



Hurdles on Path of Micro Small And Medium Enterprises in Bangalore City

KEYWORDS

MSME's, Opportunities, Employment, Sustainable Development

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ABSTRACT

Industries are considered to be the key factor in the economic sustainable development of a country. India being one of the world's largest democracies and the development of industries is not only crucial but connected part of the economy. Though India got independence in 1947, the planning era was launched in 1951 by the introduction of the First Five Year Plan. After 69 years of independence, India has undoubtedly made tremendous progress in various fields, be it agriculture, industry, energy, telecom, transportation, infrastructure or any other field. India's achievements in the last six decades have enabled her to establish a equitable place among all the developing or the developed nations of the world and this credit goes to the visionary leaders of this country.

Introduction

The Government of India from the beginning had earmarked a special role to small-scale and the medium scale industries for their contribution towards the Indian economy. The 'small scale industries sector' in India consists of both 'traditional' and 'modern' industries. The traditional industries comprises of handlooms, handicrafts, sericulture, khadi and village industries, whereas the modern industries comprises power-looms and all the other small scale industries using modern technology.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN KARNATAKA:

Karnataka is considered as one of the most deserved industrial locations for setting industries in the country. It has been consistently pursuing a progressive outlook to meet the changing needs of the State's economy and industry. In recent times, the State has emerged as the knowledge and technology capital of the country making rapid strides in the new economy as well. IT and related industries like biotechnology and strong research and development institutions have given Karnataka a pride of place in the global market. The micro, small and medium enterprises play a pivotal role in the balanced and holistic industrial development of the State as the MSMEs generate employment and add value to the products and services while encouraging entrepreneurship. The State has a strong base of around 4 lakh registered micro, small and medium enterprises with an investment of more than Rupees 100 lakhs made in this sector and is also generating employment to around 30 lakh people. Its share in the overall industrial output is worth considering but however this sector is not free from problems.

STATEMENT OF THE PROBLEM

The State of Karnataka has one of the highest numbers of MSMEs scattered around its districts. Eventually, the State Government has taken various measures in safeguarding the interest of micro, small and medium enterprises. The Government of Karnataka also wants to enhance the contribution of manufacturing sector to the State's GDP by the end of the policy period. In general, the small businesses face problems of finance such as the inadequacy of finance, poor approachability to the financial institutions and the responses from these financial institutions make it even more difficult for small units.

SIGNIFICANCE OF THE STUDY

The MSMEs sector plays a key role in creating jobs and helps in achieving high economic growth. It also has the potential to provide employment for the masses. Indeed, achieving and sustaining such growth and higher employment will require a boost for MSMEs. Small industries could also go one step ahead in addressing a sustainable vision i.e., a trade-off between economic growth, profitability, and sustainable environment. In general, the MSME sector in India and particularly in the State of Karnataka has witnessed significant changes in the post-liberalisation period since 1991. The facts and figures clearly show that the number of registered units both in India and in Karnataka has increased considerably, which has also led to the growth in investment and employment.

OBJECTIVES OF THE STUDY

1. To examine the problems faced by MSMEs and the industrial climate of micro, small and medium enterprises in the study area.
2. To study about the schemes offered by government for MSMEs Development.
3. To offer pragmatic suggestions to facilitate the growth of MSMEs.

RESEARCH METHODOLOGY

The present study is based on both primary and secondary data. The secondary data is mainly congregated from published and unpublished works on the related topic. Census reports, economic surveys, journals, news papers, government and non government organisations (NGOs) associated with the industrial sector especially the Directorate of Industries, Directorate of Economics and Statistics, SIDBI, SISI (Now MSME Development Institute), and various Statistical Handbooks available were a major source for secondary information. Moreover, the web resources also acted as an important source of secondary information. In addition, the personal interviews and informal discussions also held with the government officials, and NGOs to know their reactions and get their suggestions. The primary data has been collected mainly from extensive field survey of the sample units. To obtain primary information, a personal interview has been conducted through well designed questionnaire especially prepared in view of the objectives of the study.

