

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

Sangeetha S

Ph.D Research Scholar, Chikkanna Government Arts College, Tiruppur, India  
 Assistant Professor, PSGR Krishnammal College for Women, Coimbatore, Tamil Nadu, India

### Abstract

In the Current Scenario MSME play a catalytic role in the development process of most economies. The MSMEs are providing job more than 6 crores people. The MSME sector is contributing 8% of country's GDP, 45% of manufacture and 36% it exports. The MSME's sector has consistently registered higher growth rate compare to the overall Industrial sector. The distribution of MSME's in all over India is not equal because of inaccessibility of raw material, unfamiliarity or lack of entrepreneurial skills development and absence of support of financial and technical assistance from in relation to local authorities at district or state and central level. The absence of adequate and timely credit facility, extraordinary cost of credit, deficiency of modern technology, no research and innovations, insufficient training and skill development, multifaceted labor laws are the main problems of the MSME's. Although there are various opportunities available in the development of MSME's.

**Keywords:** micro small and medium enterprises MSME, manufacturing sector, Coimbatore District

### Introduction

Indian Industrial sector comprises of a large number of Small Scale Industries (SSI) apart from medium and large-scale industries. SSI sector defined as Micro, Medium and Small enterprises (MSMEs) contributes significantly to total output, export earnings, employment generation and regional development of Indian economy. MSMEs form the backbone of the Indian economy and have become engine of economic growth in India. MSME Development Act 2006 which recognized the concept of manufacturing enterprises.

**Table 1:** The limit for investment in plant & machinery and in equipment for manufacturing enterprises is

Enterprises	Investment in Plant and 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.

MSME face a different range of problems than their larger counterparts, due to their inability to enjoy some of the advantages in the marketplace. Major problems in the MSME unit are finance problems, Raw material problems, labour problems, marketing problems and technology problems.

### Need for the study

MSMEs faced a lot of problem and challenges in the recent scenario. These units are creating more employment opportunities, production system and GDP etc. Through that they are supporting for our country economic development. Hence, the researcher sensed to study the problems and challenges faced by MSMEs.

### Objectives

- To study about the MSMEs manufacturing enterprises.
- To study on major problems and challenges 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 Percentage and Chi-square analysis.

### Review of literature

Dr. Mukund Chandra Mehta (2013) <sup>[1]</sup>, reveals that the twin problems of unemployment and poverty constitute a major development challenge. There are several challenges in the sector of MSMEs. If the Government, Bank and Financial Institutions will take proper initiatives in the sector of MSME and they will take pride while servicing the MSMEs, these challenges can be solved and the economic growth rate of India will be 8 – 10% for the next decades.

Sahaj Tambi (2013) <sup>[2]</sup>, purpose of this paper is to examine and analyze the challenges faced by the local small and medium scale textile industries in Jaipur. It asserts that perhaps availability of finance is not as much of a problem as repayment of it is. The repayments of financial liabilities are stressful and discouraging due to low paying capacity and insignificant sales.

M. Pramila Devi and Dr. S. Ramachandran (2014) [3], viewed that MSMEs primarily need access to new technologies. Apart from poor financial situations, low levels of R & D, poor adaptability to changing trade trends, non-availability of technically trained human resources, lack of management skills and access to technological information are some of the reasons that are blocking the growth of MSMEs.

Puneet Singh, Davinder Singh (2014) [4], analyzed the problems of technological backwardness and enhance their access to new technologies, it is imperative to offer them a conducive environment, which are in the present context of globalization, calls for approach with knowledge playing a predominant role. There is a need to understand and assess the real needs of the MSMEs and accordingly devise approaches that ensure their sustainable growth.

Sangita G. Patil, Dr. PT. Chaudhari (2014) [5], examined that the growth and performance of Small Scale Industries and analyzed the problems of small scale industries. The study concludes that the promotion of SSI is essential in developing economies like India to achieve equitable distribution of Income and wealth, economic self – dependence and entrepreneurial development.

Nishanth.P and Dr.Zakkariya K.A. (2014) [6], analyzed to identify the various barriers faced by MSMEs in raising finance and to identify the various sources of finance other than banks. The analysis of preliminary results reveals that only a small percentage of firms availed the credit scheme offered by banks. While evaluating the reason for non- availing credit schemes, highest percentage of respondents feels that too many formalities are there while availing credit schemes.

