



Problems And Prospects Of Micro And Small Enterprises In India: A Case Study

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) represent one of the most dynamic and sensitive sectors of the Indian economy due to their significant contributions to employment and exports. This paper examines the various challenges faced by MSMEs in India through an analytical approach based a sample study. The research focuses on MSME units in Mukkam Municipality, Kerala, using a well-structured questionnaire for data collection. In addition to tabular analysis, statistical tools such as cross-tabulation and the Pearson chi-square test are used to interpret the data. The study reveals that many entrepreneurs have limited access to capital and tend to concentrate on the manufacturing sector. The key findings highlight the scarcity of service sector enterprises and the financial difficulties commonly encountered by most businesses in this municipality. Moreover, government policies significantly influence the performance of this sector. A lack of awareness about the available opportunities within the MSME sector also poses a considerable challenge.

Index Terms - Method of production process, natures of enterprises, nature of product, type of banks providing loans, wage rate system, selling methods, marketing support from government.

I. INTRODUCTION

The Micro, Small, and Medium Enterprises (MSME) sector is considered as one of the most important components of the Indian economy. This sector is involved in the manufacturing and production of a wide variety of products for both domestic and international markets. MSMEs have played a crucial role in the development of Khadi villages and coir industries. They have contributed to rural development by coordinating the efforts of relevant ministries, state governments, and other stakeholders. Furthermore, the MSME sector provides significant employment opportunities in rural areas and facilitates industrialization there with relatively low capital investment. MSMEs contribute significantly to the nation's growth in several ways. They require minimal capital outlay, offer operational flexibility, have site mobility, and enjoy low import rates, resulting in a substantial share of local output. Additionally, MSMEs are capable of developing appropriate local technologies and competing in both domestic and international markets. They also generate opportunities by offering specialized training and skill development through training centers

(GoI, 2022). Globally, MSMEs are recognized as drivers of economic expansion and promoters of equitable development, often experiencing the fastest growth.

In Kerala, the MSME sector is rapidly emerging as a significant income-generating and employment-providing industry with relatively low investment. Kerala accounts for 5.62 percent of all MSME enterprises in India, according to the MSME survey and Quick Results from the 4th Census. By enhancing exports through high-quality production techniques and products, the MSME sector has the potential to drive the state's economy (GoK, 2022). The government offers various programs aimed at different social groups, including Scheduled Castes (SC), Scheduled Tribes (ST), women, youth, and the physically handicapped. Both the Kerala government and local banks are providing a range of services to support the MSME sector. There has been significant growth in micro enterprises within the MSME sector, in terms of operational businesses and employment. Approximately 6,000 different MSME products are produced in this sector, ranging from traditional items to high-tech innovations. MSMEs play a vital role in the innovation process, as they can experiment with new technologies on a smaller scale. However, they often face challenges such as limited capital, a lack of entrepreneurial drive, hesitancy to take technological risks, and difficulties in recruiting skilled personnel. The sector encompasses various industries, including handicrafts, handloom, Khadi, food processing, garment manufacturing, textiles, and those related to coir, wood, bamboo, plastic, rubber, leather, and clay products.

II. Review of Literature

Odeyar D, H. (1981), argued that the entrepreneurship of SME's could be developed through encouraging self-employment and by organising SMEs co-operatives. He recommended that educational system should be modified to create increasingly diversified skills among SMEs and that a separate policy should be formulated for promoting entrepreneurship among SMEs. Whereas, Patnaik (1990), believes that the small-scale industries sector occupies a strategic position of unique importance in the Indian economy. The importance of small-scale and cottage industries in India's industrial development is discussed by Vuasulu (2000). It has been estimated that they contribute about fifty percent of the gross value of output originating in the manufacturing sector. These industries are established, inter alia to create immediate and permanent employment on a large scale at relatively small costs to ensure equitable distribution of the national income to effect decentralization of the industries by creating industrial estate and to raise the standard of the people. Whereas Biplab Moitra (2001) narrates the success story of SMEs entrepreneurs on the island of Sunderbans of West Bengal. The author states that the story of rural development with SMEs participation has brought about rural and urban equilibrium. On the other hand Kalyan Singh (2001), emphasized that "empty hands will surely lead to empty pockets and empty pockets will lead to empty homes" stressing the need to find an alternative development model that will come in the form of micro finances for the poor to survive to save and to thrive in and through the economic activities and states that developing microfinance for the rural SMEs is the need of the hour. Leo Paul Dana (2001), studied entrepreneurship as the creator of wealth and as a process to solve unemployment problems. According to the author, Entrepreneurs contribute to industrialisation as well as to economic growth. They improve living standards and tax revenues from their enterprises contribute to a nation's treasury. The author also throws light on to the social responsibility

