

A STUDY ON PROBLEMS AND CHALLENGES FACED BY MICRO SMALL AND MEDIUM ENTERPRISES: A SPECIAL REFERENCE TO MANUFACTURING SECTOR IN THIRUVANATHAPURAM DISTRICT

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Abstract

The Micro Small and Medium Enterprises are the backbone of the Indian economy. They contribute around 17% of the GDP towards our country and around 60 million people employed in this sector and MSMEs are the second largest workforce in the country after the agricultural sector. The MSME sector are growing swiftly and strengthening their role in the economic growth. The importance of MSMEs in manufacturing sector is mainly due to the quantum of units fall in this sector, forming 90% of the total industrial units in the country. Availability of credit, connectivity between the factors of production and power to avail those factors are the contents which are essential for the growth of the MSME units. Growth through manufacturing has greater importance than providing services. There are lots of manufacturing units in Thiruvananthapuram district under MSME provisions. So my study is concerned about the problems and challenges faced by MSMEs, special reference to manufacturing sector in Thiruvananthapuram district.

Key words: MSMEs, GDP, Manufacturing sector, workforce, quantum, potential

INTRODUCTION

The introduction of the MSMED Act 2006 was one of the historic movements in India, because it brought together the manufacturing sector and service are in one side and kept medium size enterprise in the other side. The meaning of Manufacturing MSMEs and Service MSMEs has the two distinct view points in which a single policy paved the way for the growth of infrastructure from National, State and to District level. The possibility for scale of operation of economies has more significance, which drives down the production cost. The most significant advantage of

manufacturing is the possibility of scale of economies, which drive down production cost. The outbreak of Covid-19 has severely affected the manufacturing sector. It blocks the flow of raw materials in to the production area and also leads to increase in price. It affects the manufacturers and production process slows down which in turn cause the scarcity of raw materials. It adversely affects the growth rate and depression stage arises and incurred huge loss. So most of the manufacturing industries are forced to winding up their production because of high price rate and non-availability of raw materials. The Ministry of MSMEs and its allied organization has played a very important role in assisting the states by motivating the entrepreneurial skill, opportunities, and livelihood which will improve the competing power of MSMEs in the present scenario which was not so stable.

STATEMENT OF THE PROBLEM

In Indian economy the MSMEs plays a crucial role especially the manufacturing sector. It is aligned with job creation. Creates employment opportunities and thus it can alleviate the poverty at some extent. With around 63.4million units throughout the geographical expanse of the country's MSMEs contribute around 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of manufacturing output. Because of the Covid-19 pandemic a great depression occurred in this sector and many of the loss their job and even now the adverse situation exists in the economy. So much more time will take for recovering from such situation. Government should take appropriate measures to help the entrepreneurs those who work in the manufacturing field. So this study enlightened the various challenges and problems faced by the Manufacturing Enterprises which work under the MSMEs.

OBJECTIVES OF THE STUDY

- 1) Understand about the Manufacturing MSMEs
- 2) Study about various challenges and problems faced by the Manufacturing MSMEs.
- 3) To study about the various remedial measures to overcome the problems.
- 4)

HYPOTHESIS

H1= There is no significant relationship between the scale of operation and technological problem.

H2= There is no significant relationship between form of organization and challenges faced by owner while running the business.

REVIEW OF RELATED LITERATURE

Song Xu et.al. (2023), has conducted a study to analyze the dynamic customer preferences and global competition, Medium, Small and Micro Enterprises (MSMEs) are striving to improve customer satisfaction by enhancing their process capability, optimizing resource utilization and achieving cost effectiveness. It is practically relevant in deriving decision support solutions for

improving performance of manufacturing line in MSME firms. By virtue of the results, key areas are identified to augment responsiveness to government policies and MSME's proficiency to overcome resource constraints.

Gilda Farajollahzadeh., Abdol Rahman Noorinasab., and Babak Yazdanpanah. (2016) in their study "Role of MSME in Economic Growth", revealed about the policy support scheme and its growth opportunities. By the study they found out that there are various types of assistance are given by the Ministry of MSMEs and their supporting agencies which will help them to expand the Indian economy as a whole and will also provide greater employment opportunities to the people as a whole.

N. Aruna (2015) focused that, majority of the India's development and restructuring is carried through MSMEs. There are different types of hindrances which include the financial crises, power generating related problems, delay in getting raw materials etc. These all problems are well overcome by the entrepreneurs through the assistance given by the Government. So overall globalized environment of enterprises in India is favorable in some extent for the growth of the Micro, Small and Medium enterprises. .

