Challenges and Problems Faced by Small and Medium Scale Industries With Reference to Hosur

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Abstract

Small and medium scale industries in India need to upgrade technologies on a continuous basis to remain competitive advantage. Adopting information technology to increase productive and leveraging their advantage of flexible operating systems. There are very effective software packages available in the country for manufacturing units, which can eliminate waste, compress production cycles, and improve the quality of the products. Besides these both straight and central government are employing collective efforts and strategies for the development of the SMEs in order to balance unemployment problems. In the capital scarce and labour surplus economy like India both aspects i.e. more output and more employment are equally important and in this context Small and medium enterprises become very significant. The present study is used to identify the challenges and problems faced by the small and medium scale industries. Stratified random sampling method is adopted. The present research identified that there is no significance difference between the respondent education and technologies adopted by the company. The study reveals that the Indian firm should be enabled to access the latest technology across the global. It also recommended support systems for encouraging start ups, expanding business.

Keywords: Technology up gradation, MSME Industries, Challenges and opportunities
Introduction

Small and medium enterprises have been receiving impetus in the development strategy of the Government of India. The Nehruvian Philosophy of industrialization has given importance and realized the importance of small and medium enterprises for the national development. The developed and developing countries are generally dominated by economy and characterized by underemployment and rising unemployment. The industrialization in these economies is expected to serve dual purpose of creating avenues for the absorption of excess labour and diversification of occupation. SMEs must extend the necessary support and compliment the beneficial effects of Industrialization. The SMEs makes more efficient use of capital and labour for developing economy. They are able to produce a unit of output with lesser cost of production. Generally SMEs units are labour intensive and require smaller amounts of capital. After globalization of economy in 1991 several changes are incorporated in the definition of SMEs to include different categories like export oriented SME units and small size business enterprises.

Development trend of small and medium industries

The legacy of the present policy framework for development of small and medium industries enterprises in India derives from a conscious attempt to reconstruct and re-conceptualize, pre-colonial and pre-capitalistic mode of production in the fabric of modern manufacturing activities.

On the other hand this approach was a political necessity to rehabilitate millions of distressed rural craftsmen, who could not survive the forces of colonial economic imperialism; on the other hand such compulsions forced the planners to make an attempt to evolve a development strategy to integrate this segment of the country in the overall ambit of successive Five Year Plans in India.

Role of SMEs for Indian economy development

After Independence, the leading task for the government was to get rapid industrialization of the country within the framework of a welfare state. The plan objective of financial growth with social justice was kept in view in the whole strategy of industrial development. Large, medium and small industrial elements have been assigned a mutually balancing role with a view to facilitate and harmonious growth of manufacturing sector as a whole. Promotion and development of SMEs is primarily and the responsibility of the State Government. The support and facilities offered by the state government include land, developed
plots and sheds on concessional terms, infrastructure facilities, investment subsidy in selected areas at varying rates, seed capital for setting up new units, financial assistance for preparation of project reports, assistance in purchase and marketing subsidy for technical know-how, testing of products in approved test houses and modernization, subsidy in power and generating sets, water at concessional terms, interest subsidy, exemption/deferment on sales tax, stamp duty, etc., Monitoring cells/committees for rehabilitation of sick units also exist at the state level.

**Review of Literature**

Grimsholm & Poblete, 2010 conducted a detailed qualitative research of external and internal factors the growth of Small and Medium Enterprises in Thailand. It reproduced rather widespread results applicable to most of the south Asian countries produce low cost, low value added and labour intensive products. Significant factors increase according to the learn are lack of admission to finance, competition, barriers to trade, management competence, lack of skilled labour, low investment in R&D and new technology.

Ministry of Micro, Small and Medium enterprises, 2013 published the Inter Ministerial board for Accelerating developed in MSMEs’ paper reporting slow down in the overall growth of MSMEs in recent years, especially post 2009. It is highlighted that the implication of MSMEs, changing trend in service sector and addressed the concerns establishing an enterprise and running it successfully. It also recommended support systems for encouraging start ups, doing and expanding business and ease of closure. It also optional changes in labour laws and provides product specific advice.

Abdul Naser.V, 2013 critically evaluated the contributions made by the micro, small and medium enterprises in the balanced growth of the Indian economy. The study says that since 55% of the total enterprises operate in the rural areas they promote inclusive growth and regional equity. The industries play a very important role in employment generation and contribute a commendable portion to the GDP, industrial production and export of the country. The research also highlights the challenges faced by the sector and its need for structural support.

Srinivas K T, 2013 studied the performance of micro, small and medium enterprises, their contribution in India’s economic growth, identified the number of enterprises, employment in MSMEs and concluded that MSMEs play a important position in inclusive increase of Indian economy.
Statement of the problem

Small and medium industries are facing so many problems in their stride of development. In certain cases, it is found that they are not able to compete the large-scale industries in the aspects like marketing, manufacturing, power, labour and raw materials. The globalization of the economy is also indirectly affecting the competency of small and medium industries. It has been recorded in a span of five years after 1991 SMEs growth was blurred due to heavy competition in the global market. After thorough study about the reviews of literature it is found that major issues.