schemes funded by MSMEs and training provided to entrepreneurs in different contexts across Asia. Lissa John Irimper (2001) analysed the role of the micro financial institution in the development of the poor in India. The author in the article evaluates the development of micro-enterprises financed by micro-financial organisations and the benefits arising to the SHGs through the bank linkages. Finally, the author states that the task of arranging funds is not the key issues in SMEs. Mali (2001) has focused on the steps undertaken by the government to promote entrepreneurship in India. Further gives a detailed note on the various training organisations and institutions which develop and provide support to entrepreneurs. Institutions such as training institutes, small development corporations, marketing organisations, consultancy organisations, banks and financial institutions have a vital role in the development of entrepreneurship in the region.

Mbugua et al.(2013) attempted to identify, assess, and define the elements that influence the growth of tailoring and dressmaking businesses in Eldoret. The majority of Eldoret's tailoring and dressmaking businesses are either not growing or developing slowly. Inadequacy of financial resources, bad company management abilities, poor marketing, and the owner managers' entrepreneurial qualities were all found to be statistically significant in influencing the success of these businesses.

ZarjuneP. (2018) found that the importance of MSME has been recognized in countries around the world for its significant contribution to numerous socio-economic goals including increased economic growth and employment, increased output, and support for entrepreneurship and exports. MSME plays an important part in the industrial sector. It is also found that MSMEs are the backbone of the Indian economy. Raghuvanshi P. and Ghosh PK(2017) found that the lack of proper management and structure for identifying and enhancing innovation in this sector results in few success stories. This paper proposes a hierarchical structure that is based on the SM approach to prioritise the enablers of innovation in MSMEs. MICMAC analysis has been conducted to examine the driving and dependence power. Patnaik.B et al.(2016) attempted to understand the various issues related to MSME in India. The various challenges faced by MSMEs are issues like credit facility, issues of equity capital, issues of infrastructure, issues of Govt. support, issues related to technology and issues related to the skill gaps.

III. Objectives of the Study

- To study the Micro, Small and Medium Enterprises sector and general working of MSME's sector.
- To identify different types of products produced by different MSMEs in Mukkam municipality.
- To study the problems of Micro, Small and Medium Enterprises in Mukkam municipality.

IV. Materials and Methods

Both primary and secondary data have been used to carry out this study. The primary data was collected from Micro, small and medium enterprises in Mukkam municipality using a well-framed questionnaire. Secondary data was collected from books, papers, magazines, research journals and websites. Data collected from Municipal offices and Industrial centers were also used in this study. The project is undertaken as a sample study. Sample chosen for this study covers the Micro, Small and Medium units in Mukkam Municipality. 70 registered enterprises were functioning in the Mukkam Municipality at the time of this study. Out of these, 50 samples have been selected for this study. Besides tabular analysis, statistical tools such as Cross tabulation and the Pearson chi-square test are used in the analysis of data.

V. Data Analysis

Table 1

Method of Production Process

Source: primary data

Method of Production Process	Frequency	Percentage
Manual	10	10.0
Mechanical	34	34.0
Both	56	56.0
Total	100	100.0

Table 1, provides data on the method of the production process. It may be noted from the table that 34 percent of entrepreneurs depend upon mechanical production process only. Manual production processes are comparatively low. 56 percent of production depends upon both Manual and Mechanical.

Table 2

Natures of Enterprises

Source: primary data

Nature of Enterprises	Frequency	Percentage
Manufacture	66	66.0
Service	34	34.0
Total	100	100.0

Table 2 shows the details of the nature of enterprises. Most of the entrepreneurs belong to the manufacturing sector, which accounts for 66 percent. Service sector enterprises are comparatively low in Mukkam municipality. Eventhough the government provides various programs to promote entrepreneurship, the concerned local bodies are not able to pass on these benefits to the entrepreneurs.

