

Prospects And Challenges Of Msme's With Special Reference To Coffee And Tea Industries In Chikkamagaluru District

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Abstract

In the Current Scenario MSME play a catalytic role in the development process of most economies. MSMEs contribute to the Indian economy in terms of employment generation, containing regional disparities, fostering equitable economic growth and enhancing export potential of the country has been quite phenomenal. The MSMEs are providing job more than 6 crores people. The MSME sector is contributing 8% of country's GDP, 45% of manufacture and 36% it exports. The MSME's sector has consistently registered higher growth rate compare to the overall Industrial sector. The distribution of MSME's in all over India is not equal because of inaccessibility of raw material, unfamiliarity or lack of entrepreneurial skills development and absence of support of financial and technical assistance from in relation to local authorities at district or state and central level. The absence of adequate and timely credit facility, extraordinary cost of credit, deficiency of modern technology, no research and innovations, insufficient training and skill development, multifaceted labor laws are the main problems of the MSME's. Despite some infrastructural deficiencies and challenges like flow of institutional credit and inadequate market linkages, this sector has registered remarkable success with regard to increase in number, quantum of investment, scale of production and overall contribution to national GDP. Although there are various opportunities available in the development of MSME's

Key words: MSME, manufacturing sector, challenges, Chikkamagaluru district.

Introduction:

The micro, small and medium enterprises have been accepted as the engine of economic growth and for promoting equitable development. It demonstrated considerable strength and resilience in maintaining a consistent rate of growth and employment generation during the global recession and economic slowdown. Indian economy during the recent years has shown an appreciable growth performance by contributing to creation of livelihood opportunities to millions of people, in enhancing the export potential and in increasing the overall economic growth of the country.

The major advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. According to Micro, Small and Medium Enterprises (MSME) Development Act 2006. Chikmagalur is a famous coffee town of the Karnataka region of India about 150 miles from Bangalore. The plantations are located at a height of over 5000 feet. Nestled in the Baba Budan hills of the Sahyadris range, Chikmagalur. The enactment of Micro, Small & Medium Enterprises Development (MSMED) Act, in 2006 by the Government of India (GOI) gave a legal basis and framework to the micro, small and medium enterprises by defining and classifying these enterprises on a uniform basis. This classification covers industries both under manufacturing and service sector and the above limits are excluding the cost of land, building and other specified items.

Table 1: The limit for investment in plant & machinery and in equipment for manufacturing enterprises is

Enterprises	Investment in plant and machinery
Micro enterprises	Does not exceed twenty five lakh rupees.
Small enterprises	More than twenty five lakh rupees but does not exceed five crore rupees.
Medium enterprises	More than five crore rupees but does not exceed ten crore rupees.

MSME face a different range of problems than their larger counterparts, due to their inability to enjoy some of the advantages in the marketplace. Major problems in the MSME unit are finance problems, Raw material problems, labour problems, marketing problems and technology problems.

Need for the study

MSMEs faced a lot of problem and challenges in the recent scenario. These units are creating more employment opportunities, production system and GDP etc. Through that they are supporting for our country economic development. Hence, the researcher sensed to study the problems and challenges faced by MSMEs. The back-ground work for the study was started from the year 2014 through the secondary sources which included the work of reviewing of the existing literature and also understanding the developments MSME's in Chikkamagaluru district and the pilot study was conducted in the year 2018 for understanding the variables to be included for the questionnaire for the final data collection process.

Objectives

- To study about the MSMEs tea and coffee enterprises.
- To study on major problems and challenges faced by Micro, Small and Medium Enterprises.
- The objectives of this study are to briefly highlight on the functional scenario of micro, small and medium enterprises in India, to focus on the huge growth potential and opportunities available for development of this sector; to identify some important issues, challenges and constraints confronted by these enterprises and to offer suggestions to overcome the same.

Research methodology

The study involves a critical analysis of functioning of some micro, small and medium scale enterprises in the country both in manufacturing and service sector and intends to identify the potentialities for growth, opportunities, major issues and challenges experienced by these enterprises. The data are collected mostly from secondary sources by way of access to various Government policies/ programs including published Annual Reports, Journals, Books and available official websites. The primary data are based on analysis of structured questionnaire and interview of entrepreneurs, industry workers and other stake-holders.

The present study based on both primary and secondary data. The primary data are collected through the personal discussion with tea and coffee industries owner, Secondary data are collected from the annual reports published by the MSMEs and various national and International Journal. The study covers the period from 2014 – 2018. The Study concentrated from one region Karnataka i.e. chikkamagaluru District. The sample size was 25.

