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SMALL AND MEDIUM ENTERPRISES: PROBLEMS OF ENTREPRENEURS

**YASHMITA AWASTHI**  
**RESEARCH SCHOLAR**  
**INSTITUTE OF MANAGEMENT STUDIES**  
**BANARAS HINDU UNIVERSITY**  
**VARANASI**

**H. P. MATHUR**  
**PROFESSOR**  
**INSTITUTE OF MANAGEMENT STUDIES**  
**BANARAS HINDU UNIVERSITY**  
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**ABSTRACT**

*Small & Medium Enterprises (SMEs) play a major role in global economic growth in terms of their contribution to industrial employment, output and exports. SMEs occupy a place of strategic importance in the Indian economy as well. These firms often face a variety of problems while operating. SME in India is encountered with several problems like lack of adequate and timely finance, non-availability of suitable and efficient technology, ineffective marketing practices due to limited resources and lack of skilled manpower. The purpose of this paper is to explore the problems faced by SMEs during operating. Both primary and secondary data are used in the study. The study is empirical in nature as it is based on data collected with the help of schedule. The study focused the collection of data from one City in Uttar Pradesh i.e. Noida The sample size was 50. Though SME is encountered with several problems but this paper will focus on only five of their major problems i.e. problem of finance, lack of Raw material, Problems related to marketing, Underutilization of Capacity & Lack of skilled manpower.*

**KEYWORDS**

SME, entrepreneurs, problems, government.

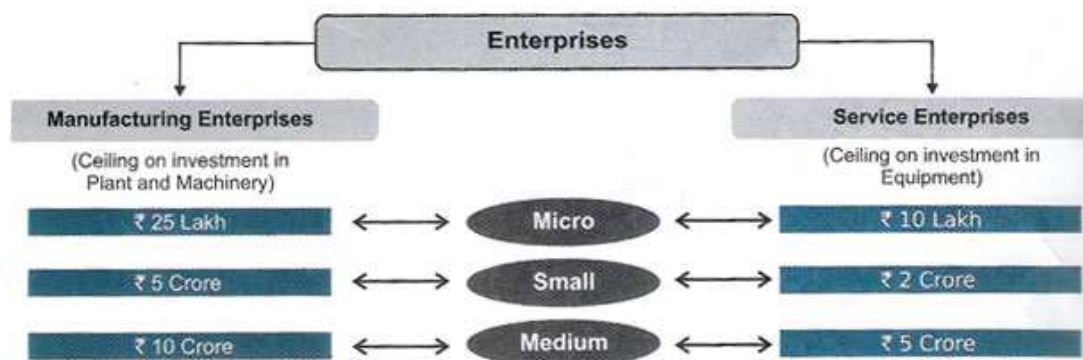
**INTRODUCTION**

**S**MEs are officially defined and exclusively identified for promotion in the manufacturing sector of most national economies. The most important justification for the exclusive promotion of SMEs is their potential for employment intensity. In general, a SME generates more jobs per unit of capital investment than a large enterprise. A SME has many other benefits: it can be started with relatively less capital; it facilitates nurturing of entrepreneurship, which could emerge from within; it can be used as an instrument for alleviating regional disparities in development etc. Further, a SME is flexible in production, has the potential to be a training ground for managerial skills, promotes individual initiatives, and encourages rich personal relations. Therefore, it is often promoted as a source of technological innovations in industrialised economies.

In India SME is defined in accordance with the prerequisite of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (SME) are classified in two classes:

- **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation Act, 1951). The Manufacturing Enterprise is **defined in terms of investment in Plant & Machinery.**
- **Service Enterprises:** The enterprises engaged in providing or rendering of services and are **defined in terms of investment in equipment**

FIG. 1



Source: Ministry of Micro, Small & Medium Enterprises

Small and Medium Enterprises play a vital role for the growth of Indian economy by contributing 45% of the industrial output, 40% of exports, 42 million in employment, create one million jobs every year and produces more than 8000 quality products for the Indian and international markets. (source: **SME Chamber of India**). As a result, SMEs are today exposed to greater opportunities for expansion and diversification across the sectors.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro and Service sectors. SMEs are finding increasing opportunities to enhance their business activities in core sectors.

However, inspite of their remarkable contribution in Indian GDP SME face a lot of problems like Problem of skilled manpower, Inadequate credit assistance, Irregular supply of raw material, Absence of organized marketing, Lack of Machinery & equipment and Absence of adequate infrastructure, competition from large-scale units and imported articles. (Sangitha G Patel, Dr. P.T. Chadudhari, 2014).

