



PROSPECTS AND CHALLENGES OF MICRO AND SMALL-SCALE BUSINESS RUNNING ENTREPRENEURS

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ABSTRACT

Micro and small-scale industries are essential for providing subsidiary or alternate occupations and utilization of local labor and raw materials. They facilitate an effective mobilization of resources of capital and skill and also stimulate the growth of industrial entrepreneurship. Thus, the development of micro and small-scale industries is an integral part of the overall economic, social and industrial development of a country. Micro and Small-scale industries are important because it helps in the employment generation and thereby development of the country. This study aims to examine the prospects and challenges of micro and small-scale business running entrepreneurs in Palakkad district in Kerala. Both secondary and primary data are used in this study. Primary data are collected from forty respondents by using an interview schedule based on convenience sampling technique. Percentage analyses, Weighted Average Ranking, Mann Whitney Test, Kruskal Wallis Test, etc. are the statistical tools used to analyze collected data. Output of the study reveals that the government has to take more initiatives to enhance the prospects and overcome the obstacles of micro and small-scale entrepreneurs in Palakkad district in Kerala.

KEYWORDS: MSME, entrepreneurs, prospects, government schemes

JEL CLASSIFICATION: L2, L26

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1. INTRODUCTION

Micro and Small-scale industries are the smallest business in a country, which operates with least capital and low number of employees. Usually, it operates in a small geographical area to provide goods and services for their community. Micro and small-scale industries play a vital role in economic and social development of the country. They also contribute significantly in generating highest employment, increasing production and exports. It also helps to reduce regional imbalances by equitable distribution of national income and wealth.

Realizing the importance of micro and small-scale industries, the government has undertaken a number of schemes or programmes such as the Prime Minister's Employment Generation Programme [PMEGP], Credit Guarantee Trust Fund for Micro and Small Enterprises [CGTMSE], Credit Linked Capital Subsidy Scheme [CLCSS] for technology upgradation, scheme of fund regeneration of traditional industries for the establishment of new enterprises and development of existing ones.

Micro and Small-scale industries are those industries in which manufacturing, providing services, productions are done on a small scale or micro scale. These industries do a onetime investment in machinery, plant and industries which could be on an ownership basis, hire purchase or lease basis, but it does not exceed Rs.1crore. Role of small scale industries are to help the government in increasing infrastructures and manufacturing industries, reducing issues like pollution, slums, poverty and, many developmental acts. Micro and Small-scale industries contribute significantly to the country's manufacturing output, employment and exports, is credited with generating the highest employment growth as well as accounting for a major share of industrial production and exports. The small-scale industry is highly heterogeneous in terms of the size of the enterprises, variety of products, services and levels of technology.

The industries coming under the micro and small-scale sector includes handicrafts, handlooms, khadi, food producing industries, garment making, textile industries, industries related to coir, wood, plastic, rubber, leather, clay, electronic and electronic components. In Indian economy small-scale and cottage industries occupy an important place, because of their employment potential and their contribution to total industrial output and exports. Government of India has taken a number of steps to promote them.

