



International Journal of Humanities & Social Science Studies (IJHSSS)
A Peer-Reviewed Bi-monthly Bi-lingual Research Journal
ISSN: 2349-6959 (Online), ISSN: 2349-6711 (Print)
ISJN: A4372-3142 (Online) ISJN: A4372-3143 (Print)
UGC Approved Journal (SL NO. 2800)
Volume-III, Issue-VI, May 2017, Page No. 415-424
Published by Scholar Publications, Karimganj, Assam, India, 788711
Website: <http://www.ijhsss.com>

Problems Faced By Micro, Small and Medium Enterprises– A Special Reference to Small Entrepreneurs in Karimganj District, Assam

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Abstract

The small scale industries have a very important and effective role in the developed countries generally and in developing countries especially because it is considered the backbone of their economies. Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions. MSMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower. These are often confronted with problems that are uncommon to the larger companies and multi-national corporations. These problems include the following: Lack of ITs Support, Lack of ITs Literacy, Lack of Formal Procedure and Discipline, Uneven ITs Awareness and Management Skill, Lack of Financial Resources, Lack of Human Resources, Raw Material problems, Production problem, etc. In respect of this, the main purpose of this study is to identify the problems and importance of small enterprise in Assam special reference to the selected Districts Karimganj . To do this, data were collected from both primary and secondary sources. The main instrument of data collection was the questionnaire and supported by interview.

Keywords: Micro, Small Scale, Enterprise, Importance, Problems

Introduction: The micro and small enterprises also play an important role in the regional economy. The speedy development of industries in the backward areas can be achieved by the rapid promotion of MSMEs. However, the growth of MSMEs in the Northeastern Region of India is slow in comparison to the other parts of the country. There was no planned and systematic effort for industrial development in the region during the first three five year plans. It was during the fourth five-year plan period that plans were made to set up enterprises in different parts of the region. Since then efforts are on for developing enterprises in different parts of the region. The SSI sector in the North Eastern Region

suffers from a number of inherent handicaps-locational, infrastructural, financial and entrepreneurial. A study of HE on status of SSIs shows that although the rate of growth in terms of numbers of units registered has been higher than the all India average, the status of SSIs can be termed as unhealthy in terms of size, bank, finance, market penetration, entrepreneurial quality, etc (HE, 2004). In Assam, some big industries are there but development of small scale sector is not up to the mark in comparison with other States like West Bengal, Maharashtra etc. (Sarma, 1987). In spite of having rich potential for the development of different type resource based industries, the pace of development of industries in Assam has not been satisfactory during the last five decades of national planning. The factors which are mostly responsible for industrial backwardness include: geographical isolation, lack of capital formation, lack of infrastructure, insecure investment climate, lack of markets, lack of entrepreneurial motivation etc.

The MSMEs have been recognized as an effective instrument in the development of backward and rural areas. Apart from economic aspects, the social role of this sector is quite significant for achieving objectives such as removal of poverty, attainment of self sufficiency, reduction in disparities in income, wealth and consumption standards and regional imbalances.

MSMEs in India face a number of problems - absence of adequate and timely banking finance, non-availability of suitable technology, ineffective marketing due to limited resources and non availability of skilled manpower. These are often confronted with problems that are uncommon to the larger companies and multi-national corporations. These problems include the following: Lack of ITs Support, Lack of ITs Literacy, Lack of Formal Procedure and Discipline, Uneven ITs Awareness and Management Skill, Lack of Financial Resources, Lack of Human Resources, Raw Material problems, Production problem, etc.

This paper tries to highlight the problem and importance of MSMEs in Assam special references to the Karimganj Districts.

Objective:

- To Study the Importance of MSMEs
- To analyze and interpret major problems faced by MSMEs in Karimganj Town.

Methodology: Both primary and secondary data are used in the study. The study is empirical in nature as it is based on data collected with the help of schedule. The study focused the collection of data from one region in Assam i.e. Karimganj districts. The sample size was 50.

Limitation: The data was collected from one region in Assam i.e. Karimganj districts. The enterprises were selected at random. The enterprises selected were both registered and unregistered. As per the data collected there are many problems faced by these units, but in this paper only five major problems are emphasized.