Dr.M.S.Vasu and Dr.K. Jayachandra (2014) [7], showed that the MSMEs have an aptitude for innovation, creativity, and flexibility which enabling them to respond with more quickly to structural changes and to adapt the dynamic demand patterns of consumers. IT is also clear that MSMEs has performed exceedingly well and enabled our country to achieve a wide measure of industrial growth and development.

N.Aruna (2015) focused 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. The nub of the data is that the MSMEs have played role in employment generation in India.

Abhijeet Biswas (2015), 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.

**Problems and Challenges Faced by MSME Analysis and Interpretation**

**Profile of the Industries**

Table No.2 describes the profile of the industries have taken for the study. Out of 25 Industries 56% of the enterprises are working within 5 to 10 years, 56% of them have invested capital Rs.5,00,000 to 10,00,000, 52% of them running business in their own land, 80% of them registered their scale of operation under micro enterprises, 88% of the enterprises formed by sole trader, 52% of the industrialist involved in engineering business and 60% of them using both own fund and outsiders fund for their business development.

**Table 2:** Profile of the Industries

Particulars		No. of Respondents	%
Age of the enterprise (Years)	Less than 5	8	32
	5-10	14	56
	More than 10	3	12
	Total	25	100
Capital Invested	Below Rs.5,00,000	2	8
	Rs.5,00,000 to 10,00,000	14	56
	Rs.10,00,000 to 15,00,000	6	24
	Rs.15,00,000 to 20,00,000	3	12
	Rs.20,00,000 and above	-	-
Total	25	100	
Industry	Own Building	13	52
	Rented Building	12	48
	Total	25	100
Scale of operation	Micro Scale	20	80
	Small Scale	4	16
	Medium Scale	1	4
	Total	25	100
Form of Organization	Sole proprietorship	22	88
	Private Limited	3	12
	Partnership Firm	-	-
	Total	25	100
Nature of activity	Textiles & Garments	7	28
	Fabrication	2	8
	Jewelers Making	3	12
	Engineering Works	13	52
	Total	25	100
Source of finance	Own Fund	10	40
	Both Own and Outsiders fund	15	60
	Total	25	100

**Relationship between the scale of operation and major problems faced by the Industry**

**Table 3:** depicts that out of 25 industries taken for the study, Problems of Marketing: Source of Finance \* Marketing Problems

		Marketing Problems						Total
		Severe competition	Price determination	Quality	Continuous Availability	Expectation is high	Variety of Product	
Sources of finance	Own fund	3	1	2	2	2	0	10
	Both Own fund and outsider fund	4	2	4	1	2	2	15
Total		7	3	6	3	4	2	25

**Table 4:** Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.431 <sup>a</sup>	4	.657
Likelihood Ratio	2.785	4	.594
Linear-by-Linear Association	.612	1	.434
N of Valid Cases	25		

The Chi-Square table 3 reveals that the probability value (0.657) 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 source of finance and marketing problems.

**Table 5:** Scale of Operation \* Technology Problem

		Technology problem					Total	
		Lack of Readily available parts	No Legal Recourse	Vendor capability	After Sales support	Import Procedures		Acquiring finance for technology up-gradation
Scale of operation	Micro Scale	4	5	3	2	0	6	20
	Small Scale	1	0	0	1	2	0	4
	Medium Scale	0	0	1	0	0	0	1
Total		5	5	4	3	2	6	25

**Table 6:** Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.312 <sup>a</sup>	10	.036
Likelihood Ratio	16.702	10	.081
Linear-by-Linear Association	.015	1	.902
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.036) is less than 0.05, Null hypothesis is rejected at 5% level of significance. Hence, it is concluded that there is significant relationship between scale of operation and technological problem.

**Table 7:** Scale of Operation \* 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
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

**Table 8:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.000 <sup>a</sup>	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 industry.

**Table 9:** Form of Organization \* 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
Form of the Organization	Sole proprietorship	9	1	5	1	4	2	22
	Private Limited	1	0	1	0	1	0	3
Total		10	1	6	1	5	2	25

**Table 10:** Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.010 <sup>a</sup>	5	.962
Likelihood Ratio	1.434	5	.921
Linear-by-Linear Association	.026	1	.871
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.962) 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 form of the organization and challenges faced by owner while running industry.

**Conclusion**

The reform of production at the international level through increased outsourcing is having substantial effects on small and medium entrepreneurs in a positive, as well as negative

manner. Now-a-days organizations are knowledge based and their success and survival depend on access finance, creativity and innovation. The rate of changes is fast-tracking rapidly, as new knowledge idea generation and global distribution are increasing. Micro enterprises are playing a vital role in the economic development.

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