



# SMALL AND MEDIUM ENTERPRISES: DIFFICULTIES CONFRONTED BY OWNERS

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## ABSTRACT

Small and medium enterprises are very vital for economy because of their contribution in employment generation, output and exports. SMEs hold a strong role in Indian economy as well. Such firms face many difficulties when they start operation. SMEs in India face several difficulties like unavailability of adequate funds, lack of efficient technology, less effective marketing practices and lack of skilled manpower. The main aim of this paper is to find out the problems faced by SMEs while in operation. Primary and Secondary both types of data are used for study. Paper is empirical in nature as such data were collected with the help of schedule. Study emphasized the collection of data from one city, Gandhidham. The sample size is 25. SMEs face several problems but this paper highlights their main problems.

**KEYWORDS:** Owners, SMEs

### Introduction:

SMEs are known for their contribution in employment and growth. Generally they generate more employment compared to per unit of capital investment. Some of the other benefits of SMEs are like: it needs less capital, promotes entrepreneurship, can be helpful in resolving regional disparities etc. SMEs are flexible in production at the same time providing training for managerial skills, promotes individual initiatives etc.

In India SMEs are classified in various categories according to their ceiling on Investment:

Sector	Investment Limit
Manufacturing	Investment in plant and machinery
Micro	Up to ` 2.5 mn
Small	Above ` 2.5 mn & up to ` 50 mn
Medium	Above ` 50 mn & up to ` 100 mn
Services	Investment in equipments
Micro	Up to ` 1 mn
Small	Above ` 1 mn & up to ` 20 mn
Medium	Above ` 20 mn & up to ` 50 mn

Source: Ministry of Micro, Small and Medium Enterprises, GoI

Small and medium enterprises play important role for economic development as they contribute 40% of exports, 42 million in terms of employment creating one million jobs each year and produces more than 8000 quality products for domestic as well as international markets. Consequently, SMEs are facing higher potential for further development and diversification. The Indian market is growing speedily making further growth in various sectors like manufacturing, Precision engineering, Food processing, Pharmaceuticals, Textile and Garments, Retail, IT, Agro and service sectors.

In spite of their significance in Indian GDP, SMEs still face many difficulties like availability of skilled manpower, less credit support, lack of regular supply of raw material, lack of machinery and equipment and inadequate infrastructure.

### Literature Review:

1. Dr. M.S.Vasu, Dr. K. Jayachandra Growth and Development of MSMEs in India; Prospects & Problems. This paper discussed about the growth and performance of MSMEs and also listed out the problems faced by MSMEs in India, Problems in general were listed out, but not to a particular State or Region.
2. Nishanth P, Dr. Zakkariya K.A. (2014) [1], reviewed that "there exists problem in accessing finance from banks and financial institutions. Various barriers faced by these units in raising finance and also tried to identify various sources of finance other than banks.
3. Dr. M.S.Vasu, Dr. K. Jayachandra (2014) [4], the paper discussed about the growth and performance of MSMEs and also listed out the problems faced by MSMEs in India, Problems in general were listed out, but not to a particular State or Region.

4. Dr. A.S. Shiralashetti (2014), prospects & Problems of MSMEs in India. This paper covered growth, performance and contribution of MSMEs to GDP and also mentioned about the problems faced by MSMEs located in Dharwad district of Karnataka State
5. Rajib Lahiri (2011) the study made an attempt to critically analyze the definition aspect of MSMEs and explore the opportunities enjoyed and the constraints faced by them in the era of globalization after analyzing the performance of MSMEs in India during the pre and post liberalization period. The study revealed that except marginal increase in growth rate in employment generation, the growth rate in other parameters is not encouraging during the liberalization period.

### Research Method:

Both the types of data were collected primary and secondary. Sample includes 25 SMEs. Primary data was collected through questionnaires and interviews. Secondary data was collected from various research papers on the problem, reports, articles and magazines along with the websites.

### Data interpretation and analysis

#### Problem of Finance

Table 1

Responses	No.of respondents
Yes	20
No	3
Can't say	2
Total	25

From total 25 respondents, 20 respondents indicated difficulties in obtaining funds where only minority replied with the other option. Simplicity of availability of credit for SMEs can add more to the growth and development of SMEs in Indian economy. Initially starting with lesser capital can limit the growth of the firm after certain level, this issue can be addressed by providing the funds to the SMEs with ease.

#### Lack of Raw Material

Table 2

Responses	No.of respondents
Yes	17
No	3
Can't say	5
Total	25

The result shows 17 of the firms were facing some difficulties in getting the raw material. Where 3 firms responded they don't face any problem in procuring the required raw material. These respondents were not much aware about the appropriation plans given by Government, whereas some of them were aware about the plans. They were not much happy with the quality and consistency of supply provided. One thing should be noted here that for widening the market of goods

produced by SMEs they will have to be strong and sound in terms of the raw materials used as well since the quality of the product will be affected by raw materials used as well.

**Problem of Marketing**

**Table 3**

Responses	No.of respondents
Yes	19
No	4
Can't say	2
Total	25

From 25, 19 responded that they were facing problems in marketing and 4 firms said they were not facing any difficulties in marketing. SMEs will have to face the competition from the giant organizations as well for being in the market. All the big organizations invest huge amount in the marketing and render the services of experts for advertising and marketing their products. Even for maintaining the presence cross border, SMEs will have to be strong in terms of marketing the products.

**Under utilization of capacity**

**Table 4**

Responses	No.of respondents
Yes	16
No	4
Can't say	5
Total	25

From 25, 16 respondents agreed on difficulties related to capacity utilization. Some other research and studies also concluded the similar point, because of lack fund and non availability of manpower along with inadequate infrastructural facilities SMEs become helpless here in terms of utilizing the installed capacity.

**Difficulty about Skilled manpower**

**Table 5**

Responses	No.of respondents
Yes	21
No	1
Can't say	3
Total	25

From 25, 21 respondents agreed on the point that they face the problem in obtaining skilled manpower. This issue also should be considered as SMEs are considered growth engine for employment generation but still if these firms are not able to get the adequate manpower, the significance also here could be shadowed.

**Conclusion:**

The aim of the study was to understand the problems faced by SMEs. The study uncovered the information that major issues faced by SMEs considered for the study were related to funds, marketing, outdated technology, raw material acquisition and problem of skilled workforce. Though government is adopting many initiatives to help SMEs, but it should focus on the major problems faced by SMEs first. Majority of the owners of the business were not aware about the schemes and assistance provided by government to them. So this thing also should be considered and accordingly step should be taken to spread the awareness for owners of SMEs in terms of assistance provided by Government to SMEs.

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