



PROBLEMS AND PROSPECTS OF MICRO, SMALL AND MEDIUM ENTERPRISES IN THIRUVANANTHAPURAM DISTRICT

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Abstract

Micro Small and Medium Enterprises (MSME s) are considered growth drivers. They strengthen the entrepreneurial spirit at the grass-root level and open up countless opportunities. Micro Small and Medium Enterprises are vital for moving towards faster and more inclusive growth of the nation. There are ample opportunities in the service and manufacturing rendering MSME sectors of India. Micro Small and Medium Enterprises are engendering plentiful employment opportunities in the field of retail, service, and manufacturing sectors. The huge demand for Indian products in the international market rationalizes the needs and importance of India's MSME sectors. The growth rate and return on investment are seen to be fairly good in the MSME sector in India. This sector also has the capacity to attract foreign investment. Despite the good tidings, several problems prevent the sector from reaching its full potential. This paper o analyses some vital indicators related to the problems & prospects of MSMEs in Thiruvananthapuram district.

Keywords: Employment, Export, Innovative entrepreneurs, Modernization, Expansion.

Introduction

Micro Small and Medium Enterprises play a vital role in generating employment opportunities. Kerala has a comparatively high share of MSMEs in the country. Kerala, with its outstanding connectivity, communication network, the accessibility of highly qualified human resources, and relatively good industrial infrastructure, is ideally suited to the growth of the Micro Small, and Medium Enterprises. The fragmented nature of the land banks available in Kerala is not conducive to the establishment of large-scale industries, and the state government is trying to resolve this challenge by using such fragmented land to fuel MSME growth in the state. The MSME sector contributes to the industrialization of rural and backward areas and provides jobs for young and economically marginalized groups. The MSME sector of Kerala has constantly registered a higher growth rate compared to other sub-sectors in the industrial sector. Despite the good tidings, several problems prevent the sector from reaching its full potential.

Thiruvananthapuram is an educationally, politically, and economically advanced district in Kerala. Being the capital city of Kerala, the district has been strategically positioned on international trade routes and has got almost all the international

facilities required for the development of industries. As the capital city, the government is providing various types of assistance and creating a favorable business environment for Micro Small, and Medium Enterprises in the district and of course, to the entrepreneurs in the region. To take advantage of the positive developments, the commencement of the Vizhinjam seaport will boost the trade and activities of MSMEs not only in the Thiruvananthapuram district of Kerala State but also throughout India. Konkan Railway Corporation (KRCL) already submitted a draft for the rail connectivity between the port and Balaramapuram, south of Thiruvananthapuram (a hub of handloom and textiles industries).

In Thiruvananthapuram, the majority of the gainful employment opportunities are now provided by both government sector jobs and high-skilled private-sector jobs, especially created by the IT and ITES sectors, which are generally highly skilled. Thiruvananthapuram district contributes almost 80% of software exports from the state of Kerala. But these IT and ITES sectors are not providing employment opportunities for a large section of the population because these people do not possess the skillset demanded by these IT/ITES sectors. Given this context, in Thiruvananthapuram, there is a great

opportunity for the Micro, Small and Medium enterprises to support the industrialization of rural and backward areas and to provide employment opportunities to economically vulnerable groups such as SC, ST, and physically challenged persons.

The last four decades of economic growth in Thiruvananthapuram have shown that the Micro Small and Medium Enterprises have dominated in terms of both employment and output. There are many challenges in the industrial development of Thiruvananthapuram, such as labor union issues, land accusations issues, high land prices, high raw material costs, labor problems, and the high population density that made land acquisition almost impossible. Although the industrial sector has great potential to improve the opportunities for gainful employment, the development of large-scale industries in Thiruvananthapuram is not possible due to various constraints noted above. In this context, MSMEs can overcome many of the industrial constraints that Thiruvananthapuram is facing; at the same time, they also can improve employment prospects. This paper focuses on analyzing the problems and prospects of MSMEs in the Thiruvananthapuram district.

$$n=N1+N \times e^2 \quad \text{where } N= 38,566, e= 5.3\%, n= 356 \text{ [TAROYAMANE (1976)]}$$

Objectives of the Study

- (1) To identify the problems of Micro, Small, and Medium Enterprises entrepreneurs in the Thiruvananthapuram district.
- (2) To compare the prospects of Micro, Small, and Medium Enterprises entrepreneurs in the Thiruvananthapuram district.

Methodology

To examine the problems faced by the entrepreneurs in the Thiruvananthapuram district, an attempt was done to evaluate the current scenario with the support of the Factor Analysis. Bartlett's Test of Sphericity was applied to find the association among the various factors. 22 statements were evaluated and the extraction score for all the statements was analyzed. To identify the statistical difference between the various prospects of MSME enterprises, an ANOVA test was applied. The study used the following inputs to determine the sample size for the current study. Out of a finite population (N) of 38,566 entrepreneurs, level of significance (α) of 5%, for an error of 5.3%, the sample size determined was 356, with the support of the following formulae.

