

ECONOMIC DEVELOPMENT THROUGH MICRO INDUSTRIES – THE MAJOR CHALLENGES

Article Particulars

Received: 24.11.2017

Accepted: 5.12.2017

Published: 23.12.2017



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Abstract

The changing factors of global economy make the industries to find many opportunities to enhance production and to look for new markets at global level. Micro industries emerge as a highly spirited sector of the Indian economy over the last five decades because it not only plays a crucial role in providing large employment opportunities but also helps in the industrialisation of rural and backward areas. Thoothukudi is one of the districts which has more number of micro industrial clusters in Tamilnadu. The challenges and performance of micro industrial units in Thoothukudi district are analysed in this study. The findings revealed that non-availability of labours is one of the major challenges faced by micro industries.

Keywords: *global economy, Indian economy, industrialisation, industrial units, micro industries, MSME act*

Introduction

Micro industries play a vital role in uplifting and highlighting India as a developing country in the world. At present, India has twelve lakh six hundred and seventy-five micro industries. According to MSME act 2006, the manufacturing enterprises which have investment size up- to twenty-five lakhs are called as micro enterprises. (Ministry of MSME, 2012-13) Rapid changes have seen in the whole system of global economy, which creates challenges to the Micro, Small and Medium enterprises in India.

Generally micro enterprises are labour-intensive, and uses locally available skill and technology in production. Most of the micro enterprises are household types and village based. Tamilnadu has an excellent performance in textiles, engineering, automobile production and recently in Information and Bio Technology sectors. In Tamilnadu Thoothukudi district contributes its own special efforts for the economic development of the state. The major industrial clusters in Thoothukudi district are safety match cluster - Kalugumalai, safety match cluster – Kovilpatti, salt cluster-Thoothukudi

and readymade garments-Puthiamputhur.(Ministry of MSME, 2012-13). In this study the challenges faced by the micro industrial units in Thoothukudi district are analysed.

Objectives of the Study

The objectives of this study are:

1. To find the performance level of micro industries in Thoothukudi District of Tamilnadu.
2. To analyse the challenges of micro industrial units in Thoothukudi District of Tamilnadu.

Review of Literature

(Rayen, 2006)Not all the micro enterprises are able to attain the highest growth level. Some industries reach the topmost level, some of them maintain the same level, some of them are not able to survive and become sick unit. The major problems of these industries are the problems relating to raw material, labour problems and power supply. (Laskar, 2014)The total enterprises have gone up by 344 per cent over eleven years, with a growth rate of 14.52 per cent.

(Krishna sankar, 2015)The determinants of entrepreneurship have been categorized under three bases such as enabling determinants, diving determinants and propelling determinants. The enabling determinants are the seed capital, routine capital, location, manpower and marketing. The driving determinants are the accessibility, social and motivational factors that drive an entrepreneur to tolerate his business. The propelling determinants include the knowledge, skills, attitude, approach and guidance available to an entrepreneur to succeed in his entrepreneurial venture.

(Glancey, 1998) Size, age and location of the firm are the major determinants of the profitability of the firm. (Katyal & Xaviour, 2015)MSME sector has helps the people to become entrepreneurs who ultimately are able to create job scenarios in the local market. But the real problem of MSME sector are limitation of resources, and very less attention for the proper HR practices.

(Prabhavathi, 2015)The challenges of micro enterprises are lack of ideas on diversification, lack of exposure, lack of ideas about modernization, lack of idea on government assistance and lack of ideas on innovation. (Raju 2009) The problems of micro enterprises differs from time to time, from region to region, and also from one industry group to another; though a number of problems are similar across regions and industry groups.

Methodology

Descriptive research design is used in this study. Two hundred and fifty number of micro industrial entrepreneurs are selected as sample respondents using stratified random sampling technique from five different categories of industries. The primary

data are collected through interview-schedule method and the secondary data are collected from reports of District Industries Centre of Thoothukudi, MSME report- 2014-15, research theses and journals. The collected data are analysed using Percentage analysis, Chi-square test, Correlation and Regression methods, Friedman test and Confirmatory Factor Analysis with SEM model.

Results and Discussion

Development of Micro Industrial Units

In order to find the development of the industrial units the performance level is analysed by considering the factors such as retaining and developing customer base, attraction of new customers ,sales growth, profitability, development in the size of the firm, increase in number of workers, and stability of workers.

Factors of Performance

Hypothesis 1

There is no significant difference between the mean ranks towards the factors of performance. To test whether there is significant difference between mean ranks of the factors of performance, Friedman test was used. Table 1.0 shows that the p value is less than 0.01 and the null hypothesis is rejected at 1% level of significance. Hence there is significant difference between mean ranks towards the factors of performance. Mean ranks were computed for all the items of performance. Based on the mean rank, it is found that the factors "Attraction of new customers" (4.52), Retaining and developing customer base (4.40) and "Sales growth" (4.27) are the three topmost factors.

