector)

- **Micro Enterprise** is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;
- **Small Enterprise** is an enterprise where the investment in equipment is more than Rs. 10 lakh but does not exceed Rs. 2 crore; and
- **Medium Enterprise** is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

**Justification for the Study**

Concerned with financial management practices, most previous researchers have concentrated on examining, investigating and describing the behaviour of MSMEs in practicing financial management. Four specific areas of problems and prospects practices including entrepreneurs’ perception, problems of SMSEs, prospects of MSMEs and SWOT of MSMEs have long attracted the attention of researchers. Their findings are mainly related to exploring and describing the perception of MSMEs towards problems and prospects. Although they provided much descriptive statistical data and empirical evidence on MSMEs, it appears that there still are some gaps in the literature.

**Motivation for the Study**

Unemployment and lopsided development are the growing problems in India. To reduce their magnitude, the government of India encourages the people to engage in self-employment through various development programmes. Among these programmes, the most familiar ones are self-help groups, micro-credit and so on. A number of studies have been attempted to evaluate the various development programmes, but only a few studies have given an overall view about the
entrepreneurship and enterprises among the rural and poor. In order to develop the entrepreneurial skills and expose the scope of business in rural area and in depth study is highly essential. This has provided the motivation for the researcher to make an in depth study on the various aspects of the micro, small and medium enterprises.

Importance of the Study
An entrepreneur is a person with some innovative idea. He may implement his/her idea at different levels because of lack of guidance and expertise in the relevant field. He/she may lack technical know-how, finance, marketing knowledge, guideline, managerial techniques, etc. In the case of micro, small and medium enterprises, the lack of awareness, exposure and opportunities generates many problems to the entrepreneurs. Hence, micro level planning is very essential to improve the performance of micro small and medium enterprises and the standard of living of the micro, small and medium entrepreneurs. The prospects of the micro small and medium enterprises will be properly evaluated to identify the scope of micro small and medium enterprises in the globalized economy. The problems and prospects of micro, small and medium enterprises should be equally examined to identify their future scope. Therefore, there is a need for change in the socio-economic, physical and psychological aspects of micro, small and medium entrepreneurs. It is highly used for the policy makers to frame a suitable policy and entrepreneur’s development programmes to make the micro, small and medium entrepreneurs more competitive and efficient in the competitive globalized economy.

Review of Literature
The researcher has reviewed 75 studies, which include 66 Indian and 06 Foreign journal, 2 unpublished thesis and 1 newspapers, during the period 2012-13. A careful review of the studies helped to identify the research gap.

Statement of the Problem
The micro, small and medium enterprises are providing self-employment to the rural people and also lead to balanced growth of our nation, these units are struggling with day to day problems. The micro, small medium enterprise facilitates mobilization of resources, capital as well as still aims at raising the standard of living of the people especially in rural India. These are facing many problems from the promotion stage itself. The micro, small and medium entrepreneurs are very weak in the powers of management of micro, small and medium enterprises. These are severely affected by lack of education and managerial skills. The productivity of micro, small and medium enterprises is affected by poor management on one side, whereas on the other side, these are affected by the high cost of capital especially on private finance.

Since majority of micro, small and medium enterprises are managed by women entrepreneurs; they are affected by the social, general and cultural problems, even though the Central and State Governments have introduced a lot of programmes and schemes to rural entrepreneur. There is a better prospect for micro, small and medium enterprises even after globalization and urbanization. If the problems of micro, small and medium enterprises and entrepreneurs are properly assessed, their problems may be solved through various programmes. Since the Government is highly interested in generating self-employment among the people, they are ready to serve the rural poor. Hence, the present study has made an attempt to identify the problems and also prospects of micro, small and medium enterprises in Thanjavur district.
Objectives of the Study
The following are the specific objectives of the study:
1. To exhibit the profile and performance of the micro, small and medium entrepreneurs and their organization.
2. To identify the important problems faced by the micro, small and medium entrepreneurs.
3. To ascertain the important prospects of micro, small and medium enterprises.
4. To examine the strengths, weaknesses, opportunities, and threats (SWOT) to micro, small and medium enterprises.

Testing of Hypothesis
The following null hypothesis is tested and framed
1. There is no significant relationship between the demographic variables and entrepreneurs perception.
2. There is no significant relationship between the demographic variables and entrepreneurs faced by the various problems.
3. There is no significant relationship between the demographic variables and entrepreneurs faced by the various prospects.
4. There is no association between the entrepreneurs and enterprises.
5. There is no association between the enterprises with SWOT analysis.

