

**Challenges and Strategies of Micro, Small and Medium Entrepreneurs: A
case study Haryana manufacturing entrepreneurs**

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Abstract

Micro, Small and Medium Enterprises (MSMEs) play an important role in economic development of a country. In India the contribution of MSME sector to manufacturing output, employment and export of the country is very significant. The objective of the study is to examine challenges faced by entrepreneurs and suggest strategies to counter these challenges. This study employed random sampling to collect data from 60 entrepreneurs using questionnaires. The data was analysed descriptively and presented through figures, tables and percentages. The findings indicated that entrepreneurs faced following challenges: completion, accesses to finance, debt collection, lack of access to skilled manpower. Examining the challenges faced by entrepreneurs provide some useful recommendations to entrepreneurs and policy makers.

Key words: Micro enterprises, Small enterprises, Medium enterprises, Challenges and Strategies

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Introduction

The rapid industrialization and growth in the economy have introduced a new value system that leads to recognition of Micro, Small and Medium enterprises. A new role has been assigned to the development of entrepreneurship, industrial development and employment generation (Rai, S.K. and Sahay, A. 2004). These have been playing a significant role in the improvement of the standard of living. This sector is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution. The major advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSME sector is much higher than that of the large enterprises. The contribution of micro, small and medium enterprises (MSMEs) sector to manufacturing output, employment and exports of the country is very significant. The MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country (4th MSME census). It is the second largest employer of human resources after agriculture in India. The contribution of this sector in employment was 695.38 lakh persons in 298.08 lakh units in the year 2010. In the same year the sector had a production and fixed investment of 693835 crore and 982919 crore respective. The sector includes 26.61 Lakhs women-led enterprises comprise of 7.4% of the enterprises and 2 crores of rural enterprises, comprise around 55.34% of the total. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. These figures are too important and highlighted the need to enhance the competencies of this sector.

The MSME sector can be further classified into manufacturing and services. With more than 6000 products ranging from hand-made products to high precision machine parts, which are being manufactured by this sector in addition to provide wide range of services catering to both industrial and consumer markets. There is clearly a huge diversity within these two categories. The manufacturing sector accounts for an estimated 31.79 percent of total enterprises in the MSME sector, while the services sector accounts for the balance 68.21 percent. The Manufacturing MSMEs provides raw material/goods to the supply local large enterprises, global large enterprises or local consumer markets. Food processing and beverages is the key manufacturing industry with in this sector accounts for 14.26%. In line with that wearing apparel contributes to 13.67 % of the total products. Further, a large number of small and medium enterprises in the food and textile industries produce goods for export and serve large global supply chains or global consumer markets. The MSMEs in service sector operate in traditional

transaction-based industries such as retail trade, small transport operations and knowledge-based industries such as information technology, human resource consulting among others. There has been more written about the growth of this sector in recent years than any other sector. The main reasons are the contribution of these enterprises to economic development and employment generation, which have attracted the attention of researchers and policy makers. It is therefore very interesting to study about the challenges faced by the entrepreneurs in this sector.

Source: Annual Report, 2010-11. Ministry of Micro, Small and Medium Enterprises, www.msme.gov.in

Literature review

Shambu Ghatak (2010) in his study, “Micro, Small and Medium Enterprises (MSMEs) in India: An Appraisal” explained some of the critical factors faced by Indian Micro, Small and Medium Enterprises. These factors included: accessing adequate and timely finance, lack of available information, access to skilled manpower, R&D facilities and limited marketing channels. Similarly, Morrison, A. (2006) indicated lack of business management skills, education and training, female role models, timely business information and inter role conflicts were the major obstacles faced by women entrepreneurs. Other inhibitory factors were child care, access to credit, lack of self confidence, laws and regulation, family pressure and socio-cultural environment. Moreover, aversion to risk, and fear of failure, aversion to stress and lack of social networking were the most prominent barriers in the growth of business (Sandhu et al. 2006).

Hussain and Yaqub (2010) revealed some business challenges faced by entrepreneurs in Pakistani. The findings were expected. This means the entrepreneurs in Pakistan are not different. They had similar challenges as faced by other entrepreneurs in developing countries. Scarcity of financial resources and/or lack of access to financial market were the most severe problems. Chu, Kara and Benzing (2008) identified problems of Nigerian entrepreneurs. Unreliable employees, infrastructural problems (bad roads, poor electric supply and water shortage), unsafe location and lack of management training were some problems. In addition, the opportunities for advancement and growth in MSEs are limited. Good employees therefore are reluctant to join small businesses and normally leave their job when a better job is available elsewhere.

Bowen et al. (2009) highlighted some factors which prevent an individual to start his own business. Competition, insecurity, debt collection, lack of working capital and power interruptions were the top five cited challenges facing businesses in Nairobi. Government and its regulations is a major obstacle to SMEs operations, with that the government has also failed to maintain law and order, majority of the respondents reporting insecurity and political uncertainty as major challenges. In the same vein Hussain and Yaqub (2010) indicated bureaucratic hurdles and unstable government policies also inhibit the success of small businesses. The micro-entrepreneurs showed a high level of dissatisfaction regarding the support from government and/or its regulatory authorities. Moreover, they believe that an ever increasing level of corruption in the country have also increased their cost of doing business.