Tools for Analysis

The data collected through primary sources. The tools used for the analysis were as Percentage and Chi-square analysis.

Review of literature

Mensah (2002)¹ carried out the study in small and medium enterprises in Sweden. The study used stratified random sampling technique to assess the impact of risk taking ability on entrepreneurship orientation and performance of family firms. The results of the study showed that there was a significant impact of risk taking ability on the entrepreneurial orientation of the Sweden entrepreneurs. However the study revealed that the risk taking ability of entrepreneurs didn't enhance the performance of the enterprises in the study area.

Chandra Sekhara Rao, V. and Tirumala Rao, P. (2010)², in their article, “Impact of WTO on Indian Cotton Textile Industry,” deal with the implications of WTO (World Trade Organisation) on global textiles trade with special reference to the Indian cotton textiles exports. Detailed analysis has been made of cotton and non-cotton textiles exports of India for the 15-year period, 1994-2009; along with trends in their individual product segments covering low value added and high value added items. In the concluding section, challenges facing Indian T&C exports, and strategies adopted by Government of India in enhancing the competitive ability of Indian textile industry are presented.

Raj Kumar Gautam and Raghbir Singh (2011)³ in their article, “Marketing Barriers of Small Firms: The Punjab Perspective,” presented the findings of a study on marketing barriers of small enterprises based on a sample of 173 small manufacturing enterprises from Punjab. The study brings out suggestions on strategies to be pursued by small enterprises on marketing and other key functional areas. Marketing planning relating to various aspects of marketing mix and appropriate marketing strategies with greater usage of the web and internet marketing would enable the industry to successfully compete in the market.

Sivagnanam, S. (2011)⁴, in his article, “Cluster Initiatives – Improving Competency,” presents the plan and programme of development of micro, small and medium enterprise (MSME) clusters in Tamil Nadu from 2006 with the active involvement and initiative of the MSME – Development Institute (DI), Chennai and the State industrial organisations. The State Government prepared a road map for 171 MSME clusters in the State, and has started supporting more than 80 micro and small product-specific MSME clusters to establish a Common Facility Centre (CFC) in each cluster. It is planned to promote 50 clusters during the XI Plan period with an outlay of Rs.12.5 crore for establishing CFCs in strategic locations in the State, based on the felt needs of industrial enterprises, subject to a ceiling of Rs.1 crore per cluster

Basu, S.K. (2011)⁵, in his article, “Status of Leather Industry in India,” presents the importance and stages of development of Leather Industry in the country, and focuses on major clusters of Leather and Leather Products. Challenges facing the industry in the liberalisation era, and also the schemes being implemented for modernisation and for increasing production of value added leather products with focus on export promotion are also covered. The Indian leather industry is known for its substantial contribution to export earnings, employment generation, and inclusive growth. Women employment is predominant in the leather products group with about 30 per cent share. During 2006-07, as per the 4th All India Census of MSMEs, there are 26,741 registered micro, small and medium enterprises, and 62,574 unregistered MSMEs, totalling 89,315 leather enterprises in the country.

Uma, H.R. (2012)⁶, in her article, “Challenges in India’s Foreign Trade” outlines the challenges being faced by India in exports and imports, and underscores the importance of increase in South- South trade in world trade which accounts for 22 per cent of global trade, and almost 50 per cent of total merchandise trade of developing countries at present. Among developing countries, India has emerged as a vibrant economy fuelled by robust growth in international trade and investment. The South’s impressive growth would provide a new impetus to a sustained growth of the global economy, and contribute to the achievement of the Millennium Development Goals.

Problems and Challenges Faced by MSME Analysis and Interpretation

Profile of the Industries

Despite the pivotal role and strategic importance in the context of industrial development and economic growth of the country, the MSME sector experiences several constraints and challenges. Several key issues remain to be addressed properly and measures yet to be taken in the interest of sustainable industrial development. The Committee on financial architecture of MSME sector in their Report has identified some key issues. These include; i) Equity as a source of financing is underutilized and the prevalence of investment by venture capital and angel investors is low, ii) MSMEs face the problem of delayed payments from their buyers which adversely impacts their working capital as well as their next cycle of production, iii) MSMEs lack adequate information about various schemes and benefits available by the government, iv) Financial institutions/Banks face challenges in credit risk assessment of MSMEs, v) The utilization of the available credit guarantee and insurance schemes by banks has been low.

Table No.2 describes the profile of the industries have taken for the study. Out of 25 Industries 56% of the enterprises are working within 5 to 10 years, 56% of them have invested capital Rs.5,00,000 to 10,00,000, 52% of them running business in their own land, 80% of them registered their scale of operation under micro enterprises, 88% of the enterprises formed by sole trader, 52% of the industrialist involved in engineering business and 60% of them using both own fund and outsiders fund for their business development.