Methodology
Research is careful investigation, an inquiry, especially thorough search, for new facts in any branch of knowledge (Dictionary, 1952). It is also looking for new facts in any branch of knowledge. The research methodology enlightens the methods to be followed in research activities starting from investigation to presentation. Research methodology includes research design, sampling design and measurement of variables, methods of data collection, framework of analysis and limitation.

Research Design
This is a descriptive study; the data and the other information required for the study were collected from the both primary and secondary sources. Primary data were collected from the respondents directly, using a structured interview schedule and the secondary data were collected from various sources including libraries, journals, news papers and websites and so on.

Selection of the Study Area
Thanjavur district in the State of Tamilnadu is purposely selected for the present study. The study covers all Taluks in the Thanjavur district. Thanjavur district was purposely selected as the study area by the researcher for the following reasons:
- There are no recent exclusive studies about the micro, small and medium enterprises in the district.
- Familiarity to the culture, local dialect and infrastructural facilities available would help the researcher to develop a good rapport with the micro, small and medium entrepreneurs. Hence, better and valid responses could be received.
- Thanjavur district is an industrially developing district which consists of more rural areas.
Sampling Design

The Proportionate Stratified Sampling Method was used to select the respondents in MSME, Thanjavur District. This sampling involved in drawing sample from each stratum in proportion to the latter’s share in the total entrepreneurs. 5 percent of each category of entrepreneurs namely Micro, Small and Medium were selected for the study. The sample size constituted 5 percent of the universe i.e., 570 entrepreneurs. The universe constituting 11,398 entrepreneurs were classified as shown in the following Table1.

Table 1 Selection of Sample MSM Entrepreneurs

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category of MSME</th>
<th>Total MSM Entrepreneurs</th>
<th>Selection of Sample Size (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Micro entrepreneurs</td>
<td>2135</td>
<td>107</td>
</tr>
<tr>
<td>2</td>
<td>Small Entrepreneurs</td>
<td>5250</td>
<td>262</td>
</tr>
<tr>
<td>3</td>
<td>Medium Entrepreneurs</td>
<td>4013</td>
<td>201</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>11398</td>
<td>570</td>
</tr>
</tbody>
</table>

Source: District Industrial Centre, Thanjavur -2013-14.

Data Collection

The present study mostly depends on the primary data. Hence, a serious effort has been taken to frame the interview schedule to collect the data from the micro, small and entrepreneurs. The schedules have been divided into two important parts. The first part covers the profile of entrepreneurs and their organization, the second part problems and prospects of MSM enterprises in Thanjavur District. These are listed below.

The first part of the schedule includes the various problems faced by the micro, small and medium entrepreneurs. Even though the problems are too many, the present study confine to only nine problems. The relevant variables related to the nine problems have been collected from the review of previous studies. The overall reliability of the variables in each problem was computed to finalize the variables in each problem. The included number of variables in each problem and the confirmation of reliability are given below.

Table 2 Number of Variables in Each Problems

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Problems</th>
<th>Number of Variable Included</th>
<th>Result of Reliability Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Marketing Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>2</td>
<td>Financial Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>3</td>
<td>Entrepreneurial Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>4</td>
<td>Knowledge Related Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>5</td>
<td>Economic Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>6</td>
<td>Social Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>7</td>
<td>Psychological Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>8</td>
<td>Business Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>9</td>
<td>Other Problems</td>
<td>10</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

Source: Computed from Primary data

The second part of the schedule includes the prospects of micro, small and medium enterprises and the strengths, weakness, opportunities and threats (SWOT) to micro small and medium enterprises. The related variables to each proposal and SWOT have been drawn from the review of previous studies. The reliability of the variables included in each construct has been found before
finalizing the schedule. The number of variables included in each prospect, SWOT and its nature of reliability is given below.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Prospects</th>
<th>Number of Variables Included</th>
<th>Result of Reliability Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Managerial Prospects</td>
<td>8</td>
<td>Confirmed</td>
</tr>
<tr>
<td>2</td>
<td>Financial Prospects</td>
<td>8</td>
<td>Confirmed</td>
</tr>
<tr>
<td>3</td>
<td>Market Prospects</td>
<td>8</td>
<td>Confirmed</td>
</tr>
<tr>
<td>4</td>
<td>Technical Prospects</td>
<td>8</td>
<td>Confirmed</td>
</tr>
<tr>
<td>5</td>
<td>Government Support</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>6</td>
<td>Backward and forward linkages</td>
<td>8</td>
<td>Confirmed</td>
</tr>
<tr>
<td>7</td>
<td>Cultural Prospects</td>
<td>10</td>
<td>Confirmed</td>
</tr>
<tr>
<td>8</td>
<td>Strengths</td>
<td>12</td>
<td>Confirmed</td>
</tr>
<tr>
<td>9</td>
<td>Weaknesses</td>
<td>14</td>
<td>Confirmed</td>
</tr>
<tr>
<td>10</td>
<td>Opportunities</td>
<td>11</td>
<td>Confirmed</td>
</tr>
<tr>
<td>11</td>
<td>Threats</td>
<td>11</td>
<td>Confirmed</td>
</tr>
</tbody>
</table>