2. SCOPE OF THE STUDY

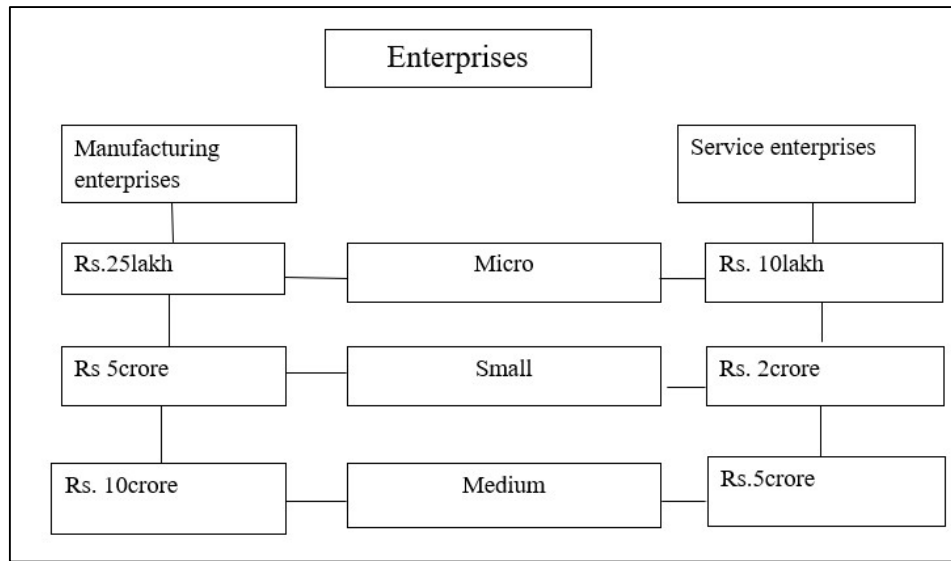
Micro and Small-scale industries are important because it helps in the employment generation and thereby development of the country. They also help to reduce many problems like poverty, unemployment, pollution etc. They help to reduce unemployment problems by providing opportunities for self-employment. They also help to reduce regional imbalances by equitable distribution of income and wealth. The micro and small-scale industries are geographically located in rural areas improving the standard of living of rural society by providing goods and services of their needs. They also facilitate local utilization of resources. They are set up mainly by low amount of capital and with a smaller number of employees. This study helps to learn more about the importance of micro and small-scale industries and how small-scale industries help in developing the country. For a meaningful study relating to small scale industries (SSIs)



it is important to develop a broad conceptual foundation, which can act as authentic frame of reference for the study.

Industries are part of the secondary activity. Secondary activities or manufacturing converts raw materials into products of more value to people.

Figure 1: Types of Enterprises



Source: Author compilation

Table 2: Classification of Industries

Micro Enterprises	Small Enterprises	Medium Enterprises	Large Enterprises
<ul style="list-style-type: none"> • Below Rs. 25 lakh • 10 employees • Examples: Catering, Childcare, Photography Services, House Cleaning and Event Planning 	<ul style="list-style-type: none"> • Rs. 25 lakhs - Rs. 5 crore • 50 employees • Examples: Convenience stores, Small grocery stores, Bakery, Restaurants 	<ul style="list-style-type: none"> • Rs. 5 crore – Rs. 10 crore • 250 employees • Examples: Garment factory, Supermarket 	<ul style="list-style-type: none"> • Above Rs. 10 crore • 500 employees • Examples: Tea industry, Food processing Industry, Automobile Industry, Paper Industry

Source: Author Compilation



Micro and Small-scale industries are those industries in which the manufacturing, production and rendering of services are done on a micro or small-scale basis. These enterprises must fall under the guidelines, set by the government of India. These industries are generally labour intensive and hence they play an important role in the creation of employment.

3. LITERATURE REVIEW

1. Diana Ann Issac (2018), conducted a study on knowledge management and industrial growth. A study on small scale enterprises of Kottayam district, Kerala. She focused on enterprises development programme (EDP). Knowledge management in SSI units and training programmes to develop entrepreneurs and also reveals the training efficiency in different models. She also focused on various schemes and programmes for developing EDP and SSI units.
2. Ms. S H Afroze, Dr. Arul Jyothi (2018) they conducted a study on women entrepreneurship in beauty parlour services. They mainly focused on to study the socio-economic profile of women entrepreneurs and to study the different motivational factors of women entrepreneurs and also studied the extend of different types of services provided by the selected industry and reveals the relationship between effective utilisation of both fixed and working capital. They mainly focus on the problems faced by the women entrepreneurs in different industries. The study finds that the economic status of women entrepreneurs has improved and also found out the new business opportunities for women entrepreneurship.

4. STATEMENT OF THE PROBLEM

Micro and small entrepreneurs contribute nearly thirty percent to the GDP. They play a vital role to enrich the economy by way of using indigenous resources, generating employment to the local people, making in India, quality production and distribution and generating revenue to the society. Government of India has lots of initiatives to boost this sector by recognizing that micro and small businesses are social solutions to mitigate poverty and unemployment. Various kinds of assistance such as financial, technical, managerial, etc are provided both by the central and the state government to enhance the growth of micro and small entrepreneurs. Whatever strategies made by the government so far is not enough to evolve these units in a fully-fledged manner. They are still facing many challenges to run their businesses. Considering this phenomenon, the author has entitled this paper as prospects and challenges of micro and small-scale business running entrepreneurs. This study is mainly focused to understand the business profile of micro and small business units, their perception towards government schemes and the challenges in their track.