**REVIEW OF LITERATURE**

**N. Aruna (2015), Problems Faced by Micro, Small and Medium Enterprises – A Special Reference to Small Entrepreneurs in Visakhapatnam:** The study focused on one region in Andhra Pradesh i.e. Visakhapatnam with the sample size was 50. Five problems like Problem of Raw material, Power Cut, Marketing Problem, Problem of Import and Export of Goods & Production Problem faced by Small Entrepreneurs were discussed in brief. It was said that Simple and clear policies and acts are to be made so that these enterprises can understand them and utilize as well as implement them in the business for compliance and secure benefits. There are many government schemes but from the study it was observed that most of these enterprises are not aware and do not understand how they can benefit out of them.

**Dr. A.S. Shiralashetti (2014), prospects & Problems of SMEs in India:** This paper secured development, execution and commitment of SMEs to GDP and furthermore specified about the issues confronted by SMEs situated in Dharwad locale of Karnataka State.

**Dr. Neeru Garg (2014), Micro, Small and Medium Enterprises in India: Current Scenario and Challenges:** This paper made an endeavour to highlight the development of this segment and investigate different issues and difficulties confronted by SME area in India by and large.

**Dr. M.S. Vasu, Dr. K. Jayachandra (2014), Growth and Development of SMEs in India; Prospects & Problems.:** The review examined the development and execution of SMEs with rattling off the few issues confronted by SMEs in India amid working, Problems all in all were additionally drilled down, however not to a specific State or Region.

**Dr. Padmasani, S. Karthika (2013), A study on Problems and Prospects of Micro, Small and Medium Scale Enterprise in Textile Exports with special reference to Tirupur and Coimbatore District:** This paper has inspected the issues of SMEs in the time of worldwide economy and furthermore has distinguished the components influencing SMEs. A review was likewise made on the financial states of SMEs. The study uncovered that the issues can be overcome if SMEs get included in institutionalization of the business procedure, and can likewise receive most recent innovation to enhance the efficiency. It was said that banks can bolster the business by giving the credit offices at low loan cost and Government and Institutions identifying with Small and Medium Scale enterprises ought to take successful measures to enhance the fare execution of SMEs keeping in mind the end goal to create economy. The review secured the regions of Tirupur and Coimbatore region.

**Rajib Lahiri (2011), Problems and Prospects of Micro, Small and Medium enterprises (SMEs) in India in the era of Globalization:** The review made an endeavor to fundamentally dissect the definition part of SMEs and investigate the open doors appreciated and the imperatives confronted by them in the time of globalization subsequent to breaking down the execution of SMEs in India amid the pre and post liberalization period. The review uncovered that aside from negligible increment in development rate in work era, the development rate in different parameters is not empowering amid the liberalization time frame.

**RESEARCH METHODOLOGY**

**Research Design:** Exploratory and descriptive Study.

**Sampling Frame:** In this research paper 50 Units are includes which are falls in to the category of SME's.

**Sampling Technique:** Convenience sampling.

**DATA COLLECTION**

**Primary Data:**

- Survey by questionnaire
- Individual Interviews
- Personal interview of concerned persons at different level.

**Secondary Data:** Various research papers on the problem related to industry, reports and documents from different magazines, journals, newspaper, Central & State Government agencies as well from different associations was considered.

**ANALYSIS & INTERPRETATION**

**PROBLEM OF FINANCE**

**TABLE 1**

Responses	No. of Respondents
Yes	48
No	2
Cannot Say	0
Total	50

Out of 50 respondents 48 said that they faced problems in getting finance and only 2 of them said that there were no problems. Simplicity of credit gets to and brisk back is the most basic development driver for any SME. Most Indian SMEs begin with insignificant capital, which in the long run slows down their development after a specific point. Simple credit access for SMEs consequently turns into a critical element for national development also. The absence of simple credit has a tendency to stagnate the development of SMEs, which thus influencing non-specific development regarding GDP, import, fare and business. Inaccessibility of credit at the ideal time can likewise influence business development at many seals prompting to a ton of independent companies closing shop because of insufficient edges. Some real issues that around 80% SME Entrepreneurs confront on an everyday premise while attempting to get credit help for their business operations: i. Complex insurances required to get term advances ii. High exchange costs in imports/trades iii. Private Equity Funding is hard to get iv. Banks offer high rates for term credits v. Private value (PE) weakens control in the organization vi. Un-institutionalized venture examination framework for term credits vii. Unwieldy methodology and postponement in reserve payment.