Scope of the study

The Small and Medium scale Enterprises are grown very rapidly over the years. Micro enterprises have vast scope covering activities like manufacturing, servicing, financing, retailing, construction, infrastructure etc. Manufacturing enterprise means enterprises engaged in manufacturing, assembling and processing. Service enterprises include repairing and maintenance services and others. The present study would be help to identify the challenges and problems are faced by the small and medium scale industries.

Research objectives

- To analyze the problems and challenges faced by small and medium scale industries with reference to Hosur.
- To examine the growth and performance of small and medium scale industries.

Methodology:

Descriptive method is to be adopted for this study. Hence, the data and the other information is required for the study was collected from both primary and secondary sources. A scheduled questionnaire was constructed by the researcher for the collection of primary data from sample industries. For the in depth study purposes the small and medium industries working in the Hosur were selected.

Study area:

The present study deals with status of small and medium industries in Indian economy. For in depth study proposes the small and medium industries located in the Hosur district are selected. The principal objective of the present study is to study the problem faced by small and medium scale industries in Hosur. This study included employment generation, investment and
profitability of the small and medium industries in Hosur. Ultimately this study covered progress, problems, challenges and potentials of small and medium industries.

**Sampling Design**

The primary data has been collected through survey method using questionnaire. Survey is conducted using a well structured questionnaire. Stratified Random Sampling is practiced for generate data in the place of Hosur. Questionnaires were circulated to the 150 respondents. From the respondents only 130 completed questionnaire were returned. Hence, the sample size is 130.

**Data analysis and interpretation**

**Age of the Respondents in the industries**

Age is an important factor for the industries. Many studies have proved that age has the significant influence over the pattern of industries in the present research. The researcher categorized four important age group classifications less than 30 years, 31-40 years, 41-50 years and above 50 years.

<table>
<thead>
<tr>
<th>Sl. no</th>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>less than 30 years</td>
<td>15</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>2</td>
<td>31-40</td>
<td>48</td>
<td>36.9</td>
<td>48.5</td>
</tr>
<tr>
<td>3</td>
<td>41-50</td>
<td>41</td>
<td>31.5</td>
<td>80</td>
</tr>
<tr>
<td>4</td>
<td>above 50</td>
<td>26</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>130</strong></td>
<td></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: primary data*

From the above table it is found that the sample unit comprises a maximum of 36.9% of the respondents’ age 31-40 years, followed by 31.5% of the respondents in age group of 41-50 years, 20% in the age group of above 50 years and a maximum of 11.5% of the respondents is in the group of less than 30 years. In fact, the sample unit dominated by respondents in age group of 31-40.

**Manufacturing unit has been visited/ inspected by an official**

Inspection is a major factor that influences the industries. In order to study the inspection by the official in the industries it is classified as agencies or commercial banks, directorate of industries. The frequency distribution for above classification is presented in the following table.
<table>
<thead>
<tr>
<th>Sl.no</th>
<th>Particulars</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Directorate of industries</td>
<td>60</td>
<td>46.2</td>
<td>46.2</td>
</tr>
<tr>
<td>2</td>
<td>development agencies</td>
<td>25</td>
<td>19.2</td>
<td>65.4</td>
</tr>
<tr>
<td>3</td>
<td>commercial banks</td>
<td>45</td>
<td>34.6</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>130</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data

It is observed from the above table that 46.2% of the directorate of industries are visited the industries, 34.6% of commercial banks are visited the industries and 19.2% of the development agencies are inspected the industries.

**Cross sectional Analysis:**

**Availability of raw materials for business and gender of the respondent**

The raw material is the main source for the both small and medium industries. The study is about availability of the materials. The materials classified into 5 categories, always available, available but not at required quantity, interrupted supply, seasonal availability, rarely available. The frequency distribution for above classification is presented in the following table.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Gender</th>
<th>Always Available</th>
<th>Available but not required quantity</th>
<th>Interrupted supply</th>
<th>Seasonal availability</th>
<th>Rarely available</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Male</td>
<td>20</td>
<td>22</td>
<td>20</td>
<td>22</td>
<td>6</td>
<td>90</td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
<td>6</td>
<td>16</td>
<td>7</td>
<td>5</td>
<td>6</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>38</strong></td>
<td><strong>27</strong></td>
<td><strong>27</strong></td>
<td><strong>12</strong></td>
<td><strong>130</strong></td>
</tr>
</tbody>
</table>

Source: primary data

From the above table reveals that are the gender of the respondents are involved in the availability of raw materials. The result is 20 of male and 6 of female are in the category of always available. 22 of male and 16 of female are in the category of available but not at required quantity. 20 of male and 7 of female are in the category of interrupted supply. 22 of male and 5 of female are in the category of seasonal availability. 6 of male and 6 of female are in the category of rarely available.
Chi-square analysis:

Respondent Education qualification and Technology adopted by the enterprises.