5. OBJECTIVES

1. To understand the government initiatives for the growth of micro and small-scale businesses
2. To understand the business profile of micro and small-scale business running entrepreneurs



3. To understand the challenges faced by the micro and small-scale business running entrepreneurs.

6. HYPOTHESES

1. H₀: Perception of entrepreneurs towards government schemes not significantly different in male and female.
2. H₀: Perception of entrepreneurs towards government schemes not significantly different in various locations.
3. H₀: Perception of entrepreneurs towards government schemes not significantly different in various age groups.

7. RESEARCH METHODOLOGY

Research Design: The study is basically inferential in nature.

Sources of Data: The present study is based on both primary and secondary data.

Secondary Data: Secondary data were collected from the various sources such as websites, journals, articles, books and newspapers etc.

Primary Data: The primary data are collected by using a well-structured questionnaire.

Sample Design: Sample design involves sample size, period of study and method of sampling.

Population: The study is conducted in Palakkad district. Micro and small-scale business running entrepreneurs in Palakkad district constitutes the population.

Sample Size: The sample size taken for the study is 40 micro and small scale business running entrepreneurs in Palakkad District, Kerala, India.

Sampling Method: The sampling respondents are selected based on convenience sampling method.

Statistical Tools: Percentage analyses, Weighted Average Ranking, Mann Whitney Test, Kruskal Wallis Test amongst others are the statistical tools used to analyze collected data. Tests are executed with the assistance of SPSS.

8. LIMITATIONS

1. The sample may not constitute the whole population
2. Some respondents were reluctant to give correct information.



9. RESULTS AND DISCUSSIONS

Table 2: Demographic Details of Respondents

Criteria	Options	Frequency	Percent
Gender	Male	30	75.0
	Female	10	25.0
	Total	40	100.0
Age	Less than 40	14	35.0
	40 – 50	15	37.5
	More than 50	11	27.5
	Total	40	100.0
Education	SSLC	22	55.0
	Plus Two	6	15.0
	Graduate	8	20.0
	Post Graduate	1	2.5
	Others	3	7.5
	Total	40	100.0
Number of Workers	Less than 10	31	77.5
	10- 50	8	20.0
	50 – 250	1	2.5
	Total	40	100.0
Activities of business	manufacturing	20	50.0
	Services	12	30.0
	Repairs	3	7.5
	Small traders	5	12.5
	Total	40	100.0
Problem on running business	Financial	29	72.5
	Labour	7	17.5
	Marketing	3	7.5
	Managerial	1	2.5
	Total	40	100.0

Source: Primary data



Table 2 shows infers that 75 percent respondents are male and the remaining 25 percent are female. Out of 40 respondents, 37.5 percent comes in the age category of 40-50; 35 percent falls under less than 40 categories and the rest of 27.5 percent are in the age group of more than 50. It can be opined that majority of the respondents have their qualification of SSLC, followed by 20 percent of graduates, 15 percent are having their qualification of plus two and least are with post graduate degree. Among the 40 respondents, 7.5 percent comes in the category others; which include diploma and computer courses as their qualification. It is observed that majority of the respondents are engaged in manufacturing, followed by 30 percent in services, small traders constitute 12.5 percent and the least 7.5 percent falls in the category repairs. Major obstacle faced by the respondents is financial crisis, followed by labour issues, marketing and managerial problem.

Table 3: Business Profile

Variable	Opinion	Frequency	Percent
Location of the firm	Rural area	30	75.0
	Semi-rural area	9	22.5
	Urban area	1	2.5
	Total	40	100.0
Sources of money	Government	28	70.0
	financial institution	4	10.0
	corporate sector	1	2.5
	Private sector	7	17.5
	Total	40	100.0
Investment	Less than 25 lakhs	34	85.0
	25 lakhs - 5 crore	6	15.0
	Total	40	100.0
Number of workers	Less than 10	31	77.5
	10- 50	8	20.0
	50 – 250	1	2.5
	Total	40	100.0

Source: Author computed value

It can be observed from Table 3 that majority of the entrepreneurs located their business in rural area and least preference to urban area. Majority of the entrepreneurs prefer government sources to acquire their funds, followed by private sources, financial institutions and corporate sector. Upto rupees twenty-five lakhs investment is given most preference by the entrepreneurs. Majority of the units having less than 10 numbers of employees.