Table 1

KMO and Bartlett's Test-Problems faced by the Entrepreneurs

Kaiser-Meyer-Olkin Measure of Sampling Adequacy- Problems faced by the entrepreneurs		0.573
Bartlett's Test of Sphericity -problems faced by the entrepreneurs	Approx. Chi-Square	5645.473
	df	231
	Sig.	0.000

Source: Computed from the primary data

Based on the Kaiser-Meyer-Olkin (KMO) Test, the KMO measure of sample adequacy is 0.573 showing moderate sample adequacy, which that means to examine the problems, the present sample

size is moderately sufficient. Also, according to Bartlett's Test of Sphericity, the significant value is 0.000. This showed that there was a close association among the various factors.

Table 2

Communalities-Problems faced by the Entrepreneurs

Statements	Initial	Extraction
Absence of adequate credit from the financial Institutions	1.000	0.740
Competition from the Multi-national Enterprises	1.000	0.698
Lack of Infrastructural facilities	1.000	0.639
Constraints in modernization & expansion	1.000	0.704
Non-availability of raw materials	1.000	0.688
Ineffective advertisement & Poor marketing	1.000	0.585
Lack of awareness about modern technology	1.000	0.741
Lack of proper warehousing	1.000	0.972
Non-availability of skilled labor	1.000	0.586
Power related crises	1.000	0.605
Poor Transportation facility	1.000	0.471
Break down of Machinery	1.000	0.959
Government-related problems	1.000	0.745

Deficiency of Working Capital	1.000	0.914
Deficiency of Fixed Capital	1.000	0.786
The adverse effect of economic reforms & globalization	1.000	0.914
Lack of Scientific & Industrial research	1.000	0.786
Non-availability of timely redressal from Grievance's agencies	1.000	0.902
Lack of support by police & other government agencies	1.000	0.881
Insufficient own and local authority amenities for disposal of the wastage	1.000	0.856
The hectic adverse influence of local politics	1.000	0.735
Unethical and cutthroat business practices by multi-national companies	1.000	0.862

Source: Compiled from the primary data

To examine the problems faced by the entrepreneurs almost 22 statements were evaluated. The extraction score for all the statements showed that there was a closely high and moderate relationship. The statement 'lack of warehousing' has a communality value of 0.972 which means, it has a relationship with other components to the extent of 97.2%. The statement

'Insufficient own and local authority facilities for disposal of the wastage' has a commuted value of 0.856, which means it has a relationship with other components to the extent of 85.5%. Similarly, the study ascertained all the statements mentioned above and found that all were highly and moderately related.

Table 3

Total Variance Explained- Problems faced by the MSME Entrepreneurs

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.736	16.982	16.982	3.736	16.982	16.982	2.964	13.474	13.474
2	3.341	15.186	32.169	3.341	15.186	32.169	2.955	13.431	26.905
3	2.427	11.033	43.201	2.427	11.033	43.201	2.538	11.536	38.441
4	2.159	9.814	53.015	2.159	9.814	53.015	2.194	9.974	48.415
5	1.760	7.999	61.015	1.760	7.999	61.015	2.106	9.574	57.989

6	1.261	5.732	66.747	1.261	5.732	66.747	1.629	7.404	65.393
7	1.063	4.831	71.578	1.063	4.831	71.578	1.291	5.870	71.262
8	1.020	4.637	76.215	1.020	4.637	76.215	1.090	4.953	76.215
9	0.879	3.996	80.211						
10	0.740	3.362	83.573						
11	0.616	2.799	86.371						
12	0.536	2.438	88.810						
13	0.495	2.248	91.058						
14	0.476	2.165	93.223						
15	0.365	1.661	94.884						
16	0.306	1.391	96.275						
17	0.263	1.197	97.472						
18	0.231	1.048	98.521						
19	0.191	0.869	99.390						
20	0.094	0.427	99.817						
21	0.038	0.172	99.989						
22	0.002	0.011	100.000						

Source: Compiled from the primary data

In Table 3, the initial eigenvalues greater than one is considered. Accordingly, 8 factors have been identified to evaluate the problems faced by the entrepreneur. According to the Extraction Sums of Squared Loadings, the percentage of variance for each factor is identified. The percentage of variance for the first factor is 16.982, whereas, for the second factor, it is 15.186 and for the third factor is 11.003, the fourth factor is 9.814, the fifth factor is 7.999, and for the sixth, seventh and eighth factors as 5.732, 4.831 and 4.637 respectively. Accordingly, the cumulative percentage of the first factor is 16.982 and

when the second factor joins the group, the cumulative effect reaches 32.169. When the third factor comes, the cumulative effect becomes 43.201. Hence to conclude, with the support of 8 factors, the cumulative effect will be 76.215, which means 76.21 percent of the problems can be identified through the above factor analysis. Similarly, based on the Rotation Sum of Squared Loadings, the percentage of variance was further analyzed effectively. According to the Rotation sum of squared loadings, the percentage of variance for the eight factors are different from each other.