**H0-Null hypothesis**

There is no significance difference between Respondent education and technology adopted by the company.

**H1-Alternative hypothesis**

There is significance difference between Respondent education and technology adopted by the company.

**Cross tabulation**

<table>
<thead>
<tr>
<th>Education qualification</th>
<th>Technology adopted by the company</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>latest</td>
<td>partially updated</td>
</tr>
<tr>
<td>Up to SSLC</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Hsc</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Diploma</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Graduate</td>
<td>33</td>
<td>29</td>
</tr>
<tr>
<td>post graduate and above</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>54</td>
</tr>
</tbody>
</table>

Source: primary data

From the above table reveals that the Education qualification of the respondents are involved in the technology adopted by the company. The result is 2 in the latest, 7 in the partially updated, 1 in the adequate one are in the category of up to sslc. 7 in the latest, 3 in the partially updated, 4 in the adequate one are in the category of Hsc. 7 in the latest, 7 in the partially updated, 8 in the adequate one are in the category of diploma. 33 in the latest, 29 in the partially updated, 8 in the adequate one are in the category of graduate.

**Chi-Square Tests**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>14.876a</td>
<td>8</td>
<td>0.062</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>14.205</td>
<td>8</td>
<td>0.077</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>1.072</td>
<td>1</td>
<td>0.301</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>130</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the above chi-square analysis the table value of 5% is 3.94 and calculated value of chi-square analysis is 0.062, so the null hypothesis is accepted. Therefore there is no significant different between education and technology adopted attribute of small and medium industries.

**Findings:**

- It is observed that 23.1% are in the operation of assembling, 21.5% are in the operation of processing, 17.7% are in the operation of manufacturing, 15.4% are in the operation of repairing and servicing, 13.1% are in the operation of job work.
- It is observed that problem faced in the sphere of production is 25.4% are in the raw material, 23.1% are in the labour, 21.5% are in the finance, 15.4% are in the market, 8.5% are in the machinery, 3.8% are in the transport, 2.3% are in the power.
- It is observed that 23.1% is sold their finished product by wholesale, 7.7% by retail 36.9% by contractual. 8.5% by appropriate agent. 23.8% by order.
- It is observed that expansion of business is 30.8% by financial issues. 4.6% by space availability. 33.1% by marketing issues. 31.5% by others.
- It is observed that description of raw materials is 45% are in the brought from outside the district, 26.4% are in the brought from outside the state, 20.2% are in the available on credit from agent, 7% are from locally available, 1.6% are from have own plant.
- It reveals that the Education qualification of the respondents is involved in the technology adopted by the company. The result is 2 in the latest, 7 in the partially updated, 1 in the adequate one are in the category of up to sslc. 7 in the latest, 3 in the partially updated, 4 in the adequate one are in the category of Hsc. 7 in the latest, 7 in the partially updated, 8 in the adequate one are in the category of diploma. 33 in the latest, 29 in the partially updated, 8 in the adequate one are in the category of graduate.

**Recommendation:**

The suggestions that originate from the findings of the survey and the responses elicited from the respondents through elaborate discussions are presented here under.

The Government should take steps to educate the enterprises with regard to various schemes, incentives and other subsidies and all the Government Support should reach the industries on time and when ever required. Most of the enterprises should be aware that there exists a separate Stock Exchange for SMEs and various branches should be opened throughout the country. Cloud computing should be encouraged to have accessibility of products interlinked
with each other. The infrastructural facilities in the industrial estates should be improved in order to inspire the entrepreneurs to strive for better productivity and performance. The Indian manufacturing capabilities should be developed to a level where Indian products are competitive across global markets in terms of price, quality, technology, delivery of services. Indian firms should be enabled to access the latest technology across the global Indigenous research and development of innovative methods need to be encouraged.

The Government and financial institutions should introduce measure for restructure/rehabilitation of potentially viable sick MSME units. The industry, research institutions and academicians should be facilitated and encouraged to work in collaboration in order to improve industry capabilities. The linkage between the MSMEs and the educational institutions should further improve.

Conclusion

The promotion of MSME is essential in developing economies like India to achieve equitable distribution of income & wealth, economic self-dependence & entrepreneurial development. To empower the SSI sector to take its rightful place as the growth engine of Indian economy, it is necessary to support the MSMEs, educate and empower them to make optimum utilization of the resources, both human and economic, to achieve success. The msme need to be educated and informed of the latest developments taking place globally and helped to acquire skills necessary to keep pace with the global developments.

Bibliography