SAMPLING PLAN

The total sample respondents were 50 Units. The fieldwork for this research study was carried out personally by

the researcher. The present study is both descriptive and analytical. It is an empirical study based on sample survey method. After the completion of the data collection, the filled in questionnaires were segregated and classified. A master table was prepared in the excel format to sum up all the information collected in the questionnaire. The tabular analysis was done both manually and also with the 'Statistical Package for Social Science (SPSS).

LIMITATIONS OF THE STUDY

Due to certain constraints such as finance and lack of time, the primary study area was restricted to Bangalore only.

Majority of the units do not maintain proper and uniform records or accounts of their business. Moreover, the sector is unorganized and disclosure of accurate information by entrepreneurs left doubt

REVIEW OF RELATED LITERATURE

Lex Coad Jagannadha Pawan Tamvada (2008) studied on "the Growth and Decline of Small firms in Developing Countries". He opines that many entrepreneurs who run the small firms take risks in all phases of their business life. The decision to export is a double-edged sword –if successful it can accelerate the growth, but it can also increase the probability of decline. The conclusion of this study is that if our small firms become technological leaders and can take risks then we can expect technical know how to have a positive influence on the output and thereby increase the exports.

Raiyani (2005),14 in his study **Micro and Small Enterprises MSE: Progress, Problems and Prospects** opines that industrialisation plays a crucial role in directing the development process of the country for growth and progress. For developing economies, especially India, which is a labour abundant country, small scale sector is considered as the major source of employment generation and foreign exchange earning. Small-Scale Industries (SSI) require small investment, so the entrepreneurs can afford to take risk. Small-scale sector has emerged as a dynamic and vibrant sector of the economy. Thus the role played by the SSI sector in the country's development is too vital to escape notice.

ANALYSIS AND INTERPRETATION DATA

The data for the present study was obtained from 50 MSME units of Bangalore city of the State of Karnataka. The responses given by the respondents to the questionnaire were entered and the statistical package for social sciences (SPSS) has been applied.

Table No 1: Nature of Organization

Sl. No	Category of Organization	Number	Percentage
1	Micro	34	68%
2	Small	12	24%
3	Medium	04	8%
Total		50	100

Note: (Primary Data)

Interpretation

From the above table it is clear that out of 50 selected MSMEs units 34 units belongs to micro, 12 units belongs to small scale and remaining 4 belongs to Medium scale sector. From the table it is clear that most of the people are willing to start with micro sector.

Table No 2: Nature of Business Activity

Sl. No	Nature of Activity	Micro		Small		Medium		Total	
		F	%	F	%	F	%	F	%
1	Production	17	34	8	16	3	6	28	56
2	Service	15	30	4	8	1	2	20	40
3	Others	2	4	0	0	0	0	2	4
	Total	34	68	12	24	4	8	50	100

Note: (Primary Data)

Interpretation

From the above table it is clear that out of 50 selected units 28 units which holds the 56% of the selected sample size are doing production activity and 20 units which occupies 40% percentage of the sample size are doing service oriented business and the rest 4% of the selected population into other activities like agro based.

Table No 3: Problems Faced by MSME

Sl. No	Factors	Impact	Frequency	Percentage
1	Raw Materials	Insufficient Supply	7	14
		Sufficient Supply	35	70
		Higher Cost	8	16
2	Availability of Labour	Insufficient Supply	27	54
		Sufficient Supply	6	12
		Higher Cost	17	34
3	Power	Insufficient Supply	2	4
		Sufficient Supply	41	82
		Higher Cost	7	14
4	Technology	Insufficient Supply	11	22
		Sufficient Supply	24	48
		Higher Cost	15	30

Note: (Primary Data)

Interpretation

From the above table it is clear that most the MSMEs units believes that raw materials are available sufficient which occupies 70%, 54% of the total sample population believes that they are facing the problem of lack of availability of labour, 82% of the total sample population believes they are having sufficient power supply, 48% of the total sample population believes that they are having sufficient technology and 30% believes they are having technology at higher cost.

