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A Study On Problems And Challenges Faced By Msme Enterprises

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ABSTRACT

The project focuses on micro, small, and medium-scale enterprises (MSMEs), examining their potential, significance, and the challenges they encounter. The Micro, Small, and Medium Enterprise (MSME) sector is vital to India's economy, comprising 29.8 million entrepreneurs and employing 69 million people. Of these, 2.2 million are women-led businesses (7.4%), and 15.4 million are in rural areas (51.8%). The sector contributes 45% of industrial output and 40% of exports, with an annual GDP growth rate of 11.5%, outpacing the overall GDP growth of 8%. However, 94% of MSMEs remain unregistered, and challenges like poor infrastructure, inadequate market linkages, and limited access to finance hinder growth. Financial institutions are cautious about lending to the sector due to perceived risks and lack of collateral. Despite these hurdles, the MSME sector is a key driver of socio-economic transformation, generating employment, reducing poverty, and curbing rural-urban migration. It fosters a vibrant entrepreneurial ecosystem and supports the use of indigenous technologies. It explores the support provided by the government to this sector, the perspectives of entrepreneurs regarding their experiences within it, and their aspirations—whether they intend to continue in this sector or transition to alternative professions.

Keywords: sector, indigenous, constrain, depression

INTRODUCTION

The Micro, Small and Medium Entrepreneur sector is crucial to India's economy. There are 29.8 million Entrepreneurs in various industries, employing 69 million people. The sector includes 2.2 million women-led Entrepreneurs (7.4 percent) and 15.4 million rural Entrepreneurs (51.8 percent). In all, the MSME sector accounts for 45 percent of Indian industrial output and 40 percent of exports. Although 94 percent of MSMEs are unregistered, the contribution of the sector to India's GDP has been growing consistently at 11.5 percent a year,

which is higher than the overall GDP growth of 8 percent. Poor infrastructure and inadequate market linkages are key factors that have constrained growth of the sector.

SCOPE OF THE STUDY

The findings of the study would help policy makers to see the need to support MSME's, which would create employment for the youth and also equip them with modern infrastructure. It would also help target groups to have solution to some of the problems facing MSME's. It was expected that the outcome of this research would go a long way in ensuring a turnaround of Micro, Small and Medium Scale Entrepreneurs (MSME's) sub-sector. The research would come up with a set of recommendations for various stakeholders for implementations. With the concerted efforts of all and sundry including governments, MSME'S promoters, Agencies and Departments of Governments involved in the MSME " Sub-sector, Non-Governmental Organizations (NGOs), Banks, Investors, etc., it was hoped that the fortunes of MSME's would dramatically improve. It was also expected that the outcome of this research would help future researchers who would try to do additional research and also help MSME's owners to have solutions to some of the challenges within the sector.

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.

OBJECTIVES OF THE STUDY

- To identify factor for the future growth of the Micro, Small and Medium Entrepreneur.
- To make appropriate recommendations for solving or at least eliminating the identified challenges of Micro Small and Medium Entrepreneur.
- To assess the difficulties of Micro, Small and Medium Entrepreneur face when assessing finance from various sources.

RESEARCH METHODOLOGY

Business research is recent origin and largely supported by business organizations that hope to achieve competitive advantages. Research methodology lays down the various steps that are generally adopted by a researcher in studying the problem. Research methodology is a way to systematically solve the research problems. It may be understood as a science of studying how research is done scientifically. It includes the overall research design, the sampling procedure, data collection method and analysis procedure.

SAMPLING DESIGNS

Convenient Sampling method is adopted.

SAMPLE SIZE

The sampling size is estimated to be 150.

METHOD OF DATA COLLECTION

The data for this study are of two types:

- Primary data
- Secondary data

PRIMARY DATA

Primary data is the data is collected from the respondent for the first time, it is original in nature. For the purpose of collection of primary data, a well-structured questionnaire was framed and filled by the respondents. The questionnaire comprises of close ended as well as open ended questions. In close ended questions, checklist questions and multiple choice questions are used.

