

PROBLEMS FACED BY THE MICRO ENTREPRENEURS IN KERALA

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Abstract

In MSME, micro sector plays significant role in the socio economic development of the society, but it faces a variety of issues since the business climate is always changing. Despite the fact that the state government is adopting a variety of development policies and support measures for their improvement but the majority of policy packages do not reach them. This causes a scenario where new businesses do not further enter the field and causes existing entrepreneurs to gradually leave the industry. In this case, a thorough study addressing the issues faced by micro entrepreneurs is necessary. For the purpose of analyzing data 399 sample units were proportionately selected from each districts of Kerala using the systematic sampling method. The study found that the problems faced by the micro entrepreneurs were categorized in to six major problems such as lack of knowledge updating, lack of regulatory support, financial problems, infrastructural problems, workers related problems and product/service related problems.

Key words:- MSME, micro sector, micro entrepreneurs, unemployment, Post hoc analysis.



ver the past five decades, the Micro, Small and Medium Enterprises (MSME) have emerged as a vibrant and dynamic segment of the Indian economy. In MSME sector, majority i.e. 98 per cent is accounted for by micro enterprises. In our economy, the vast domestic market and

labor surplus has helped to establish the dominance of micro enterprises.

MSMEs contribute significantly to the large scale employment, especially in the rural and backward areas with limited investment and also provide the opportunities for entrepreneurship in the country.

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In a state like Kerala, the micro-sector plays a vital role in promising employment and attracting the educated unemployed to this sector. In this way the micro-sector promotes self-employment and thereby plays a significant role in the entrepreneurial growth of the state. Recognizing the importance of this sector, the government has put forward various promotional measures for their further development. Thus micro sector provides tacit support to the national economy and acts as a defense against economic shocks and adversities. Therefore, it can be said that our state is moving towards a strong economy through the silent revolution provided by the micro sector.

Relevance of the Study

Despite being a fully literate state, Kerala faces unemployment, especially educated unemployment and rural unemployment; this paved way for the development of micro enterprises in the state. They are playing an important role in society but face a series of challenges due to fluctuating business environment factors and these changes immediately affect their performance. Although the state government is adopting various development policies and support measures for their upliftment, unfortunately most of the stimulus packages and policy packages do not reach them. This leads to the gradual withdrawal of existing entrepreneurs from the sector and creates a situation where new entrepreneurs do not enter further. Such retreat is certainly reflected in the economic growth and prosperity. In such a situation, a detailed study addressing the problems faced by the entrepreneurs in micro sector was initiated.

Objective of the Study

This study seeks to identify the major problems faced by the entrepreneurs in micro enterprises falling under various industries in both manufacturing and service sectors, located in the southern part of Kerala.

Methodology of the Study

This study is descriptive and analytical in nature based on survey method. Even though both primary and secondary data were used for the study, the study relies heavily on primary data gathered through a well-designed questionnaire and open discussion with entrepreneurs in micro enterprises. The secondary data were gathered from various publications and journals, articles, newspapers, websites etc.

Systematic sampling method is used for the selection of the samples for the study. For the purpose of selecting samples, the whole Kerala was divided into three regions—southern, central and northern. Subsequently a total of 399 units were proportionately selected from each of the 14 districts using the systematic sampling method. Thus 126 units selected from southern region, 155 units from central region and 118 units from northern region constitute the final sample of the study.

Hypothesis Formulated

H₀. There is no significant difference in the influence of problems faced by the entrepreneurs in manufacturing and service micro enterprises in Kerala.

H₁. There is significant difference in the influence of problems faced by the entrepreneurs in manufacturing and service micro enterprises in Kerala.

ANALYSIS AND INTREPRETATION

There are about 27 components defined to categorize various problems of entrepreneurs in micro enterprises in Kerala. The coefficient value of all components is found to be high. The highest coefficient is for the components: lack of updating market knowledge (CV-.968), officials are unable to convey information properly (CV-.923), lack of proper implementation of government schemes, policies, programmes etc. related to business (CV-.920) and so on.