Importance of Small Scale:

In a developing country like INDIA, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities. This clearly shows the importance of small-scale industries in the economic development of the country. The small-scale industries have been playing an important role in the growth process of economy. In spite of, stiff competition from the large sector and not very encouraging support from the government.

1. Employment Generation: The basic problem that is confronting the Indian economy is increasing pressure of population on the land and the need to create massive employment opportunities. This problem is solved to larger extent by small-scale industries because small-scale industries are labour intensive in character. They generate huge number of employment opportunities. Employment generation by this sector has shown a phenomenal growth. It is a powerful tool of job creation.

2. Mobilisation of Resources and Entrepreneurial Skill: Small-scale industries can mobilize a good amount of savings and entrepreneurial skill from rural and semi-urban areas remain untouched from the clutches of large industries and put them into productive use by investing in small-scale units. Small entrepreneurs also improve social welfare of a country by harnessing dormant, previously overlooked talent.

3. Equitable Distribution of Income: Small entrepreneurs stimulate a redistribution of wealth, income and political power within societies in ways that are economically positive and without being politically disruptive. Thus small-scale industries ensures equitable distribution of income and wealth in the Indian society which is largely characterized by more concentration of income and wealth in the organized section keeping unorganized sector undeveloped.

4. Better Utilization of Local Resource: The use of indigenous resource which involves very low capital to set out the small scale industry allows for conversion of minimal resources into productive ventures. Also, small scale industries are known for their creativity in the utilization of local raw materials that do not necessitate advanced technology to process.

5. Supports the Growth of Large Industries: The small-scale industries play an important role in assisting bigger industries and projects so that the planned activity of development work is timely attended. They support the growth of large industries by providing, components, accessories and semi-finished goods required by them. In fact, small industries can breathe vitality into the life of large industries.

Problems faced by the Small Scale Industries of India:

The various constraints, the various problems faced by small scale industries are as under:

(1) Finance: Finance is one of the most important problem confronting small scale industries Finance is the life blood of an organisation and no organisation can function

proper in the absence of adequate funds. The scarcity of capital and inadequate availability of credit facilities are the major causes of this problem.

Firstly, adequate funds are not available and secondly, entrepreneurs due to weak economic base, have lower credit worthiness. Neither they neither are having their own resources nor are others prepared to lend them. Entrepreneurs are forced to borrow money from money lenders at exorbitant rate of interest and this upsets all their calculations.

After nationalization, banks have started financing this sector. These enterprises are still struggling with the problem of inadequate availability of high cost funds. These enterprises are promoting various social objectives and in order to facilitate then working adequate credit on easier terms and conditions must be provided to them.

(2) Raw Material: Small scale industries normally tap local sources for meeting raw material requirements. These units have to face numerous problems like availability of inadequate quantity, poor quality and even supply of raw material is not on regular basis. All these factors adversely affect the functioning of these units.

Large scale units, because of more resources, normally corner whatever raw material that is available in the open market. Small scale units are thus forced to purchase the same raw material from the open market at very high prices. It will lead to increase in the cost of production thereby making their functioning unviable.

(3) Technology: Small scale entrepreneurs are not fully exposed to the latest technology. Moreover, they lack requisite resources to update or modernize their plant and machinery. Due to obsolete methods of production, they are confronted with the problems of less production in inferior quality and that too at higher cost. They are in no position to compete with their better equipped rivals operating modern large scale units.

(4) Marketing: These small scale units are also exposed to marketing problems. They are not in a position to get first hand information about the market i.e. about the competition, taste, liking, disliking of the consumers and prevalent fashion. With the result they are not in a position to upgrade their products keeping in mind market requirements. They are producing less of inferior quality and that too at higher costs. Therefore, in competition with better equipped large scale units they are placed in a relatively disadvantageous position. In order to safeguard the interests of small scale enterprises the Government of India has reserved certain items for exclusive production in the small scale sector. Various government agencies like Trade Fair Authority of India, State Trading Corporation and the National Small Industries Corporation are extending helping hand to small scale sector in selling its products both in the domestic and export markets.

(5) Infrastructure: Infrastructure aspects adversely affect the functioning of small scale units. There is inadequate availability of transportation, communication, power and other facilities in the backward areas. Entrepreneurs are faced with the problem of getting power connections and even when they are lucky enough to get these they are exposed to unscheduled long power cuts.