RESEARCH METHODOLOGY

There are lots of MSME Manufactures in the Thiruvananthapuram district. Out of it I only select 50 manufacturers through convenient sampling method. The present study is based on both primary and secondary data. The primary data were collected through the interview from the MSME Manufactures and the secondary data were collected from the various journals, books and annual report published by the MSMES. The data were studied with the help of percentage analysis method, weighted average method and chi-square test.

MANUFACTURING SECTOR IN INDIA

With the introduction of Micro, Small and Medium Enterprise Development (MSMED) Act 2006,, the Government of India introduced MSMEs.. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities. MSME stands for Micro, Small and Medium Enterprises. These industries or enterprises form the backbone of our economy and need assistance and protection from other big companies as they lack resources and technology.

Classification of enterprises into micro, small and medium enterprises (in Rs)

| Kind of enterprise | Act of 2006 | | Bill of 2021 |
|--------------------|--------------------------------------|------------------------------|-----------------|
| | Manufacturing | Services | All enterprises |
| | Investment towards plant & machinery | Investment towards equipment | Annual Turnover |
| Micro | 25 lacs | 10 lacs | 5 Cr |
| Small | 25 lacs to 5 Cr | 10 lacs to 2 Cr | 5 Cr to 75 Cr |
| Medium | 5 Cr to 10 Cr | 2 Cr to 5 Cr | 75 Cr to 250 Cr |

(Source: Secondary data)

PROBLEMS AND CHALLENGES FACED BY THE MSME IN MANUFACTURING SECTOR

The importance of the MSMEs in Indian economic growth, the sector is facing challenges and does not get the required support from the concerned Government Departments, Banks, Financial Institutions and Corporate which is proving to be a hurdle in the growth path of the MSMEs. The lists of the problems that are faced by existing/new companies in SME sector are as under:

- 1) Lack of getting finance or working capital on time
- 2) Less capital and unawareness regarding the management of capital
- 3) Unaware about the use of suitable technologies.
- 4) Production capacity is comparatively low.
- 5) The strategy adopted for marketing is less effective
- 6) Obstacles in modernization & widening
- 7) Lack of skilled labors with low cost

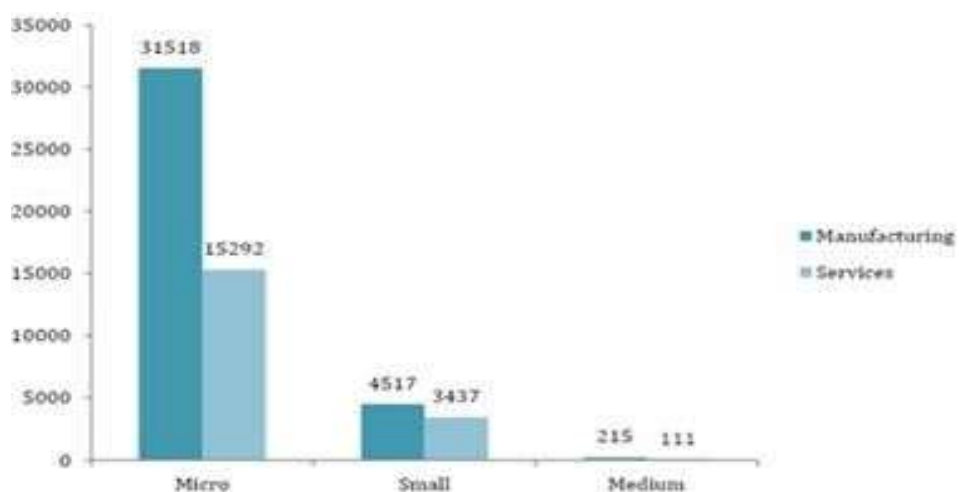
Take necessary Follow up measures to overcome the problem related to various factors of production. The availability of resource is very scarce. So the available resources must be efficiently and effectively used and extract maximum output there from. Then we can obtain a good strategy also. For this the MSME entrepreneurs will be trained and give awareness

regarding the latest technological advancement that will help them to keep in touch with the changing and challenging. To cope up with the changing technology the entrepreneurs must be well educated about the environment and its competitive world. Now the SMEs are opened globally which will help to hire the intelligent and skilled workers to competent for the global development of our country. Now Kerala's MSME sector also showed their capacity to develop and contribute their share of GDP towards the overall development of our nation. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various Industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

CHALLENGES FACED BY MANUFACTURING MSMES:

- 1) Mentoring & Advocacy
- 2) Credit
- 3) Technology
- 4) Market Access
- 5) Infrastructure
- 6) Globalization
- 7) Procedures
- 8) Exit Mechanism
- 9) Strategy Interventions for Revitalization and Growth

Number of micro, small and medium units registered under manufacturing and services sector in Kerala for the year 2022-213