Level of Performance of the Industries

The performance of the firms are measured and categorised in to three levels such as "high", "moderate", and "low" as shown in Table 2.0. It reveals that 44.5% of the industries' level of performance is moderate, 29.4% of the industries' level of performance is high and 25.8% of the industries' level of performance is low. It is inferred that majority of the industries show the moderate level of performance. Hence it is concluded that majority of the firms are not developed.

Influence of Firm specific Factors on the Performance of the Industries

Hypothesis 2

There is association between firm specific factors and level of performance of the firm. From Table 3.0 shows that the 'p' value is less than 0.05 in the case of number of workers and sales turn over. It is greater than 0.05 in the case of ownership form. So it is found that there is association between number of workers in the firm and level of performance of the firm. Also there is association between sales turnover and the level of performance of the firm. There is no association between ownership form and the performance level of the firm. The percentage value shows that the firms which have

large number of workers perform well than those with less number of workers. Majority of high level performance is present when the sales turnover is above Rs 80,00,000. Thus the influence of firm specific factors are verified.

Challenges of Micro Industries

Table 2.0 shows the rank value of challenges faced by the micro industries. Twenty statements representing the problems are given and the respondents are asked to rank the problems according to the severity. From the ranking, it is found that "lack of skilled workers" is the first main problem followed by "Highly demanding workers", "High Absenteeism of workers", "lack of raw materials", "Problem due to Govt restrictions and policies", "poor infrastructure", "Risk in investment", "Difficult to repay loans", "No work Life Balance" (no time to spend with family), "Storage Problem", "No brand popularity", "Problem in availing Govt subsidies", "No work Life Balance" (no time to spend with family), "Storage Problem", "Competition with large scale industrial products", "Difficult to get loans", "Problems in Product designing", "Less variety of products", "Pricing strategy", "Lack of advertising", "No brand popularity", "Difficult to repay loans", "Transportation of workers", and "Problem to get training". It is found that the first three major problems are "lack of skilled workers", "Highly demanding workers", and "High absenteeism of workers". These industries find it difficult to get the workers, because of the "nature of work", "feeling of not attractive or prestigious job for educated people", "non-attractive payment system" and "migration of people to urban areas in the search of other jobs. The entrepreneurs face the problem of giving advance to the labours for the purpose of making them to be stable and continue their work in their organisation. They need to face the risk of not turning up of this advance from the labours.

Conclusion

As the entrepreneurs are facing the problem of non-availability of workers, instability of workers and absenteeism of workers, the human resource management system need to be given importance in the micro industries. Instead of depend on traditional manual operations, they can introduce small level automation which require less number of workers

Table 1 Friedman Test for Factors of Performance

Factors of Performance	Mean Rank	Chi-square value	P value
Retaining and developing customer base	4.40	246.69	<0.001**
Attraction of new customers	4.52		
Sales growth	4.27		
Profitability	4.22		
Development in the size of the firm	3.51		
Increase in number of workers	3.76		
Stability of workers	3.33		

Table 2 Level of Performance of the Industries

S.No	Level	Percent
1	Low	25.8
2	Moderate	44.8
3	High	29.4
	Total	100.0

Table 3 Association between Firm Specific Factors and Performance level of the Industrial units

Firm Specific Factors	Classification	Level of Performance of industrial units			Chi-square value	P value
		Low	Moderate	High		
Number of Employees	Below 20	36.4%	40.2%	23.4%	23.044	0.001**
	20-30	26.8%	48.2%	25.0%		
	31-40	12.3%	56.2%	31.5%		
	Above 40	21.3%	32.8%	45.9%		
Form of Business	Sole Proprietorship	21.7%	46.2%	32.1%	3.495	0.174
	Partnership	30.2%	43.2%	26.6%		
Sales Turnover	Below 60,00,000	31.9%	38.0%	30.1%	14.896	0.005*
	60,00,001-80,00,000	20.4%	58.3%	21.4%		
	Above 80,00,000	20.7%	41.4%	37.9%		

Denotes significant at 1% level

Table 4 Friedman test for Significant Difference among mean Ranks towards the Challenges faced by the Entrepreneurs

Problems of Entrepreneurs	Mean	Rank	Chi-square value	P value
Lack of Raw material availability	14.76	IV		
Storage Problem	10.86	X		
Less variety of products	8.77	XV		
Problems in Product designing	9.30	XIV		
Competition with large scale industrial products	10.37	XI		
Pricing strategy	7.89	XVI		
Lack of advertising	6.72	XVII		
No brand popularity	10.06	XIII		
Risk in investment	12.95	VII		
Difficult to get loans	10.34	XII		
Difficult to repay loans	3.18	XVIII	3308.02	<0.001
Lack of skilled workers	16.02	I		

Highly demanding workers	15.62	II		
High Absenteeism of workers	15.01	III		
Transportation of workers	2.85	XIX		
Poor Infrastructure	13.27	VI		
No work Life Balance (no time to spend with family)	12.25	IX		
Problem due to Govt restrictions and policies	14.05	V		
Problem in availing Govt subsidies	12.93	VIII		
Problem to get training	2.79	XX		

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