Inadequate and inappropriate transportation and communication network will make the working of various units all the more difficult. All these factors are going to adversely affect the quantity, quality and production schedule of the enterprises operating in these areas. Thus their operations will become uneconomical and unviable.

(6) Under Utilisation of Capacity: Most of the small-scale units are working below full potentials or there is gross underutilization of capacities. Large scale units are working for 24 hours a day i.e. in three shifts of 8 hours each and are thus making best possible use of their machinery and equipments. On the other hand small scale units are making only 40 to 50 percent use of their installed capacities. Various reasons attributed to this gross under-utilisation of capacities are problems of finance, raw material, power and underdeveloped markets for their products.

(7) Project Planning: Another important problem faced by small scale entrepreneurs is poor project planning. These entrepreneurs do not attach much significance to viability studies i.e. both technical and economical and plunge into entrepreneurial activity out of mere enthusiasm and excitement. They do not bother to study the demand aspect, marketing problems, and sources of raw materials and even availability of proper infrastructure before starting their enterprises. Project feasibility analysis covering all these aspects in addition to technical and financial viability of the projects, is not at all given due weight-age. Inexperienced and incomplete documents which invariably results in delays in completing promotional formalities. Small entrepreneurs often submit unrealistic feasibility reports and incompetent entrepreneurs do not fully understand project details.

Moreover, due to limited financial resources they cannot afford to avail services of project consultants. This result is poor project planning and execution. There is both time interests of these small scale enterprises.

(8) Skilled Manpower: A small scale unit located in a remote backward area may not have problem with respect to unskilled workers, but skilled workers are not available there. The reason is Firstly, skilled workers may be reluctant to work in these areas and secondly, the enterprise may not afford to pay the wages and other facilities demanded by these workers. Besides non-availability entrepreneurs are confronted with various other problems like absenteeism, high labour turnover indiscipline, strike etc. These labour related problems result in lower productivity, deterioration of quality, increase in wastages, and rise in other overhead costs and finally adverse impact on the profitability of these small scale units.

(9) Managerial: Managerial inadequacies pose another serious problem for small scale units. Modern business demands vision, knowledge, skill, aptitude and whole hearted devotion. Competence of the entrepreneur is vital for the success of any venture. An entrepreneur is a pivot around whom the entire enterprise revolves.

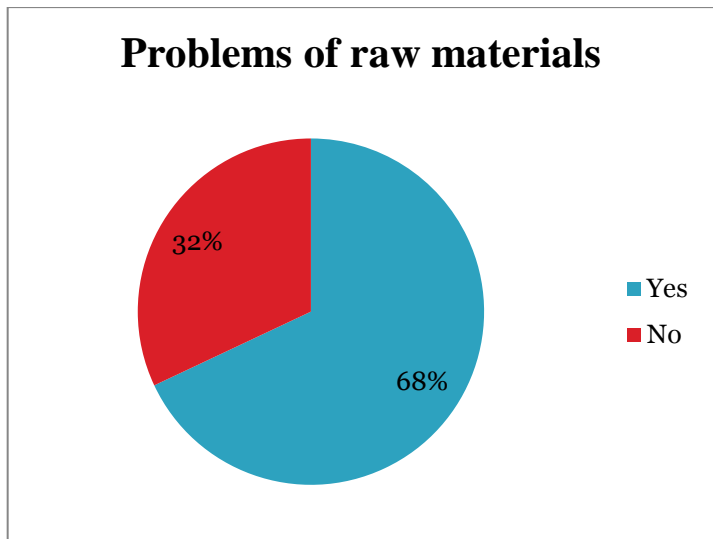
Many small scale units have turned sick due to lack of managerial competence on the part of entrepreneurs. An entrepreneur who is required to undergo training and counseling for developing his managerial skills will add to the problems of entrepreneurs.

The small scale entrepreneurs have to encounter numerous problems relating to overdependence on institutional agencies for funds and consultancy services, lack of credit-worthiness, education, training, lower profitability and host of marketing and other problems. The Government of India has initiated various schemes aimed at improving the overall functioning of these units.

On The Basis of The Data Collected The Following 5 Major Problems Faced By MSMEs In Visakhapatnam Are Analyzed.