10. HYPOTHESIS TESTING

H₀: Perception of entrepreneurs towards government schemes not significantly different in male and female

Table 4: Mann-Whitney U Test

Gender	Mean Rank	Mann-Whitney U (Z)	P value
Male	20.02	0.456	0.648
Female	21.95		

Source: Author computed value

Table 4 shows that the calculated 'P' value is greater than the 0.05. That means, Perception of entrepreneurs towards government schemes not significantly different in male and female. So null hypothesis is accepted.

H₀: Perception of entrepreneurs towards government schemes not significantly different in various locations.

Table 5: Results of Kruskal-Wallis Test

Location	Mean Rank	Chi-square	P value
Rural	21.23	3.367	0.186
Semi-rural	16.22		
Urban	37.00		

Source: Author computed value

The K-W test shows that P value is greater than 0.05. It depicts that perception of entrepreneurs towards government schemes not significantly different in various locations. Hence, null hypothesis is accepted.

H₀: Perception of entrepreneurs towards government schemes not significantly different in various age groups



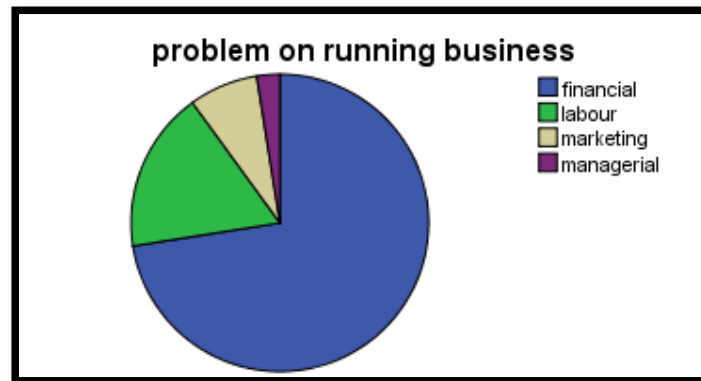
Table: 6: Results of Kruskal –Wallis Test

Age	Mean Rank	Chi-square	P value
Less than 40	23.68	1.929	0.381
40-50	17.70		
Greater than 50	20.27		

Source: Author computed value

Table 6 infers that P value is greater than 0.05. Since the P value is larger than 0.05, perception of entrepreneurs towards government schemes not significantly different in various age groups. The output is null hypothesis is accepted.

Figure 2: Problem of running business



Source: Primary Data



Table 6: Ranking of Government Assistance on the basis of preferences

Priorities	Number of entrepreneurs											Total Score	Mean	Rank
	1	2	3	4	5	6	7	8	9	10	11			
Weights	11	10	9	8	7	6	5	4	3	2	1			
Scheme														
Mudra loan	121	50	36	48	35	48	20	8	9	12	4	391	9.75	1
Credit guarantee fund scheme for small scale sector	66	50	63	32	56	24	10	12	21	6	5	345	8.625	2
NSIC	0	40	45	56	35	42	15	16	9	16	4	278	6.95	3
Credit-linked capital subsidy scheme	0	40	27	40	28	18	10	20	6	10	3	202	5.05	7
Udyog Aadhar memorandum	0	30	63	48	21	18	15	28	15	6	2	246	6.15	5
Pradhan Mantri Mudra Yojana	0	30	54	24	21	30	10	4	9	4	3	189	4.725	9
Bank credit	110	20	18	24	35	18	20	12	0	6	5	268	6.7	4
PMAY(Prime Minister's Awas Yojana)	44	30	36	24	35	12	25	16	15	2	2	241	6.025	6
PMEGP (Prime Minister's Employment Generation Programme)	22	50	9	16	14	18	35	12	15	4	5	200	5	8
Startup India	4	3	1	2	0	1	5	5	3	3	3	168	4.2	10
Stand up India	3	3	0	0	0	1	3	3	4	3	3	117	2.925	11

Source: Primary Data



Table 6 depicts that most of the entrepreneurs prefer mudra loan as a source of capital and least of them prefer stand up India scheme.