Table 3

Nature of Enterprises Cross Tabulation

Source: Primary data

Profit in Lakhs	Nature of enterprises		Total
	Manufacture	Service	
1-5	24	24	48
5-10	15	6	21
10-15	23	4	27
15-20	4	0	4
Total	66	34	100

The manufacturing sector has earned more profit compared to the service sector. In hle, more acceptable profit is 5-10 lakh and 10-15 lakh.

Table 4

Chi-Square Test

Pearson Chi-square Value	Degree of Freedom	Asymp. Sig. (2-sided)
4.717 ^a	3	.194

Since the Chi-square value is greater than 0.05 (.194 > 0.05),so retain the null hypothesis. It implies that there is no relationship between the nature of enterprises and the profit of the enterprise.

Table 5

Nature of Product

Source: primary data

Nature of product	Frequency	Percentage
Building	18	18.0
Rubber and Plastic	2	2.0
Food and Food Processing	20	20.0
Textiles	10	10.0
Paper and Wood	18	18.0
Engineering	10	10.0
Others	22	22.0
Total	100	100.0

Table 5 presents data on the nature of the product. Most of the entrepreneurs are engaged in food processing (20 %) in the study region.18% of entrepreneurs are engaged in Paper and wood products and building-related production.5% of entrepreneurs are engaged in the engineering and textiles field.

Table 6

Type of Banks providing loans

Source: primary data

Type of Banks providing Loans	Frequency	Percentage
Public Bank	44	44.0
Private Bank	18	18.0
Others	38	38.0
Total	100	100.0

Table 6 provides data on which type of banks provide loans, it indicates that the majority of the entrepreneurs have borrowed funds from nationalised banks (44%). 38% are loaned from private parties. Many private banks offer advanced with low-interest rates than public banks. But many entrepreneurs are not aware of this.

Table 7

Kind of Wage Rate System

Source: primary data

Wage Rate System	frequency	Percent
Piece Rate	46	46
Time Rate	54	54
Total	100	100

Table 7 shows the details on the kind of wage rate system followed in the MSME units 54 percent of entrepreneurs are providing their wage based on the time rate system. The enterprises are earning income in terms of the number of products are manufacturing. Their profit is based on the time rate. 46 percent of entrepreneurs are engaged in the piece-rate wage system.

Table 8

Nature of Enterprises Working Time Cross Tabulation

Source: primary data

Nature of Enterprises	Working Time			Total
	Below 8 hours	8 Hours	Above 8 Hours	
Manufacture	4	56	6	33
Service	2	28	4	17
Total	6	84	10	100

Table 9: Chi-Square Test

Pearson Chi-Square Value	Degree of Freedom	Asymp. Sig. (2-sided)
3.628 ^a	1	.057

Table 8 explains that in the manufacturing sector 28% of workers are doing a job in 8 hours. 2% of people are doing a job below 8 hours and 35 of employees are doing a job above 8 hours. In the service sector, 14 % of employees are engaged 8 hours in their job. Here we calculated the chi-square test. Since the Chi-square value is greater than 0.05 ($.057 > 0.05$), so retain the null hypothesis. It implies there is no relationship between the nature of enterprises and the profit of the enterprise.

Table 10

Participation in Training Programme

Source :Primary data

Programs	Frequency	Percentage
No	100	100.0
Yes	0	0.0
Total	50	100.0

Table 10 shows that authorities are not provided any training programs under the MSME units. Government institutions are not considered for the improvement of this sector.

Table 11

Government Support under Which Capital Raising By Scheme

Source :Primary data

Schemes	Frequency	Percent
Prime Minister's Rozgar Yojana (PMRY)	0.00	0.00
Industrial Infrastructure Up-gradation Scheme (IIUS)	0.00	0.00
Composite Term Loan (CTL)	0.00	0.00
Equity Fund Scheme	0.00	0.00
Women Entrepreneurship Programme	0.00	0.00
Directorate of Industries and Commerce	0.00	0.00
Credit Guarantee Fund Trust Scheme (CGFTS)	0.00	0.00
None	50	100

Table 11 indicates that, the government support under which capital raising by the scheme. The government provides various capital raising programs but these services are not granted to entrepreneurs. The benefits are not reaching the general public, as authorities are engaging in corruption.

