

## **CHALLENGES FACED BY SMALL SCALE ENTREPRENEURS IN KANYAKUMARI DISTRICT**

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### **ABSTRACT**

Entrepreneurs is a key element of growth and development prospects for all countries. A nation how so ever rich in material resources, cannot prosper if its resources are not put to productive use. For this purpose, energetic entrepreneurs are needed who can contribute effectively for national prosperity. The only solution is promotion and development of entrepreneurship, as it aims at making an individual a job provider and not a job seeker. This paper examines the main challenges faced by the entrepreneurs are financial problems, production problems, labour and government related problems and how to overcome the barriers while starting their enterprise. This study was descriptive in nature and it includes surveys, facts and findings. Data was collected using a developed and validated questionnaire. The study chooses entrepreneurs in Kanyakumari district and the respondents were selected randomly. The collected data was analysed using Likert's Five point scale Technique.

**Keywords:** financial problems, production problems, labour problems and marketing challenges.

### **Introduction**

Entrepreneurship is the process by which individuals or group of individuals utilise the commercial opportunity. This process is organized through a startup company or by an established business. The business is formed by the individuals or group of individuals, who are known as entrepreneurs. They co-ordinate the process of entrepreneurship under common ownership structure. The energetic entrepreneurs can act as job provider and job seeker and thus contributing to the prosperity of a nation.

### **Entrepreneurs**

Entrepreneur is an English derivation of the French word 'entreprenre' meaning 'to undertake'. Entrepreneur is the one who undertakes risk and starts something new. He is an initiator, a challenger, a driver who possesses a certain creativity level that allows himself to be competitive in the process of entrepreneurship.

Small scale entrepreneurs run small enterprises with an investment that does not exceed Rs.1 crore. Such enterprises are generally privately owned and operate as sole proprietors,

corporates and partners. Small scale business employ smaller teams of employees, depending on the business type.

Though small scale industries in India have made significant contribution to its economic development, they have not yet realized their full potential. They face many problems in their functioning and many of them are sick. The main challenges ahead of them are related to finance, production, government policies labour and market. This study highlights the challenges faced by the small scale entrepreneurs in kanyakumari district.

### **Statement of the problem**

Small scale industries are important because it helps in increasing the employment and economic development of the area in which it is located and also to the nation. It brings a balanced regional development. Though the study area, that is Kanyakumari district, maintains top position in literacy, standard of living and urbanization, it is considered industrially backward district of Tamil Nadu. There is a need to promote industrial growth of this district especially by developing small scale industries. Apart from agriculture, tourism and fishery being three major economic contributors of the district, cottage industry also play a major role in the economic system of Kanyakumari. There is good opportunity and scope to develop small scale business units in the field of coir, wood and industries, if suitable infrastructure installations are developed. In this context, this study on “Challenges Faced by the Small Scale Entrepreneurs in Kanyakumari District” is very important.

### **Objectives:**

- To study the challenges faced by the small scale entrepreneurs.
- To know the government initiative to improve the industries growth in the study area.

## **REVIEW OF LITERATURE**

**Mambula, C. (2002)** analysed major constrains faced by entrepreneurs. This study revealed that majority of entrepreneurs face the problem of finance and infrastructure while managing their businesses. The author recommended that small business entrepreneurs should collaborate with each other to sort out the various problems faced by them. There is a need to form alliance of Government, Research Institutions and Financial Institutions to create appropriate training for prospective small business. All these measures will go a long way to strengthen the growth of small scale sector.

**Dilip kumar (2006)** has elaborated on some of the issues faced by entrepreneurs, such as a shortage of finances, limited mobility, a lack of education, labour problems and a lack of achievement motivation.

In the study conducted by, **Hanna Mizgajska (2007)**, it is confirmed that education and professional experience of entrepreneurs were decisive in prioritizing by them the external and internal factors which impacted the decision of setting up a company. The study showed that a significant factor influencing company growth and company performance was training programmes.

The study of **Pooja Nayyar, Avinash Sharma, Jatinder Kishtwaria, Aruna Rana and Neena Vyasti (2007)**, suggested that Poor location of unit, tough competition from larger and

established units, and lack of transport facility, lack of rest and sleep and non-availability of raw material were the significant problems faced by entrepreneurs. The factors causable to these problems were; difficulty in affording own vehicle, not being popular, heavy schedule of work and long working hours.

In the words of **Rizvi and Gupta (2009)**, government-sponsored development activities and schemes have benefited only a small section of entrepreneurs, namely the urban middle class. This may be primarily due to their level of education, access to information and family support.