Source: Computed from Primary data

Frame Work of Analysis

For analyzing the data collected during the investigation, the following statistical values were used according to the relevance of its application. Percentage Analysis, T test, One Way Analysis of Variance, Reliability Test, Two group Discriminant Analysis and Factor Analysis.

Pilot Study

The pilot study was conducted among 50 micro small and medium entrepreneurs. The reliability of variables in each construct was confirmed through the pilot study. On the basis of the result of pilot study, a certain modification in the statements or variables was made. The final schedule was prepared for data collection. Accordingly, the interview schedule has been restructured and the final schedule was prepared and approved by the research guide for conducting the field work.

Period of the Study

The present study covers the period of 10 years from 2003-04 to 2012-13. The primary data covered is from the period January 2013 to June 2013.

Limitations of the Study

The present study is subject to the following limitations:

i) The present study is confined to the micro, small and medium entrepreneurs identified by the President of Panchayat Unions.
ii) The variables related to personality, problems, prospects and SWOT among the entrepreneurs are selected only with the help of reviews and the experts in the relevant field.
iii) The respondents do not have any recorded information. Hence, the response of the respondents may be subjected to personal bias.
iv) The study focuses on the response of micro, small and medium entrepreneurs during the interview period only.
Suggestions and Recommendations

Based on the findings of the study, the following suggestions have been drawn:

- To encourage micro, small and medium enterprises and for equitable distribution and growth in the District, the Government has to announce various concessions especially at the backward blocks.
- Avoidance of competition is linked to the income earning capacity of the beneficiaries. Generally people avoid competition due to fear of failure. In order to check their failure, they must be imparted necessary skill in the handling of the scheme, which in turn would generate confidence among them.
- The feeling of powerlessness which has resulted in low income of ST beneficiaries may be due to their being turned off the mainstream of development.
- Seeking excess of attention has resulted in remaining SC beneficiaries below the poverty line. Those beneficiaries who seek more of others’ attention may doubt their own values and therefore, their value keep changing with the change of situation which indicates their emotional immaturity.
- The feeling of worthlessness is inversely correlated with the performance on the scheme, among ST beneficiaries. The reason for the feeling of worthlessness is their segregation from the mainstream of village development.
- Lack of confidence is a characteristic feature of ST respondents which resulted them in realizing low income from the scheme. The reason for lack of confidence may be attributed to their lack of adequate knowledge about the activity which ultimately gives rise to the feeling of inferiority.
- In order to increase the entrepreneurship among the women, the following activities are to be motivated by the Government or Governmental organizations or non-governmental organizations.
- This set of Government policies should primarily be targeted towards removing regulatory barriers and minimizing state induced costs, to be successful. Such policies should also be aimed at providing common services for micro, small and medium entrepreneurs and encouraging clusters to reap the benefits of external economies.
- Such policies should be congruent with those intended to promote the efficiency of micro, small and medium enterprises. Entrepreneurs--business-minded people who can take a good idea or innovation and turn it into a thriving business--are the lifeblood of a prosperous economy.
- More support is needed for MSMEs from the government in the form of priority sector lending, government procurement programme, credit and performance ratings and marketing support. Technology transfers (such as green technology) and networking can revive the growth of MSMEs.

Conclusion

The present study concludes that, there are many problems among the micro, small and medium entrepreneurs. The important problems are financial, marketing, social and psychological problems. The degree of problems varied among the male and female entrepreneurs. The female entrepreneurs’ perception of the problems is higher among than the male entrepreneurs. But at the same time, the female respondents are also viewing that there are more opportunities to micro, small and medium enterprises. The level of perception on problems is significantly associated with the profile of entrepreneurs especially personality trait. The highly indebted entrepreneurs highly perceive the problems. The prospects of micro, small and medium enterprises are high as viewed by both male and female entrepreneurs. The prospects of micro, small and medium enterprises are highly viewed by female entrepreneurs than by the male entrepreneurs.
References

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