Shamika Ravi(2009) in her study in India examined lack of demand and shortage of working capital as the most critical factors followed by poor marketing practices. Irwin, D. and Scott, J. M.(2010) explained some major obstacles militating against entrepreneurship development in Nigeria. The technological backwardness, political-legal obstacles, poor managerial efficiencies and accounting problems were some factors affecting SMEs. In addition to this lack in understanding and the application of marketing concept and dysfunctional business behaviors against customer satisfaction were other two important challenges.

Objectives

- To examine the key business challenges faced by micro, Small and Medium-entrepreneurs.
- To suggest strategies to micro, small and medium entrepreneurs to counter these challenges.

Sample

The sample used in the present study consists of micro, small and medium entrepreneurs who have been running their own business. A sample of 60 entrepreneurs has been randomly selected from the list provided by district industries centre (DIC) office from Rohtak district from Haryana.

Results and Discussions

This section represents the descriptive analysis of the variables used in this study. All the variables were selected and presented through figures, tables and percentages.

Age of the Respondents

Majority of the entrepreneurs, 26 (43%) were between the ages of 25-35. This was followed by the age range of 35-45 which is 18 (30%). It was observed that few of them are either too young between ages 15 and 25 (18%) or too old in the ages range of 45 and above (9%). The age group of 25-35 dominated all other age groups.

Table 1: Descriptive Statistics of Entrepreneurs by Age

Age	Frequency	Percentage(%),approx.
15-25	11	18
25-35	26	43
35-45	18	30
45-above	5	9
Total	60	100

Educational Background of entrepreneurs

Table 2 was designed to capture the statistics on the educational background of the respondents. Considering the qualification of respondents, majority of them 21 (35%) were bachelor, 15(25%) of them were with senior secondary, 12 (20%) were with metric certificates and 3(5%) obtained education up to primary school, while only 4 (7%) obtained post graduation status in their certification and only 5(8%) had other certificates which were not actually specified.

Table 2: Descriptive Statistics of Entrepreneurs by Education

Highest Education	Frequency	Percentage (%)
Primary School	3	5
Metric	12	20

Senior Secondary	15	25
Bachelor	21	35
Master	4	7
Others	5	8
Total	60	100

Structure of Respondents' Business

The structure of business covered by the survey of the study showed that proprietary enterprises dominated all types' enterprises. 51(85%) were sole trade business, 6(10%) were partnership business, 2(3%) belonged to the category of company while 1(2%) were under cooperative society etc.

Figure 3: Descriptive Statistics of Entrepreneurs by Structure of their businesses.

Structure of Businesses	Frequency	Percentage (%)
Sole ownership	51	85
Partnership	6	10
Company	2	3
Others	1	2
Total	60	100

Number of Employees currently engaged in the Business

The study also showed that 29(48%) of them had between one to five employees in their business, followed by 19 (32%) had six to ten employees in their business, 8(13%) had eleven to sixteen employees in their organization, 4(7%) had seventeen or above employees in their organization.

Table 4: Descriptive Statistics of Respondents by Number of Employees

Number of Employees	Frequency	Percentage (%)
1-5	29	48
6-10	19	32
11-16	8	13
17 or more	4	7
Total	60	100

Challenges to Women Entrepreneurial Development

Table 5 below identifies challenges to entrepreneurial development. The strongest of them is competition which was reported by 58 (97%) of the entrepreneurs. This might be as a result of many new business starts ups because once a business is started they become a barrier to the business expansion. Another major challenge facing entrepreneurs was access to finance with reported by 47 (79%) respondents. This is probably because of the poverty level in the country. This is followed access to skilled manpower and difficulty in debt collection with a percentage of 63 and 48; they face in the course of doing their businesses. Other factors were power interruptions, high transportation cost, cost of inputs, access to modern technology etc.

Table 5: Challenges faced by entrepreneurs in running their business.

Challenges faced by entrepreneurs	Frequency	Percentage (%)
Increased completion	58	97
Access to finance	47	79
Access to skilled manpower	38	63
Difficulty in debt collection	29	48
Power interruptions	28	47
High transportation cost	21	35
Cost of inputs	20	33
Access to modern technology	17	28
Lack of access to market information	14	23

Low demand	12	20
Others: lack of water, cost of production, cheaper imports, technological challenges etc	36	60

Conclusion and Discussion

Entrepreneurs participated in this research were facing various challenges, which if not managed can lead to business failure. It is also clear that small businesses need as much support and help in their early stages of business when their motivation is high and challenges are more. Competition, access to finance and skilled manpower, debt collection and power interruptions were the top five cited challenges faced by the entrepreneurs. While the challenges faced by businesses do not include low demand and access to market information because they are least reported by the respondents. Different entrepreneurs meet these challenges in different ways. Strategies used included fair pricing, discounts and special offers to the customers, offering a variety of services and products, superior customer service and continuously improving quality of service and goods delivered. The growth and development in business is a result of adopting strategies in order to succeed. Selling a variety of products or offering a variety of services is just as important as finance management. Further, there is need to improve ways of gathering customer and market information for the purpose of personalized marketing and service. The more a business owner knows about its customers, the better they can meet their needs and wants. The more they know about market, better they can compete with the competitors. Further research focusing on different groups of entrepreneurs could produce important insight into the different challenges which impact the growth and development of businesses.

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