1. PROBLEMS FACED FOR PROCUREMENT OF RAW MATERIAL

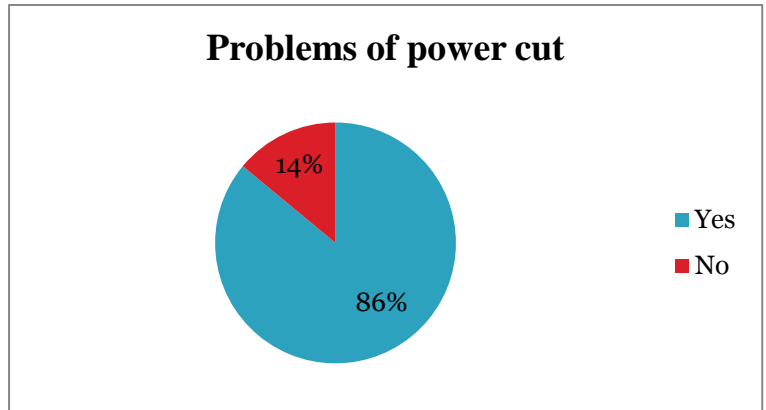
Yes	34
No	16
Total response	50



16 of the respondents said that they did not face problems in getting raw material and 34 of them said that they face problems in this respect. These respondents are not aware of subsidy schemes given by the government and though some of them are aware they have no knowledge of how to utilize them. The quantity, quality and regularity of the supply of raw materials are not satisfactory. There are no quantity discounts, since they are purchased in small quantities and hence charged higher prices by vendors. They also experience difficulty in procuring semi-manufactured materials. Due to financial problems these enterprises are unable to secure raw material in bulk in a competitive market.

2. Problem Faced In Power Cut

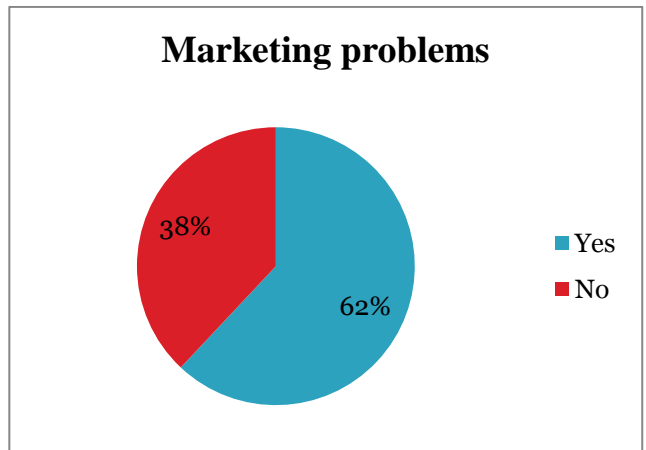
Yes	43
No	7
Total response	50



Power cut is the major problem faced by MSMEs in karimganj town nowadays. 43 of the respondents expressed that due to power cut they faced serious problems. Only 7 of the respondents expressed that they did not face problems due to power cut. The power cut in industrial area is tremendous. This is a great problem faced by micro enterprises. In addition to daily power cut, there is one particular day in each area where the power cut is for the entire day. This is hampering the production of these units. These micro organizations are not in a position even to use generators because of financial problems, and even if they are having generator they are not in a position to use it due to high cost of diesel charges.