**PROBLEM OF RAW MATERIAL**

**TABLE 2**

Responses	No. of Respondents
Yes	35
No	10
Cannot Say	5
Total	50

(Table 2) shows the interpretation of the results of the 50 respondents firms. 10 firms said that they did not face problems in getting raw material and 35 of them said that they face problems in this respect. These respondents don't know about appropriation plans given by the Government and however some of them know they have no information of how to use them. The amount, quality and consistency of the supply of raw materials are not attractive. There are no amount rebates, since they are acquired in little amounts and thus charged higher costs by merchants. They likewise encounter trouble in obtaining semi-made materials. Because of money related issues these endeavours can't secure raw material in mass in a focused market.

The significant issue that the SME's need to content with is procuring Raw material. The issue of raw material has accepted the state of (i) a flat out shortage, (ii) a low quality of raw materials, and (iii) a high cost. Prior, the greater part of SME's generally delivered things reliant on neighbourhood raw material. Be that as it may, as far back as the development of present day SME's enterprises fabricating a great deal of modern things, the issue of raw material has risen as a difficult issue on their creation endeavours. The SME units that utilization imported raw material face raw material issue either because of outside money or traditions obligation or whatever other reasons. Indeed, even the SME's those rely on upon nearby assets for raw material necessities confronting different issues. Keeping in view the issue of raw material the Government made arrangements for making raw material accessible to these units. Yet, these units are not in a position to liaise with the official organizations and are left with deficient supplies of raw material. Subsequently, they need to depend on open market buys at high costs.

This, thus, builds their cost of creation, and, accordingly, places them in an antagonistic position contrasted with huge units. The amount, quality and consistency of the supply of raw materials are not palatable. There are no amount rebates, since they are bought in little amounts and consequently charged higher costs by merchants. They additionally encounter trouble in getting semi-made materials. Because of money related issues these undertakings can't secure raw material in mass in a focused market.

**PROBLEM OF MARKETING**

**TABLE 3**

Responses	No. of Respondents
Yes	41
No	7
Cannot Say	2
Total	50

Out of 50 respondents 41 said that they faced problems in marketing and only 7 of them said that there were no problems and 2 of them said they cannot say. These SME's need to confront the rivalries from huge scale units in promoting their items. These ventures don't go through dated innovation so the merchandise delivered by them can't fulfil the cutting edge tastes. Consequently, the potential interest for their products stays immature. Because of fund imperatives and creation little in size, it is impractical for them to advertise their items. They depend and depend helpless before middle men.

One of the fundamental issues confronted by the SME's is in the field of promoting. These units often don't have any showcasing association. In result, their items contrast negatively and the nature of the results of the substantial scale enterprises. Therefore, they experience the ill effects of focused hindrances opposite vast scale units keeping in mind the end goal to shield SME's from this aggressive burden; the Government of India has held certain things for the little scale segment. The rundown of held things has ceaselessly expanded over the period and at present stands at 824 things. In addition, the Trade Fair Authority of India and the State Trading Corporation help the little scale enterprises in sorting out their deals. The National Small Industries Corporation set up in 1955 is likewise helping the little units in getting the administration requests and finding send out business sectors. Auxiliary units confront the issues of their own sorts like deferred instalment by parent units, deficiency of innovative bolster reached out by parent units, non-adherence to quality and conveyance plans, aggravating the projects of the parent units and non-attendance of a very much characterized estimating framework and administrative laws.

**PROBLEM OF UNDER-UTILIZATION OF CAPACITY**

**TABLE 4**

Responses	No. of Respondents
Yes	32
No	9
Cannot Say	9
Total	50

Out of 50 respondents 32 said that they faced problems of underutilization of capacity and 9 of them said that there were no problems and 9 of them said they cannot say. There are studies that unmistakably draw out the gross under-usage of introduced limits in SME's. As per Arun (Ghosh 1988: 315-316), on the premise of All India Census of Small-Scale Industries, 1972, the rate use of limit was just 47 in mechanical designing businesses, 50 in electrical gear, 58 in car subordinate enterprises, 55 in leather items and just 29 in plastic items. On a normal, we can securely say that 50 to 40 percent of limit were not used in SME's. The extremely indispensable to the issues of under-usage of limit is power issue confronted by SME's. To put it plainly, there are two viewpoints to the issues: one, control supply is not generally accessible to these units, and at whatever point it is accessible, it proportioned out, restricted to a couple of hours in a day. Second, dissimilar to huge scale enterprises, the SME's can't stand to go in for choices, such as introducing own thermal units, on the grounds that these include overwhelming expenses, since these units are feeble in financial front, they need to oversee as well as can be expected inside their accessible pitiful means.