Table 12

Challenges for Business

Source: Primary data

Challenges	Frequency	Percent
Financial Related Issues	60	60.0
Production Related Issues	6	6.0
Personal Related Issues	8	8.0
Marketing Related Issues	22	22.0
Others	4	4.0
Total	100	100.0

Table 12 presents data on the challenges faced by businesses. Micro and small entrepreneurs encounter more financial-related issues, such as lack of security and limited access to bank loans. Marketing-related challenges are also major concerns for these entrepreneurs. Additionally, production-related, personal, and other issues further complicate their business operations.

Table 13

Type of Selling Methods

Source: Primary data

Selling Methods	Frequency	Percentage
Direct	76	76.0
Wholesale	10	10.0
Retailers	14	14.0
Total	100	100.0

Table 13 shows that most sellers are directly involved in the business, while the remainder is evenly split between wholesale and retail dealers. This direct involvement may help reduce the high product pricing, as each intermediary typically adds their own profit margin to the price.

Table 14

Promotional Strategies

Source: Primary data

Strategies	Frequency	Percentage
Advertisement	48	48.0
Personal Selling	38	38.0
Publicity	14	14.0
Total	100	100.0

The table above shows that advertising is the primary promotional strategy for most entrepreneurs, although it requires significant financial investment. Personal selling, on the other hand, is another key strategy that does not involve substantial expenditure for the firms.

Table 15

Marketing Support from Government

Source: Primary data

Supports	Frequency	Percentage
Business to Business Meet (B2B)	0.00	0.00
Buyer Seller Meet(BSM)	0.00	0.00
Cluster Development Programme(CDP)	0.00	0.00
Government Stores Central Purchase (CGSPP)	0.00	0.00
Export Promotion	0.00	0.00
All of the Above	0.00	0.00
None	100	100

Table 15 shows that most entrepreneurs claim they are not receiving any benefits from the government, despite the availability of various marketing support programs.

Table 16

Ownership of Assets by Land and building

Source: Primary data

Ownership	Frequency	Percentage
Leased	64	64.0
Owned	32	32.0
Total	100	100.0

This table indicates that most entrepreneurs (68%) lease their land and buildings, while the remaining have self-owned properties. This suggests that leasing can serve as an incentive for new entrepreneurs, allowing them to start their businesses without the need for significant investment in land and buildings.

6. Results and Discussion

Most entrepreneurs in the study have started their businesses within the past one to five years, indicating a relatively recent entrepreneurial activity. The majority are sole proprietors, with almost all involved in the manufacturing sector. Most entrepreneurs combine both mechanical and manual processes in their manufacturing. Rubber and plastic products, along with food processing, are the primary sectors in which these MSMEs operate.

A significant number of entrepreneurs fall under the micro-enterprise category. Many begin their businesses by securing bank credit, primarily from nationalized banks. Most enterprises recruit employees directly, with a large portion of the workforce being semi-skilled. Employee wages typically range from Rs. 5,000 to Rs. 10,000 per month. However, none of the employees participate in training programs offered by MSME authorities.

The majority of entrepreneurs do not receive any support or facilities from the Municipality. The annual production costs for most businesses are under 5 lakhs, with annual sales ranging between 5 to 10 lakhs, and annual profits typically falling between 2 to 5 lakhs. Direct sales to customers are the predominant method of selling, and most entrepreneurs follow a cost-based pricing strategy. Advertising is the main promotional approach used by most businesses. Government support, particularly in the form of facilities, is notably low among the majority of entrepreneurs. Raw materials are primarily sourced from private agencies, and the high cost of raw materials remains a major challenge, creating financial constraints for these businesses. Overall, the performance of enterprises in the Municipality is relatively high, but there is a negative correlation between profit and production costs. Various sectoral challenges, particularly related to high raw material costs, could hinder the growth of these enterprises.

7. Conclusion

Micro and Small enterprises are a major part of the country for economic growth. In India, the growth of the MSME sector is faster than before. However, their development is inconsistent and not improving. It is evident from the study that the growth rate of MSMEs is average in Mukkam municipality. Most enterprises have low capital investments and are more concentrated in the manufacturing sector. Service sector enterprises are low in number. Enterprises in the municipality are constrained by financial problems. The government's policies also affects the performance of this sector. Entrepreneurs being unaware of the existing opportunities in the MSME sector is another issue. Government institutions should provide training programs for entrepreneurs to understand various opportunities in the sector, and educate people about various incentives and subsidies provided by the government. It will lead to the improvement of MSMEs in Mukkam municipality.

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