From table 3, it is understood that various problems faced by the entrepreneurs in micro enterprises were analysed, i.e. 27 components representing the different problems of entrepreneurs were categorized under 6 factors such as lack of knowledge updating, lack of regulatory support, financial problems, infrastructural problems, workers related problems and product/service related problems.

The ANOVA result shows that there is statistically significant difference in the mean values for the different problems faced by the entrepreneurs in

microenterprises, with F-value (203.70) being high and p-value is less than 0.05, and therefore reject the null hypothesis and accept the alternate hypothesis.

Post hoc analysis was applied to examine the statistical significance of the difference in the problems faced by the entrepreneurs in micro enterprises in Kerala.

Based on the above analysis, among the identified problems faced by the entrepreneurs in micro enterprises, lack of regulatory support is found to be highly influencing problem on micro enterprises followed by lack of knowledge updating, financial problems, worker’s related problems, infrastructural problems and product/service-related problems.

Conclusion

The study attempts to assess the problems faced by the entrepreneurs in micro enterprises in Kerala. From the result it is understood that the identified problems are specifically related to the functioning of their unit. Various problems faced by the entrepreneurs in micro enterprises were analysed i.e. 27 components representing the different

Table 1

KMO and Bartlett’s Test- Problems faced by the entrepreneurs in micro units in Kerala

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.708
Bartlett's Test of Sphericity	Approx.Chi-Square	7357.417
	Df	351
	Sig.	.000

Table 2**Communalities -Problems faced by the entrepreneurs in micro enterprises in Kerala**

Problems	Initial	Extraction
Lack of demand for the product/service affects the performance.	1.000	.687
Unit facing severe competition	1.000	.754
Lack of enough promotional activities and good distribution network affects the business	1.000	.765
Product/services cannot be delivered on the basis of orderreceived.	1.000	.755
Lack of managerial skill affects the quality of work	1.000	.710
Insufficient fund for meeting operational activities	1.000	.769
Inability to face emergency financial situations	1.000	.757
Loan or debt amount cannot be repaid on time	1.000	.646
Facing difficulties in raising funds from banks and other financial institutions	1.000	.732
Lack of having proper and adequate facilities for the functioning of the business like power, transportation, etc.	1.000	.796
It is unable to invest in new asset.	1.000	.724
Current facilities are outdated in the unit	1.000	.774
Lack of proper building for conducting business	1.000	.640
Inability to make right decisions can adversely affect the performance of the business.	1.000	.614
Lack of experience as an entrepreneur affects the business	1.000	.634
Officials taking bribes	1.000	.650
Lack of availability of skilled workers	1.000	.694
Higher labor cost affects the earnings of the business	1.000	.860
Irresponsibility of workers adversely affects the operations of the business.	1.000	.885
Inability to provide proper training to workers.	1.000	.756
Lack of planning as per market changes	1.000	.661
Lack of updating market knowledge	1.000	.968
Inability to implement proper marketing mix strategies.	1.000	.770
Officials are unable to convey information properly.	1.000	.923
Lack of proper implementation of government schemes, policies, programmes etc. related to business.	1.000	.920
Lack of adequate support and co-operation from local authorities and regulatory bodies such as DIC, Industries and commerce department)	1.000	.878
Lack of awareness about government's policies, schemes, acts related to business.	1.000	.786
Extraction Method: Principal Component Analysis.		

Source: Primary data

Table 3

Rotated Component Matrix- Problems faced by the entrepreneurs in micro enterprises in Kerala