District wise MSME units with Udyog Aadhaar Number as on 31-03-2021 are given below:

| MSME units with Udyog Aadhaar Number as on 31-03-2021 | | | | | | | | | | |
|---|--------------------|---------------|-------|--------|-------|----------|-------|--------|-------|-------------|
| District Name | | Manufacturing | | | | Services | | | Total | Grand Total |
| | | Micro | Small | Medium | Total | Micro | Small | Medium | | |
| 1 | Thiruvananthapuram | 5030 | 366 | 15 | 5411 | 4525 | 798 | 15 | 5338 | 10749 |
| 2 | Kollam | 2778 | 315 | 11 | 3104 | 823 | 188 | 6 | 1017 | 4121 |
| 3 | Pathanamthita | 1047 | 95 | 10 | 1152 | 426 | 68 | 0 | 494 | 1646 |
| 4 | Alappuzha | 2975 | 304 | 31 | 3310 | 838 | 156 | 10 | 1004 | 4314 |
| 5 | Kottayam | 1860 | 245 | 13 | 2118 | 868 | 198 | 7 | 1073 | 3191 |
| 6 | Idukki | 757 | 65 | 4 | 826 | 269 | 56 | 1 | 326 | 1152 |
| 7 | Ernakulam | 5242 | 1402 | 57 | 6701 | 3364 | 990 | 35 | 4389 | 11090 |
| 8 | Thrissur | 3515 | 432 | 21 | 3968 | 1455 | 328 | 9 | 1792 | 5760 |
| 9 | Palakkad | 1699 | 327 | 23 | 2049 | 762 | 126 | 14 | 902 | 2951 |
| 10 | Malappuram | 1867 | 269 | 5 | 2141 | 452 | 122 | 3 | 577 | 2718 |

| | | | | | | | | | | |
|-------------------------------|-----------|--------------|-------------|------------|--------------|--------------|-------------|------------|--------------|--------------|
| 11 | Kozhikode | 2055 | 295 | 13 | 2363 | 601 | 193 | 6 | 800 | 3163 |
| 12 | Wayanad | 442 | 63 | 1 | 506 | 111 | 30 | 0 | 141 | 647 |
| 13 | Kannur | 1589 | 245 | 11 | 1845 | 513 | 108 | 4 | 625 | 2470 |
| 14 | Kasargod | 662 | 94 | 0 | 756 | 285 | 76 | 1 | 362 | 1118 |
| Total | | 31518 | 4517 | 215 | 36250 | 15292 | 3437 | 111 | 18840 | 55090 |
| <i>Source: Secondary data</i> | | | | | | | | | | |

ANALYSIS

Table1:
Personal profile of the MSME Manufacturers

| Particulars | Contents | No.of Respondents | Percentage |
|---------------------------|---------------------------|--------------------------|-------------------|
| Gender | Male | 32 | 64 |
| | Female | 18 | 36 |
| Age | Below 30years | 8 | 16 |
| | 30 – 40 | 21 | 42 |
| | 40 – 50 | 10 | 20 |
| | 50 and above | 11 | 22 |
| Marital Status | Married | 44 | 88 |
| | Unmarried | 6 | 12 |
| Type of Family | Nuclear | 38 | 76 |
| | Joint family | 12 | 24 |
| Size of the family | Up to 3 | 17 | 34 |
| | 4 to 6 | 23 | 46 |
| | 6 and above | 10 | 20 |
| Educational qualification | SSLC | 10 | 20 |
| | Plus two | 14 | 28 |
| | UG | 9 | 18 |
| | PG | 8 | 16 |
| | Other professional degree | 9 | 18 |

(Source: Primary data)

Table 2:
Industrial Profile of the MSME Manufactures

| Particulars | Contents | No.of Respondents | Percentage (%) |
|-----------------------|------------------------------|-------------------|----------------|
| Age of the enterprise | Less than 5years | 16 | 32 |
| | 5 – 10 | 28 | 56 |
| | More than 10years | 6 | 12 |
| Capital invested | Below 5,00,000 | 4 | 8 |
| | 5,00,000 – 10,00,000 | 28 | 56 |
| | 10,00,000 – 15,00,000 | 12 | 24 |
| | Above 15,00,000 | 6 | 12 |
| Industry | Own building | 26 | 52 |
| | Rented building | 24 | 48 |
| Scale of operation | Micro | 40 | 80 |
| | Small | 8 | 16 |
| | Medium | 2 | 4 |
| Form of organization | Sole proprietorship | 44 | 88 |
| | Private Limited | 6 | 12 |
| | Partnership | 0 | 0 |
| Nature of activity | Textile & garments | 14 | 28 |
| | Fabrication | 4 | 8 |
| | Jewelers making | 6 | 12 |
| | Engineering works | 26 | 52 |
| Sources of finance | Own fund | 20 | 40 |
| | Both owned and borrowed fund | 30 | 60 |