According to **Kamala Singh (2012)** “An entrepreneur is a confident, innovative and creative who is capable of achieving economic independence individually or in collaboration, that generates employment opportunities for others through initiating, establishing and running an enterprise by keeping pace with her/his personal, family and social life”.

### Research Methodology

This study is based on both primary and secondary data. Primary data were collected from the respondents through a well-structured questionnaire. Secondary data were collected from published sources like journals, books and websites.

The researcher collected data from 150 respondents who are the small scale entrepreneurs of the study area through random sampling method. The data collected was tabulated and analyzed with the help of Likert's Five point scale Technique.

### CHALLENGES FACED BY SMALL SCALE ENTREPRENEURS:

In India SSI has played a catalytic role in socio-economic transformation of the country. This sector has helped the nation to build its economy through generation of employment, raising exports, greater resource use efficiency, technical innovation, promoting inter-sectoral linkages and reducing regional imbalances. This sector through considered as the back-bone of Indian economy, it faces many hardships due to its unorganized nature. The study area, Kanyakumari district backward district, has its own disadvantages, especially in getting the support of highly educated population which always supports government jobs, professional services and teaching.

But the trend is gradually changing and in order to analyse the challenges faced by the SSI. In Kanyakumari district, the researcher identified five problems, and opinion of the sample small scale entrepreneur respondents are rated on 5 point Likert Scale. The result is shown in Table. 1.

**TABLE 1**

PROBLEMS	VARIABLES	SA	A	N	DA	SDA	TOTAL	MEAN SCORE	AVERAGE MEAN SCORE	RANK
FINANCE	Shortage of working capital	74	58	7	5	6	150	4.26	3.78	2
	Shortage of funds	66	52	8	11	13	150	3.98		5

	for expansion									
	Repayment of loan	36	72	30	8	4	150	3.85		9
	Improper budget plan	24	49	21	32	24	150	3.11		25
	Problem of getting loan	46	53	25	16	10	150	3.73		12
	Poor financial management	48	57	18	16	11	150	3.77		11
<b>GOVERNMENT POLICIES</b>	Government departments are not cooperative	72	48	16	8	6	150	4.15	3.91	3
	Government policies or regulation are strict	59	47	19	16	9	150	3.87		7
	Business tax problem	86	23	13	21	7	150	4.07		4
	Promotional policies	47	31	29	24	19	150	3.42		18
	GST rate	96	28	12	9	5	150	4.34		1
	No proper beneficial schemes	51	49	29	12	9	150	3.81		10
	Lack of subsidies	39	56	29	16	10	150	3.73		12
<b>PRODUCTION</b>	Raw materials related	32	49	22	24	23	150	3.29	3.27	20
	Labour related	19	47	24	29	31	150	2.96		27
	Machinery related	29	49	15	34	23	150	3.18		23
	Underutilization of capacity	46	52	18	22	12	150	3.65		13
	Inadequate availability of land	26	49	21	42	12	150	3.23		22
	Lack of up gradation of technology	48	32	21	20	29	150	3.33		19
<b>LABOUR RELATED PROBLEMS</b>	Unavailability of skilled labour	18	28	16	56	32	150	2.63	2.97	29
	Increase in cost of labour	71	39	14	17	9	150	3.97		6
	Lack of experience	36	18	28	42	26	150	2.97		26

	Irregular in work	22	27	12	58	31	150	2.67		28
	Problem of working hours	11	21	23	63	32	150	2.44		30
	Problem of turnover	31	42	22	28	27	150	3.15		24
<b>MARKET PROBLEM</b>	Middlemen cost	16	56	46	18	14	150	3.28	3.55	21
	Advertisement cost	52	41	17	27	13	150	3.61		14
	Transport cost	41	76	11	16	6	150	3.87		7
	Local market	32	55	27	18	18	150	3.43		17
	Competition from large scale organisation	47	41	21	28	13	150	3.54		16
	Product promotion	56	32	17	29	16	150	3.55		15

It is clearly known from the above table, the main five problems faced by the small scale entrepreneurs are GST rate, shortage of working capital, non-co-operative government departments, Business tax problems, and shortage of funds for expansion with the mean score of 4.34, 4.26, 4.15, 4.07 and 3.98 respectively. The issues related to working hours skilled workers and irregular work have lesser weightage, as the mean score of these three factors are 2.44, 2.63, and 2.67 respectively. GST seems to be the main hurdle for small scale industries.

The overall mean score of each major problem is presented in table 2.

**TABLE 2**

Government Policies	3.98	I
Finance	3.74	II
Marketing	3.55	III
Production	3.27	IV
Labour	2.97	V

It is understood from table 2, the most important hurdle before a small scale entrepreneur is Government policy (3.98) and the second most important problem is Finance (3.74). It is clear that to become a small scale entrepreneur, the government policy must be flexible and supportive to the aspiring entrepreneurs.