3. Marketing Problems

Yes	31
No	19
Total response	50

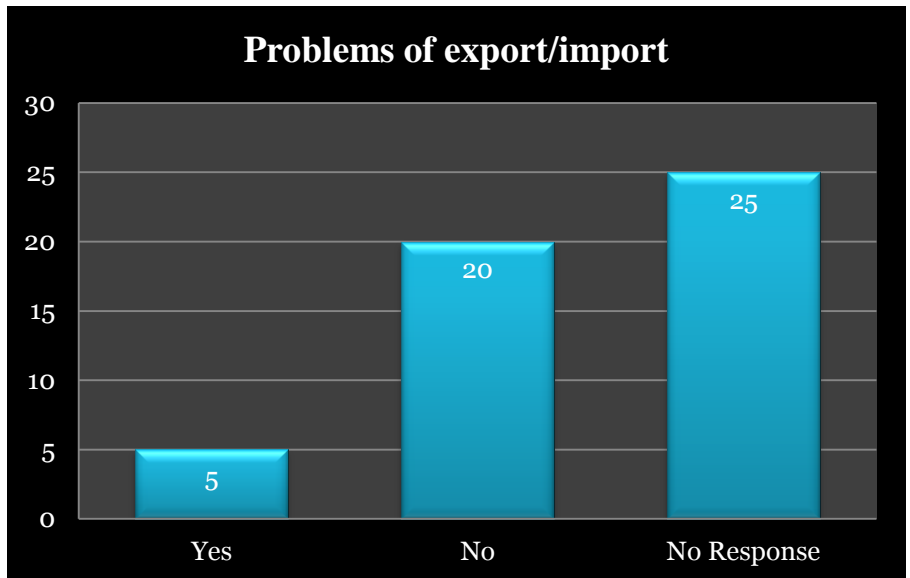


Out of 50 respondents 31 said that they faced problems in marketing and only 19 of them said that there were no problems. These micro enterprises have to face the competitions from large scale units in marketing their products. These enterprises do not use up dated technology so the goods produced by them cannot satisfy the modern tastes. Hence the potential demand for their goods remains under-developed. Due to finance constraints and

production small in size, it is not possible for them to market their products. They depend and rely at the mercy of middle men.

4. Problems Relating To Import/Export of Goods

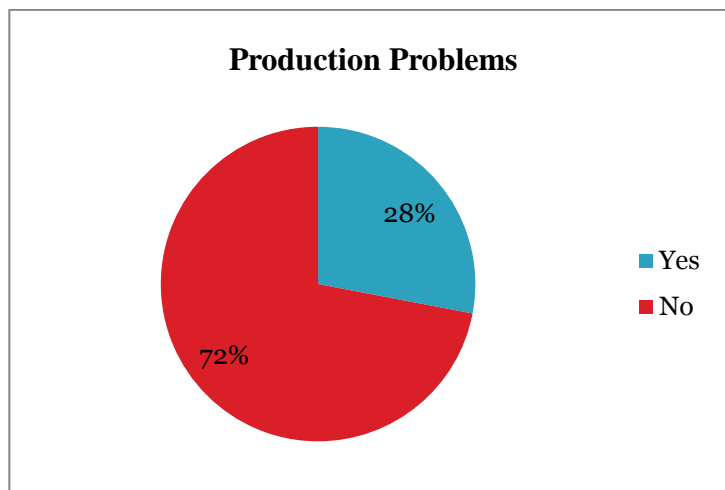
Yes	5
No	20
No Response	25
Total	50



20 of the respondents do not face problems relating to import/export of goods. Only 5 of them said that they face problem regarding this issue and 25 of them did not give any response. The reason of non response is that these units are tiny units where the owner is not aware of import or export of goods. Their business is restricted to local area itself.

5. Production Problem

Yes	14
No	36
Total	50



From the above table it is understood that 36 out of 50 respondents do not face any problem relating to production. Only 14 of them disclosed that they face problems relating to

production. Though majority of them said that they do not face any problem, but based on the other tables relating to power, material etc. it can be said that most of the respondents face problem in production, because problem of power, material etc. will ultimately effect the production. Hence it shows that the respondents were not correct in responding to this question.

Conclusions & Suggestions: MSMEs are generally regarded as the engine of economic growth and equitable development in developing economies like in India. This is because no nation can achieve a viable economic growth and development without the establishment of Small Scale Enterprise. Therefore, this paper investigates the challenges and prospects of small –scale business in selected district of Assam. The study also shows major problem areas facing the operators of small scale business in karimganj like problems of raw material, problems of power cut, problems of skilled man power, problems of export/import, problems of production, problems of marketing their product etc.

The main purpose of data collection was to study how the entrepreneurs managed the micro, small and medium enterprises. What are the various problems faced by these enterprises. It also showed how the role of MSMEs helped in economic restructuring and development of India. Empirical data revealed that hurdle like financial constrain and issues relating to power, raw material procurement should be more effectively dealt by the government. Further, the data collected revealed that overall globalised 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. Due to the acute power shortage, industrial units are managing only 50 per cent of capacity and they situation has turned from bad to worse without inability to pay even workers salary. Since most of the enterprises complained about non availability of labour (though this problem is not covered) Government need to look into this matter. It has to amend the labour laws which are contemporary and relevant to the present globalized scenario.

Simple and clear policies and acts are to be made so that these enterprises can understand them and utilize 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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