(Source: Primary data)

Table 3:
Problems faced by MSME Manufacturers

| Factors | Strongly agree(3) | Agree (2) | Disagree (1) | Total | Weighted mean | Rank |
|--|--------------------|--------------------|--------------------|-------|---------------|------|
| Absence of adequate and timely banking finance | 29 ₍₈₇₎ | 17 ₍₃₄₎ | 4 ₍₄₎ | 125 | 2.5 | III |
| Limited capital and knowledge | 31 ₍₉₃₎ | 11 ₍₂₂₎ | 8 ₍₈₎ | 123 | 2.46 | IV |
| Non-availability of suitable technology | 31 ₍₉₃₎ | 13 ₍₃₉₎ | 6 ₍₆₎ | 138 | 2.76 | I |
| Low production capacity | 33 ₍₉₉₎ | 15 ₍₃₀₎ | 2 ₍₂₎ | 131 | 2.62 | II |
| Ineffective marketing strategy | 26 ₍₇₈₎ | 14 ₍₂₈₎ | 10 ₍₁₀₎ | 116 | 2.32 | V |
| Constraints on modernization & expansions | 25 ₍₇₅₎ | 12 ₍₂₄₎ | 13 ₍₁₃₎ | 112 | 2.24 | VI |

(Source: Primary data)

Table 4:
Scale of Operation * Technological Problem

| Scale of operation | Lack of readily available parts | No legal recourse | Vendor capability | After sale support | Import procedure | Acquiring finance for technology upgradation | Total |
|--------------------|---------------------------------|-------------------|-------------------|--------------------|------------------|--|-------|
| Micro | 8 | 10 | 6 | 4 | 0 | 12 | 40 |
| Small | 2 | 0 | 0 | 2 | 4 | 0 | 8 |
| Medium | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Total | 10 | 10 | 8 | 6 | 4 | 12 | 50 |

(Source: Primary data)

$$\begin{aligned}\text{Degree of freedom} &= (C-1)*(R-1) \\ &= (3-1)*(6-1) \\ &= 2*5 = 10\end{aligned}$$

Table value = 18.3 Calculated value = 38.605

Since the table value is less than the calculated value, the hypothesis is rejected at 5% level of significance. Hence, it is concluded that there is significant relationship between the scale of operation and technological problem.

Table 5:
Form of organization and Challenges faced by the owner while running the business

| Form of the organization | Access to finance | Market accessibility | Infrastructure | Access to people | Access to technology and environmental compliance | Access to knowledge in regulatory framework | Total |
|--------------------------|-------------------|----------------------|----------------|------------------|---|---|-------|
| Sole proprietorship | 18 | 2 | 10 | 2 | 8 | 4 | 44 |
| Private Limited | 2 | 0 | 2 | 0 | 2 | 0 | 6 |
| Total | 20 | 2 | 12 | 2 | 10 | 4 | 50 |

(Source: Primary data)

$$\begin{aligned}\text{Degree of freedom} &= (C-1)*(R-1) \\ &= (2-1)*(6-1) \\ &= 1*5 = 5\end{aligned}$$

Table value = 11.1

Calculated value = 2.02

Since the table value is greater than the calculated value, the hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is no significant relationship between form of organization and challenges faced by owner while running the business.

FINDINGS

- 1) Most of the manufactures are male (64%) and only 36% of the respondents are female.
- 2) About 42% of the respondents are fall under the age category of 30 – 40 and 22% are 50 and above the age category.
- 3) Most of the manufactures have the plus two as qualification and 9 of the respondents have other professional degree.
- 4) About 56% of the respondents have the capital investment of 5 to 10 lakhs and only 12% had above 15lakh investment as capital.
- 5) Most of the respondent does micro business.
- 6) About 60% of the respondents use both own fund and borrowed fund as source of finance.
- 7) The main problem faced by the manufacturers is Non-availability of suitable technology so it ranked as 1st and the Constraints on modernization & expansions in the last position.
- 8) There is significant relationship between the scale of operation and technological problem.
- 9) There is no significant relationship between form of organization and challenges faced by owner while running the business.

SUGRESSIONS

- 1) Participation of women manufactures should be increased.
- 2) Adequate training programs should be conducted by the participation of Government.
- 3) Give awareness regarding the various schemes of MSMEs.
- 4) Give training regarding the new innovation in technology and give support for financing in technology up-gradation activity.
- 5) Ensure timely availability of banking finance
- 6) Give proper opportunity for modernization & expansions.

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 laying a vital role in the economic development. There is a great growth opportunity in the In the manufacturing sector. So everyone should explore it enjoy the benefit arise from it and also government will support it in great extent. There are a number of scheme launched by the government to support MSME Manufactures.

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