Table No 4: Generation of Funds

Sl. No	Generation of Funds		Frequency	Percentage %
1	Own Capital	Yes	38	76
		No	12	24
2	Loan From Friends & Relatives	Yes	23	46
		No	27	54
3	Banks	Yes	31	62
		No	19	38
4	Government Organizations	Yes	4	8
		No	46	92

Note: (Primary Data)

Interpretation

From the above table it is clear that most of the sample population are using own capital for business which amounts 76%, 46% of the sample size are getting loan from friends and relatives, 62% of the sample size are getting loans from banks and 92% of the sample size are not availing the services from government organizations.

Table No 5: Problems faced while generating funds

Sl. NO	Problems	Factors	Frequency	%
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1	Interest Rate	Very High	12	24
		High	19	38
		Neutral	15	30
		Low	4	8
		Very Low	0	0
2	Service Charge	Very High	16	32
		High	32	64
		Neutral	2	4
		Low	0	0
		Very Low	0	0
3	Collateral Requirements	Very High	33	66
		High	14	28
		Neutral	3	6
		Low	0	0
		Very Low	0	0
4	Loan Procedure	Very High	16	32
		High	22	44
		Neutral	8	16
		Low	4	8
		Very Low	0	0

Note: (Primary Data)

Interpretation

From the above table it is clear that 38% of the total respondents believes that the interest rate are charged at high, 68% of the total respondents believes that the services charges are also high, 66% of the respondents believes that the level of demanding for collateral requirements is high, and 44% of the respondents believes that the loan procedure is also high so it is clear that how difficult it is to get loan.

Table No 6: Major Problems Faced while Commencement of Business

Sl. No	Influencing Factors	Frequency	%	Rank
1	Licensing Procedure	3	6	6
2	Availability of Labour	11	22	2
3	Availability of Raw Materials	2	4	7
4	Availability of Technical Support	4	8	5
5	Availability of Financial Assistance	13	26	1
6	Shortage of Power	8	16	4
7	Availability of Government Subsidy	9	18	3

Note: (Primary Data)

Interpretation

From the above table it is clear that as per ranking the main difficulties faced by the respondents that is 26% of the total respondents believes lack of availability of financial assistance is the main reason, 22% of the total respondents believes the lack of availability of labour is the major problem, 18% of the total respondents believes lack of availability of government subsidies is one among the problem, 16% of the total population believes the shortage of power as main reason.

SUGGESTIONS:

1. The suggestions that emanate from the findings of the survey and the responses elicited from the respondents through elaborate discussions are presented hereunder:
2. The Government should take steps to educate the entrepreneurs with regard to various schemes, incentives and other subsidies and all the Government support should reach the entrepreneur on time and when required.
3. The infrastructural facilities in the industrial estates should be improved in order to inspire the entrepreneurs to strive for better productivity and performance.

4. The industry, research institutions and academicians should be facilitated and encouraged to work in collaboration in order to improve industry capabilities.
5. The Government should assist in developing an exclusive marketing network for better marketing of the products which will further result in increase in sales.
6. They have to adopt various strategies for the development of infrastructure such as power, roads, highways, railways, ports, transportation etc.
7. To motivate the first generation entrepreneurs and to encourage industrialization so that more employment can be created, as there will be more job providers than job seekers

Conclusion

The Ministry of Micro, Small and Medium Enterprise has been continuously scrutinizing the policy framework. The various schemes introduced, the incentives, assistance and concessions given to the MSME sector in the country confirms this fact. The Ministry has identified the key areas which are in focus viz., the credit/finance sector, technology, quality control and Certification, marketing, export promotion etc. In the present study it is very clearly seen that the Karnataka State Government and the Ministry are taking keen interest in the upliftment of the MSME sector and promote this sector in a positive direction.

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