Table 2: Profile of the Industries

Particulars		No.of Respondents	%
Age of the enterprise (years)	Less than 5	8	32
	5-10	14	56
	More than 10	3	12
	Total	25	100
Capital investment	Below rs 5,00,000	2	8
	Rs5,00,000 to 10,00,000	14	56
	Rs10,00,000 to 15,00,000	6	24
	Rs 15,00,000 to 20,00,000	3	12
	Rs 20,00,000 and above	-	-
Total	25	100	
Industry	Own building	13	52
	rented building	12	48
	Total	25	100
Scale of operation	Micro	20	80
	small	4	16
	medium	1	4
	Total	25	100
Form of organization	Sole proprietorship	22	88
	Private Limited	3	12
	Partnership Firm	-	-
	Total	25	100
source of finance	Own Fund	10	40
	Both Own and Outsiders fund	15	60
	Total	25	100

Relationship between the scale of operation and major problems faced by the Industry.

Table 3: depicts that out of 25 industries taken for the study, Problems of Marketing: Source of Finance * Marketing Problems.

		Marketing problems						Total
		Severe compition	Price determination	Quality	Continuous availability	Expectation is high	Variety of product	
Source of finance	Own fund	3	1	2	2	2	0	10
	Both own fund and outsider fund	4	2	4	1	2	2	15
Total		7	3	6	3	4	2	25

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig.(2-sided)
Pearson Chi-Square	2.431a	4	.657
Likelihood Ratio	2.785	4	.594
Linear-by-Linear Association	.612	1	.434
N of Valid Cases	25		

The Chi-Square table 3 reveals that the probability value (0.657) is greater than 0.05, Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is no significant relationship between source of finance and marketing problems.

Table 5: Scale of Operation * Technology Problem

		Technology problem						Total
		Lack readily available parts	No legal recourse	Vendor capability	After sales support	Import procedure	Acquiring finance for technology up-gradation	
Source of operation	Micro scale	4	5	3	2	0	6	20
	Small scale	1	0	0	1	2	0	4
	Medium scale	0	0	1	0	0	0	1
Total		5	5	4	3	2	6	25

Table 6: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.312a	10	.036
Likelihood Ratio	16.702	10	.081
Linear by Linear Association	.015	1	.902
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.036) is less than 0.05, Null hypothesis is rejected at 5% level of significance. Hence, it is concluded that there is significant relationship between scale of operation and technological problem.

Table 7: Scale of Operation * Challenges faced by owner while running the business

		Challenges faced by owner while running the business						Total
		Access to finance	Access to markets	Access to infrastructure	Access to people	Access to technology and environmental compliance	Access to knowledge in Regulatory framework	
Source of operation	Micro scale	9	1	3	1	4	2	20
	Small scale	1	0	3	0	0	0	4
	Medium scale	0	0	0	0	1	0	1
Total		10	1	6	1	5	2	25

Table 8: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.000a	10	.358
Likelihood Ratio	10.201	10	.423
Linear by Linear Association	.404	1	.525
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.358) is greater than 0.05, Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is no significant relationship between scale of operation and challenges faced by owner while running industry.

Table 9: Form of Organization * Challenges faced by owner while running the business

		Challenges faced by owner while running the business						Total
		Access to finance	Access to markets	Access to infrastructure	Access to people	Access to technology and environmental compliance	Access to knowledge in Regulatory framework	
Form of the organization	Sole proprietorship	9	1	5	1	4	2	22
	Private Limited	1	0	1	0	1	0	3
Total		10	1	6	1	5	2	25

Table 10: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.010a	5	.962
Likelihood Ratio	1.434	5	.921
Linear-by Linear Association	.026	1	.871
N of Valid Cases	25		

The Chi-square table reveals that the probability value (0.962) is greater than 0.05, Null hypothesis is accepted at 5% level of significance. Hence, it is concluded that there is no significant relationship between form of the organization and challenges faced by owner while running industry.

Conclusion

The reform of production at the international level through increased outsourcing is having substantial effects on small and medium entrepreneurs in a positive, as well as negative manner. Now-a-days organizations are knowledge based and their success and survival depend on access finance, creativity and innovation. The rate of changes is fast-tracking rapidly, as new knowledge idea generation and global distribution are increasing. Micro enterprises are playing a vital role in the economic development. MSMEs over the years have assumed greater significance in our burgeoning national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to push-button accelerated industrial growth in our developing economy and well poised to support national programmed like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of an enabling ecosystem where these enterprises are able to access the benefits meant for them under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order.

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