## **THE ROLE OF GOVERNMENT IN SUPPORTING SMALL SCALE ENTREPRENEURS:**

Small and medium sized enterprises (SMEs) in market economics are the engine of economic development. Owing to their private ownership, entrepreneurial spirit, their flexibility and adaptability as well as their potential to react to challenges and changing environments SMEs contribute to sustainable growth and employment generation in a significant manner.

A comprehensive government approach to entrepreneurship and SMEs would provide for a full coordination of activities of numerous governmental institutions and NGOs dealing with entrepreneurship and SMEs. With no pretension for defining the role of government in supporting entrepreneurship and SMEs it is believed that apart from designing a comprehensive entrepreneurship and SMES strategy, the development of national SME support institutions and networks is one of the key condition for the success of small scale entrepreneurs.

In order to support the MSME, the government has introduced many schemes, and subsidies. The main schemes given are:

### **Prime Minister's Rozgar Yojana (PMRY):**

**Hon'ble Prime Minister of India, announced a new scheme the Prime Ministers' Rozgar Yojana (PMRY) on 15<sup>th</sup> August, 1993.** The scheme was launched on the auspicious day of 2<sup>nd</sup> October, 1993, the birth Anniversary of Mahatma Gandhi all over the country. The main objective of the PMRY scheme was to provide easy subsidized financial assistance to educated unemployed youth for starting their own enterprises in manufacturing, business & service and trade sectors. Initially the scheme was aimed at providing self-employment to one million educated unemployed youth in the country by setting up 7 lakh micro enterprises through inducting service and business ventures over a period of 2 ½ years. The scheme was a stupendous success and caught the imagination of the youth. Overwhelmed with the response and ever-increasing need, the Government has decided to make it a permanent scheme and framed modalities & guidelines for its successful implementation and to fulfil the purpose for which it is designed.

### **Industrial Infrastructure Up gradation Scheme (IIUS):**

Industrial Infrastructure Up gradation Scheme (IIUS) was launched in 2003 with the objective of enhancing industrial competitiveness of domestic industry by providing quality infrastructure through public private partnership in selected functional clusters/locations which have potential to become globally competitive.

### **Composite Term Loan (CTL):**

The Scheme envisages sanction and disbursement of working capital and term loan together from a single agency. The limit for composite loans has been enhanced to Rs. 25 lakhs in the Comprehensive Policy Package.

The Scheme is operated both by banks and financial institutions. State Financial Corporations under Single Window Scheme provide working capital loan along with term loan to new tiny and small scale sector units so as to overcome the initial difficulties and delays faced by them to start production expeditiously.

### **National Equity Fund Scheme:**

National Equity Fund (NEF) under Small Industries Development Bank of India (SIDBI) provides equity type assistance to SSI units, tiny units at five per cent service charges. The scope of this scheme was widened in 2000-01 raising the limit of loan from Rs. 6.25 lakhs to Rs. 10 lakhs and project cost limit from Rs. 25 lakhs to Rs. 50 lakhs.

### **Credit Guarantee Fund Trust Scheme:**

The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGS) was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector. Both the existing and the new enterprises are eligible to be covered under the scheme. The Ministry of Micro, Small and Medium Enterprises, and Small Industries Development Bank of India (SIDBI), established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to implement the Credit Guarantee Fund Scheme for Micro and Small Enterprises.

### **Suggestions**

1. The process of obtaining loan from banks and financial institutions, must be simplified to encourage potential entrepreneurs.
2. The small entrepreneurs want the government to protect them from GST, especially with regard to the payment of late fee.
3. The government should also take the initiative to improve GST networks.
4. The stringent procedures of GST must be made simple to avoid confusion.
5. Over the years, both the state and central governments have introduced many schemes to promote small scale units, but the irony is, many of those schemes have never reached the entrepreneurs. So it is higher time, the governments must create awareness programmes, to promote the small scale units.

### **Conclusion**

Entrepreneurs face various problems while starting an enterprise. And there are solutions for almost every problem but it does not mean that entrepreneurs will never face any problem by knowing the solutions for every problem. Finance is the major problem faced by many of the entrepreneurs while starting their entrepreneurial venture. By personal savings, getting loan from bank and by getting government subsidies this problem can be rectified. They must have enough strength to face the challenge and get succeed in their business. According to this study, it has been concluded that the main challenges faced by the entrepreneurs are financial challenges, government policies, marketing challenges etc. The way which they used to overcome the barriers are through applying practical knowledge and proper business plan in the enterprise. The main strength of the entrepreneurs is self-confidence and weakness is fear of failure which they have while starting their business.

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