Problems of Entrepreneurs in micro Enterprises in Kerala	Component					
	1	2	3	4	5	6
Lack of awareness about government policies, schemes, programmes etc. related to business.	.953	.241	.030	-.010	.012	-.005
Lack of updating market knowledge.	.922	.178	.037	-.018	-.013	.019
Inability to make right decisions can adversely affect the performance of the business.	.914	-.140	.037	-.002	.025	-.057
Lack of experience as an entrepreneur affects the business.	.839	.217	-.017	-.049	-.010	.060
Lack of planning as per market changes.	.680	.568	.017	.006	.006	-.026
Lack of managerial skill affects the quality of work.	.658	.456	.056	.099	-.007	-.084
Inability to implement proper marketing mix strategies.	.669	.403	.228	.181	.173	.124
Lack of adequate support and co-operation from local authorities and regulatory bodies Such as DIC, Industries and commerce department etc.	.185	.939	.010	.002	.058	-.023
Officials are taking bribes	.231	.931	-.030	.032	.022	-.020
Officials are not able to convey information properly.	.126	.926	-.039	.006	.049	-.027
Lack of proper implementation of government schemes, programmes, policies related to business.	.491	.722	.069	.037	.000	-.032
Insufficient fund for meeting operational activities	.043	-.057	.834	.103	.199	.116
Facing difficulties in raising funds from banks and other financial institutions.	.032	.039	.832	.066	.227	.061
The loan or debt amount cannot be repaid ontime	.040	-.015	.814	.068	.281	.078
Inability to face emergency financial situations	.078	.041	.808	.062	.137	.059
Current facilities are outdated in the unit.	.063	.013	.090	.858	.088	.001
Lack of having proper and adequate facilities For the functioning of the business like power, transportation, e tc.	.052	.007	.041	.849	.088	.032
Unable to invest in new assets.	-.044	.020	.040	.837	.035	.073
Lack of proper building for conducting business	-.015	.046	.114	.834	.145	.023
Lack of availability of skilled workers.	-.018	.063	.323	.83	.804	.073
Higher labour cost affects the earnings of the business	-.001	.041	.043	.060	.796	.075
Inability to provide proper training to workers	.007	.008	.341	.205	.793	.088
The irresponsibility of the workers adversely affects the operations of the unit.	.090	.027	.346	.056	.769	.023
Product/services cannot be delivered on the basis of order received	.002	-.069	.026	.022	.071	.792
Unit facing severe competition.	.020	-.059	.013	.053	.095	.790
Lack of enough promotional activities and good distribution network affects the business	-.061	.090	.090	.0119	.056	.787
Lack of demand for the product/service affects the performance.	.040	-.072	.147	-.069	-.010	.764

Note: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization a. Rotation converged in iterations.

Source: Primary data

Table 4

ANOVA - comparative analysis of influence of problems faced by the micro entrepreneurs in Kerala

Source of variation	Sum of Squares	Df	MeanSquare	F	p-value	Result
Treatment	151.329	5	30.2657	203.70	0.000	Significant
Error	354.809	2388	0.1486			
Total	506.137	2393				

Source: Primary data

Table 5

Tukey simultaneous comparison-post hoc test- comparative analysis of influence of problems faced by the micro entrepreneurs in Kerala

Problems of micro entrepreneurs		Product / service related	Infrastructural problems	Workers related problems	Financial problems	Lack of knowledge updating	Lack of regulatory support
Product/service related problems	3.07						
Infrastructural problems	3.28	7.66					
Workers related problems	3.32	9.16	1.50				
Financial problems	3.53	16.83	9.17	7.67			
Lack of knowledge updating	3.68	22.27	14.60	13.11	5.44		
Lack of regulatory support	3.81	27.19	19.52	18.03	10.36	4.92	

Critical values for experiment wise error rate @0.05 are 2.89

Source: Primary data

problems of entrepreneurs were categorized under 6 factors such as lack of knowledge updating, lack of regulatory support, financial problems, infrastructural problems, workers related problems and product/service related problems. From the response, it is understood that these problems were highly affecting the entrepreneurs in micro service units rather than manufacturing units. Among these problems the lack of

regulatory support is the most influencing problem in micro enterprises. The findings of the study may help policy makers to formulate appropriate measures to address the issues and ensure their safety and security. Such a movement not only retains the existing entrepreneurs but also attracts new entrepreneurs including youth to the sector and also revives the entrepreneurial culture.

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**International Centre for Kerala Studies (ICKS),
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Published in 2007

Pages 114

Priced Rs. 80

Paperback