**PROBLEM OF SKILLED MANPOWER**

**TABLE 5**

Responses	No. of Respondents
Yes	46
No	4
Cannot Say	-
Total	50

Out of 50 respondents 46 said that they faced problems of skilled manpower and only 4 of them said that there were no problems.

Indian SMEs utilize 40% of the nation's workforce, making them the business powerhouse of the nation. Nonetheless, India today confronts the enormous test of out-dated work laws that are still being used. A work law change upgrade is required to manage vast convergence of workforce which will enter the working landscape. The accompanying focuses highlight a portion of the key issues that undertakings confront identified with workforce like Holding ability due absence of capacity to pay, Low efficiency of workers, Regular the lowest pay permitted by law arrangements, Absence of talented specialists. Nonetheless, the suppositions towards SMEs is developing positive, returning them in the spotlight. There is a desire that their development would be much quicker throughout the following couple of years. In any case, the organizations which would rise would need to discover a path around to influence their qualities and stay competitive.

**RECOMMENDATIONS**

**Building up of Strong Financial Foundation:** Establishing a strong money related framework (reviewing and bookkeeping standards, credit registries/departments, insurance, and bankruptcy administrations) ought to be a need in monetary improvement. The point ought to be to build up a thorough credit detailing framework that spreads both individual and business credit data, and help loan specialists better oversee credit chance and stretch out access to credit. A few nations, for example, India, have presented SME rating offices as an extra foundation intended to give more data to planned banks. Additionally, a well-working insurance administration portrayed by an extensive variety of admissible pledges (enduring and movables), the foundation of clear need rankings of cases over guarantee, proficient security registries making need interests openly known, and compelling implementation of insurance on account of default can further improve hazard adequacy of SME clients for monetary establishments. Preparing Institutions for financiers' particular preparing in little credit and SMEs financing prerequisite ought to be set up by each PSBs.

**Expansion of Marketing base:** The requirement for ventures to expand advertises scope, enhance operational efficiencies and improve client engagement is basic. Notwithstanding, this requires availability on two records – the organization and government direction and approaches including SME unique projects, activities and assets.

**Easy availability of Technology:** SMEs have a remarkable issue to unravel – while they are required to hold fast to worldwide standards and guarantee consistence to directions, they for the most part have constrained understanding (and spending plans) for innovation. This without a doubt needs to change and Indian SMEs need to advance as forceful clients of innovation. From being an empowering agent of profitability and quality, innovation must be utilized for change and as a key influencer of upper hand. SMEs anticipate that the Government will find a way to give present day innovation at less expensive and financed cost, empower community to encourage innovation exchange, make a stage for innovation suppliers and innovation searchers. The Government needs to make and order open data and frameworks towards mechanical base.

**Amendment in Workforce Policies:** The most recent couple of years have seen an exponential development in the inflow of specialists into the SME division; this says a considerable measure in regards to the potential SMEs hold for national improvement. The nearness of adaptable work laws therefore turns out to be progressively basic in today's surroundings. Work laws arrangements, for example, standardized wages, government disability, and occupation security guarantee

that the workforce is ensured and conveys its most noteworthy yield. The SMEs require government-drove activities and plans for competency and ability improvement to guarantee SMEs don't have unskilled laborers.

**Government Support systems:** In all cases, government mediations ought to be deliberately composed and better assessed with a view to precisely quantify their accomplishments regarding effort and influence. Fractional credit ensures plans ought to remain a critical type of mediation. Key managing standards on such plans ought to contain rules on qualification criteria, scope proportions, adaptable credit endorsement instrument, expenses, instalment rules, utilization of guarantee/initial instalment, and value proportions, among other parameters.

## CONCLUSION

The principle motivation behind information gathering was to study how the business people dealt with the miniaturized scale, Small and Medium Business. What are the different issues confronted by these ventures? It likewise indicated how the part of SMEs aided in monetary rebuilding and advancement of India. Exact information uncovered that obstacle like money related oblige and issues related to marketing, problem of outdated technology, raw material acquisition, problem of skilled workforce ought to be all the more adequately managed by the legislature. Further, the information gathered uncovered that general globalized business environment of India has been normal great for the development of SMEs. The stub of the information is that the SMEs have assumed part in work era in India. Government need to investigate this matter. It needs to alter the work laws which are contemporary and important to the present globalized situation. Basic and clear approaches and acts are to be made so that these endeavours can understand them and use and additionally actualize them in the business for consistence and secure advantages. There are numerous administration conspires however from the review it was watched that the majority of these ventures don't know and don't understand how they can profit out of them.

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