SECONDARY DATA

Secondary data are collected from books, magazines, web sites etc., and both open ended and close-ended questions are incorporated in the questionnaire for the collection of data.

STATISTICAL TOOLS

The following statistical tools are used in the study

- Percentage Analysis
- Chi – square test
- Weighted Average rank Method

PERIOD OF THE STUDY

The primary data were collected for a period of three months from November to January the respondents covering Coimbatore District.

LIMITATIONS OF THE STUDY

The present study is subject to the following limitation.

- Data is restricted with Coimbatore its nearby areas.
- The sample size was limited to Micro, Small and Medium Entrepreneur.
- Availability of information is limited to Micro, Small and Medium Entrepreneur.

REVIEW OF LITERATURE

Saidapur et.al, (2023), in their study on “**Challenges Faced by Women Entrepreneurs Running Micro, Small and Medium Scale Fashion and Apparel Business**”. Entrepreneurship has been a male-dominated phenomenon from the very early age, but time has changed the situation and brought women as today's most memorable and inspirational entrepreneurs. It is estimated that women entrepreneurs presently comprise about 10% of the total number of entrepreneurs in India, with the percentage (%) growing every year. If the prevailing trends continue, it is likely that in another five years, women will comprise 20% of the entrepreneurial force. In almost all the developed countries in the world, women are putting their steps at par with the men in the field of business. Recent statistics confirm that women's economic activities play a crucial role in the growth of many of the world economies (Minniti et al., 2005 as cited by Roomi et al.). Most of the work conducted considered women's motivations to start a business and the subsequent effect of those motivations on growth (Lerner et al., 1995; Buttner and Moore, 1997), the effect of their location, urban or rural, on business performance (Merrett and Gruidl, 2000), and the effect of the size and sector on business development (Du Reitz and Henrekson, 2000).

Aggarwal, S. Klapper, L. and Singer, D. (2024) in their study on “**Financing Small and Medium Scale Entrepreneurs (MSMES): A Challenge for Entrepreneurial Development in Gombe State**” However, to provide solution to unemployment problems and enhanced the growth and development of the nation, various efforts had been made by the Nigerian government to spur entrepreneurship activities in the country. Such efforts include the promulgation and establishment of the National Directorate for Employment (NDE), Nigerian Industrial Development Bank, (NIDB), Nigerian Entrepreneurs Promotion Decree, Peoples Bank of Nigeria, Community Banks, Family Economic Advancement Programme (FEAP), and National Poverty Eradication Programme (NAPEP) to mention but a few (Olagunju, 2004; Muktar, 2009; Ojo, 2009, and Oni et.al 2012). Micro Finance Institutions (MFIs) in Nigeria were also established with the aim of assisting MSMEs in providing capital for expansion, although poor assets base and demand for collateral by banks, denies most MSMEs access to capital (Oni, Paiko and Ormin, 2012). This has been attributed in part to the failure of credit markets. The argument goes that the poor have so little to offer by way of collateral, and borrow such small amounts, that it is too risky and too expensive to lend to them.

ANALYSIS AND INTERPRETATIONS

This chapter deals with the analysis and interpretation of the study. For this study primary data are collected and used for testing the hypotheses. For the analysis following statistical tools have been applied

- Percentage Analysis
- Chi – square test
- Weighted Average Rank Method

PERCENTAGE ANALYSIS

Percentage refers to a special kind of ratio in making comparison between two or more data and to describe relationships. Percentage can also be used to compare the relation terms in the distribution of two or more sources of data.

TABLE:**Demographic Profile:**

S.No	Determinants	No.of.Respondents(N=150)	Percentage(%)
1	Age: Below 20	70	46
2	Gender: Male	92	62
3	Occupation: Student	58	38
4	Type of Business: Small Scale	60	40
5	Type of Firm: Sole Proprietorship	90	60
6	Entrepreneurs for choosing the manufacture of edible times: Self Interest	29	19
7	Government Support: Very High	42	28

CHI – SQUARE**Table. No – 1****Age and Level of Satisfaction**

$H_0 =$ There is no significant association between age of the respondents and their level of satisfaction.