11. MAJOR FINDINGS

1. Most of the enterprises are owned by men. So, it is clear that selected sample micro and small-scale sectors are dominated by male entrepreneurs.
2. Most of the entrepreneurs belong to 40-50 age groups. It is found that middle aged entrepreneurs are more enthusiastic in doing business and taking risk.
3. Among the 40 respondents, 55% respondents are with an educational qualification of SSLC.
4. Majority of enterprises, which is 50 percent of them, belongs to manufacturing sector and least of them belong to repair category.
5. Most of the entrepreneurs are availed any one of the government schemes. While measuring the preference level of entire respondents it is found that the entrepreneurs highly prefer mudra loan among all other government schemes.
6. Out of the 40 samples selected, 70 percent of respondents depend on government for their capital requirement followed by private sector, financial institutions and corporate sector respectively.
7. Among the 40 respondents, 75 percent locate their business in rural area and respondents have least preference to launch their business in urban areas.
8. Majority of the respondents belong to the category of less than 10 number of employees which means that they run a micro unit.
9. Out of the 40 respondents, 85 percent belong to less than 25lakh category and 15 percent belongs to the service and other sectors.
10. Out of the 40 respondents, majority face financial problems followed by marketing, labour with adequate skills etc.
11. Most of the entrepreneurs are highly satisfied with the government initiative taken for the growth of micro and small-scale units.
12. Perception of entrepreneurs towards government schemes not significantly different in male and female.
13. Perception of entrepreneurs towards government schemes not significantly different in various locations.
14. Perception of entrepreneurs towards government schemes not significantly different in various age groups.

12. CONCLUSION

Micro and small-scale sectors have been globally considered as an engine to economic growth and as key instruments for promoting equitable development. They play a crucial role in the development of Kerala. They offer good employment opportunities of comparatively lower capital cost than large industries but also help in industrialization of rural and backward areas, reducing regional imbalances and assuring more equitable distribution of national income and wealth. Government of Kerala has undertaken supportive measures to motivate entrepreneurship in the State.



This study is carried out to analyze the government initiatives taken for the growth of micro and small-scale units and also their business profit of micro and small-scale units. The majority of entrepreneurs are satisfied with the government grants provided to them. The study also helps to find out the various problems faced by enterprise in Palakkad district. They are facing various problems among which the most crucial is financial problems. The government should take new measures or steps to tackle the problems at micro and small-scale units.

Some of the measures taken by the government for the development of micro and small-scale units are Udyog Aadhar Memorandum for registration process, Prime Minister's Employment Generation Programme (PMEGP), Micro Units Development Refinance Agency (MUDRA), Credit Linked Capital Subsidy Scheme (CLCSS), ASPIRE etc. This initiatives or schemes help the entrepreneurs to get various solutions to their problems and help the new entrepreneurs to start new units easily.

13. SUGGESTIONS

The following are some of the suggestions based on the analysis:

1. Steps may be taken to provide maximum assistance while setting up the micro and small-scale units. This will encourage the entrepreneurs to start new micro and small-scale units.
2. Steps may be taken to provide more employment opportunities in micro and small-scale units.
3. Infrastructure advancements should not be limited to large scale industries only. Appropriate infrastructure such as land, transportation, water supply, telecommunication facilities should be provided to the micro and small-scale units also. So that there is significant increase in the number of viable micro and small-scale units.
4. Technology up gradation should be periodically done in micro and small-scale units.
5. Separate markets are to be created for the products and services of micro and small-scale units. This will help to provide quality product and services to consumers. This will help the units to have a better market.
6. Labour problems can be solved to the maximum extend providing suitable training facilities and proper working conditions. Workers' participation in decision making will also reduce the labour problems at micro and small-scale units.
7. Steps may be taken by government to provide suggestions to financial institutions for providing necessary fund and support to micro and small-scale units and providing credit through government sponsored agency. This will help to increase productivity and economic growth.
8. From the findings, it is found that most of the entrepreneurs are facing financial problems. So, the local government should take initiatives to provide financial assistance to meet their financial crisis.



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