Table 4

Rotated Component Matrix- Problems faced by the MSME Entrepreneurs

Statements	Component							
	1	2	3	4	5	6	7	8
The adverse effect of economic reforms & globalization	.952	-.004	.027	-.031	.026	-.012	-.043	-.059
Non-availability of timely redressal from Grievance's agencies	.921	-.004	-.211	-.011	.014	.009	-.077	.029
Unethical and cutthroat business practices by multi-national companies	.792	-.011	-.328	.036	-.025	.007	.331	-.121
The hectic adverse influence of local Politics	.673	-.002	.025	-.018	-.063	-.051	.453	.258
Lack of Scientific & Industrial research	-.004	.805	.004	.217	-.038	.299	-.017	.019
Lack of Infrastructural facilities	-.016	.784	.010	-.069	-.093	.098	.030	.024
Ineffective advertisement & Poor marketing	-.015	.697	-.049	-.180	.231	-.067	-.073	-.047
Lack of proper warehousing	-.018	.606	.057	.378	.583	.340	-.022	-.039
Non-availability of skilled labor	-.021	.575	-.008	-.176	.412	.228	-.006	-.041
Insufficient own and local authority amenities for disposal of the wastage	-.093	-.011	.906	.013	.003	.021	.152	-.054
Deficiency of Fixed Capital	-.001	-.001	.881	.017	.058	.036	-.008	-.066
Lack of support by police & other government agencies	-.303	.002	.863	.028	.068	.049	-.178	.053
Lack of awareness about modern technology	-.039	.068	.046	.849	-.050	-.063	.068	-.044
Government-related problems	-.014	.317	-.032	.775	.174	.110	.013	-.015
Non-availability of raw materials	-.003	-.453	-.068	.615	-.173	.250	-.040	.072
Absence of adequate credit from the financial Institutions	.015	.192	.073	-.050	.833	-.006	-.004	-.038
Competition from the Multi-national Enterprises	-.013	-.122	.029	-.209	.795	.013	.005	.079
Constraints in modernization & expansion	.025	.066	.096	.199	.024	.796	-.060	-.117
Power related crises	-.028	-.322	-.068	-.331	-.154	.594	.068	.074
Poor Transportation facility	-.045	-.197	.056	-.187	.326	.531	.057	.024
Deficiency of Working Capital	.144	-.010	.001	.037	.018	.020	.942	-.054
Breakdown of Machinery	.004	-.016	-.071	-.005	.030	-.051	-.030	.974

Source: Compiled from primary data

Table 4 shows there are four statements whose coefficient values are greater and fall in the first factor. The coefficient value of 'adverse effect of economic reforms & globalization' is 0.952, 'non-availability of timely redressal from grievances agencies' is 0.921, 'unethical and cutthroat business practices by multi-national companies' is 0.792 and 'hectic adverse influence of local politics' is 0.673 are found to be higher. Hence the above statements are included in the first factor. Therefore, technically the above statements are collectively known as "Gratuitous Meddling of external agencies and Policies", which is one of the most important hindrances impacting the performance of MSME entrepreneurs in the Thiruvananthapuram district.

There are five statements whose coefficient values were greater and fall in the second factor. The coefficient value of 'lack of scientific & industrial research' is 0.805, 'lack of infrastructural facilities' is 0.784, 'ineffective advertisement & poor marketing' is 0.697, 'lack of proper warehousing' is 0.606, and 'non-availability of skilled labor' is 0.575 are higher. Hence the above statements are included in the second factor. Therefore, technically the above statements are collectively known as "Dearth of Policy Research and Institutional Intervention", which is another important hindrance that affects the performance of MSME entrepreneurs.

There are three statements whose coefficient values are greater and fall in the third factor. The coefficient value of 'insufficient own and local authority amenities for disposal of the wastage' is 0.906, 'deficiency of fixed capital' is 0.881, and 'lack of support by police & other government agencies' is 0.863. Hence the above three statements are included in the third factor. Therefore, technically the above statements are collectively known as "Supportive and Infrastructural bottlenecks", which was noted as another hindrance.

There are three statements whose coefficient values are greater and fall in the fourth factor. The coefficient value of 'lack of awareness about modern technology' is 0.849, 'Government related problems' is 0.775, and 'nonavailability of raw materials' is 0.615. Hence the above three statements were included in the fourth factor. Therefore, technically the above statements are collectively known as "Truncated market linkage and tie-ups with public procurement platforms", and were noted as another hindrance.