Age	Level of Satisfaction			Total
	High	Moderate	Low	
Below 20 years	48	0	22	70
21-30 years	29	27	0	56
31-40 years	9	2	3	14
Above 40 years	5	1	4	10
Total	91	30	29	150

Calculated χ^2 Value: 57.049

Degree of freedom: 6

Table Value: Five per cent level: 12.592

Table. No – 2**Gender and Level of Satisfaction**

$H_0 =$ There is no significant association between gender of the respondents and their level of satisfaction.

Gender	Level of Satisfaction			Total
	High	Moderate	Low	
Male	62	30	0	92
Female	29	0	29	58
Total	91	30	29	150

Calculated χ^2 Value: 66.687

Degree of freedom: 2

Table Value: Five per cent level: 5.991

Table. No – 3**Marital Status and Level of Satisfaction**

$H_0 =$ There is no significant association between Marital Status of the respondents and their level of satisfaction.

Marital Status	Level of Satisfaction			Total
	High	Moderate	Low	
Married	60	30	0	90
Unmarried	31	0	29	60
Total	91	30	29	150

Calculated χ^2 Value: 64.835

Degree of freedom: 2

Table Value: Five per cent level: 5.991

Weighted Average Rank Method

Rank	Weight	Dual commitments		Poor support from family member		Lack of self confidence		Lack of education		Health Problems		Social attitude	
		No of respondents	score	No of respondents	score	No of respondents	score	No of respondents	score	No of respondents	score	No of respondents	score
I	10	43	430	10	100	20	200	12	120	12	120	1	10
II	9	24	216	12	108	9	81	30	270	2	18	12	108
III	8	12	96	23	184	21	168	7	56	16	128	7	56
IV	7	3	21	23	161	18	126	20	140	6	42	13	91
V	6	8	48	20	120	14	84	25	150	29	174	10	60
VI	5	3	15	15	75	27	135	16	80	18	90	21	105
VII	4	25	100	16	64	10	40	10	40	24	96	40	160
VIII	3	10	30	17	51	6	18	5	15	19	57	18	54
IX	2	11	22	5	10	8	16	8	16	13	26	14	28
X	1	11	11	9	9	17	17	17	17	11	11	14	14
Total		989		882		885		904		762		686	
Average		98.9		88.2		88.5		90.4		76.2		68.6	
RANK		I		V		IV		II		VI		IX	

INTERPRETATION

In this method the interesting to reading pages selected for ranking are personal problems faced in the business. The Classifications are Dual commitments, Poor support from family member, Lack of self confidence, Lack of education, Health Problems, Social attitude, Lack of training, Lack of government support, Cumber some legal formalities and Low risk bearing capacity.

From the above table out of 150 respondents rankings the 1st rank is given to Dual commitments problem, 2nd rank is given to Lack of education problem, 3rd rank is given to Lack of government support problem, 4th rank is given to Lack of self-confidence problem and 5th rank is given to Poor support from family member problem, 6th rank is given to Health Problems, 7th rank is given to Lack of training problem, 8th rank is given to Low risk bearing capacity problem, 9th rank is given to Social attitude problem and 10th rank is given to Cumber some legal formalities problem.

FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS

Percentage Analysis

The majority of respondents, 46%, belong to the age group of below 20 years, with a higher proportion of males. A significant 60% of the respondents are married, and 39% hold graduate degrees. Among them, 38% are students. Regarding income, 38% report a monthly income ranging from Rs. 5001 to Rs. 10,000, while 48% save between Rs. 10,001 and Rs. 15,000 each month. Additionally, 64% of respondents come from joint families, and 37% have 3-4 members in their household. In terms of employment, 40% work in small-scale businesses, with a similar 40% having invested between Rs. 50,000 and Rs. 1,00,000 in capital. A majority, 60%, are involved in sole proprietorship firms, and 54% report a monthly turnover of Rs. 10,000 to Rs. 20,000. When it comes to working hours, 61% of respondents work over 8 hours a day. Motivational factors include 28% citing friends as their inspiration to start their ventures, and 41% choosing to manufacture edible items due to high market demand. Half of the respondents are satisfied with their entrepreneurial journey, while 55% are considering changing the nature of their business. Lastly, 33% feel that the government provides substantial support to entrepreneurs.

Chi-Square test

- There is a significant association between age of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is a significant association between gender of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is a significant association between marital status of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is a significant association between educational qualification of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is a significant association between occupation of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is a significant association between monthly income of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.

- There is a significant association between monthly savings of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.
- There is no significant association between type of the family of the respondents and their level of satisfaction. Hence, Null hypothesis is accepted.
- There is a significant association between family members of the respondents and their level of satisfaction. Hence, Null hypothesis is rejected.

Weighted Average Rank method

Out of 150 respondents rankings the 1st rank is given to Dual commitments problem, 2nd rank is given to Lack of education problem, 3rd rank is given to Lack of government support problem, 4th rank is given to Lack of self confidence problem and 5th rank is given to Poor support from family member problem, 6th rank is given to Health Problems, 7th rank is given to Lack of training problem, 8th rank is given to Low risk bearing capacity problem, 9th rank is given to Social attitude problem and 10th rank is given to Cumber some legal formalities problem.

SUGGESTION

Based on the analysis and findings of the research, the researcher wish to make the following recommendations for improving micro, small scale enterprises to help solve the challenges facing the sector:

- Setting up a common board to regulate all the activities of the MSMEs support institutions.
- Literacy training for the MSMEs entrepreneurs.
- Government should reduce the interest rate for MSMEs so that they can borrow from the banks.
- Setting up SMEs fund at all the district, metropolitan and municipal to support MSMEs activities.
- Enforcement of policies to register all start up businesses within the first three months.
- Formation of MSME's Policies to control them
- In the long term however, there is the need for political will to develop the sector as well as policy framework establishment by the government to support the interventions in the sector. Some of these suggestions are discussed subsequently in details.
- Information technology or Internet-enabled environment helps in fast and accurate decision-making by the MSMEs due to increased mobility.
- The critical components before MSMEs are speed of services, access to information, empowering employees in terms of skill and delivering highest valued services at competitive cost.
- Setting up SMEs fund at all district, metropolitan and municipal to support SMEs activities, putting ban on some of the imported goods which can be produced locally by SMEs, establishment of SMEs bank to support given more loans to SMEs which will help them to access credit for business expansion, formation of national policies on SMEs operations and finally, setting up a common board to regulate all the activities of all the SMEs support institutions in the country.

CONCLUSION

The MSMEs in India face a tough situation due to extreme competition from large industries due to withdrawal of subsidy, lack of infrastructure, anti dumping policy, challenges on product standardization, total quality management etc. Though Globalization has increased competitiveness in Indian MSMEs to certain extent, still Indian MSMEs are not adequately prepared to compete with the global players. There has been a definite change in attitude of the Govt. from protection to promotion of the MSMEs. The Govt. has taken several policy initiatives but needs to ensure proper co-ordination and implementation of such schemes. The MSMEs must convert the threats of globalization into opportunities through increased productivity, product diversification, supply chain management, Research and Development activities.

Hence, from this research, it is possible to suggest, that main unique business characteristics of MSMEs can be identified as limited capital, self-funded business, low levels of awareness especially among micro and small enterprises, reluctant towards new technology adoption and depend heavily on word-of-mouth recommendation. The findings imply that MSMEs suffer from several obstacles such as financial constraint, high taxes, lack of state government support, and the successor replacement.

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