There are two statements whose coefficient values were greater and fall in the fifth factor. The coefficient value of 'absence of adequate credit from the financial Institutions' is 0.833, and 'competition from the multi-national enterprises' is 0.795. Hence the two

statements are included in the fifth factor. Therefore, technically the above statements are collectively known as "Condensed credit access and cutthroat competition", which is noted as another hindrance.

There are three statements whose coefficient values are greater and fall in the sixth factor. The coefficient value of 'constraints in modernization & expansion' is 0.796, 'power-related crises' is 0.594 and 'poor transportation facility' is 0.531. Hence the above three statements are included in the sixth factor. Therefore, technically the above statements are

collectively known as "Modernisation and Transportation constraints", and are noted as another hindrance.

The statement 'Deficiency of working capital' whose coefficient value is 0.942 and the statement 'Break down of machinery' whose coefficient value is 0.974 are included in the seventh and eighth factors respectively. Therefore, technically the two statements are collectively known as "Dearth of funds" and "Obsolete Technology" which is also an important hindrance that affects the performance of MSME entrepreneurs in the Thiruvananthapuram district.

Table 5

The result on prospects of the enterprise-Descriptive analysis

Variables	Mean	N	Standard Deviation	Influence
Accessibility to the World market	3.6	356	0.83	High
Potential to improve the export of goods	2.4	356	0.91	Low
Support for customized needs and expectation	3.6	356	0.82	High
Comfortable return on Investment	2.9	356	1.27	Low
Significant contribution to employment generation	3.4	356	0.7	Moderate
Space for innovative entrepreneurs	3.2	356	1.35	Moderate
Connectivity to international trade routes	3.5	356	0.68	Moderate
TOTAL	3.2	2492	1.06	Moderate

Source: Compiled from the primary data

Table The mean score assigned for the prospect accessibility to the world market

is 3.6 ± 0.83 (High influence). The mean score for 'Potential to improve the export

of goods' is 2.4 ± 0.91 , which shows a low influence. Similarly, the mean score assigned for the prospect 'support for customized need and expectation' is 3.6 ± 0.82 (High influence). The mean score for prospect 'comfortable return on Investment' is 2.9 ± 1.27 , which shows a low influence. The mean score for the prospect's significant contribution to employment generation is 3.4 ± 0.7 , which shows a moderate influence. Accordingly, the mean score assigned for 'space for innovative entrepreneurs' is 3.2 ± 1.35 , which shows a moderate level of influence and the mean score for the prospect 'connectivity to international trade route' is 3.5 ± 0.68 also shows a moderate influence.

Major Findings

- It was found from the study that, the influence of the prospect 'accessibility to world market' and the 'support for customized need and expectation' were found to be high in MSMEs in Thiruvananthapuram district, whereas the prospects 'space for innovative entrepreneurs', 'connectivity to international trade routes' and 'significant contribution in employment generation' were found to have moderate influence. But unfortunately, a low influence was noticed for the prospects

'potential to improve the export of goods' and 'comfortable return on investment'.

- Eight factors were identified as the problems faced by MSME entrepreneurs in the Thiruvananthapuram district (Factor Analysis- Total Variance Explained). The percentage of the variance of the first factor "Gratuitous Meddling of external agencies and Policies" is 13.474. The percentage of the variance of the second factor "Dearth of Policy Research and Institutional Intervention" is 13.431. The percentage variance of the third factor "Supportive and Infrastructural bottlenecks" is 11.536. The percentage variance of the fourth factor "Truncated market linkage and tie-ups with public procurement platforms" is 9.974. The percentage of the variance of the fifth and sixth factors namely "Condensed credit access and cutthroat competition" and "Modernisation and Transportation constraints" are 9.574 and 7.404 respectively. Similarly, the percentage variance of the seventh and eighth factors "Dearth of funds" and "Obsolete Technology" are 5.870 and 4.953 respectively.

Conclusion

It is concluded that 36% of the total problems of MSME entrepreneurs have been affected by two factors, namely "Gratuitous Meddling of External Agencies & Policies" and "Dearth of Policy Research and Institutional Intervention." Thus, the major part of the problems can be addressed through a serious assessment of these two factors. Similarly, 15% of the problems can be covered by the proper evaluation of the factor "Supportive and Infrastructural bottlenecks" and 13% of the problems can be addressed through proper evaluation of the factor "Truncated market linkage and tie-ups with public procurement platforms." To overcome these problems, the researcher made relevant suggestions. If these suggestions are effectively implemented in practice, the future of the MSME units in the study area will be healthy and promising.

The highest prospect for Micro Small and Medium Enterprises in Thiruvananthapuram lies in the factor "Accessibility of the World Market". A comparison was done between accessibility to the world market with the potential to improve the export of goods, the experiment wise error rate was 17.66, which is greater than 2.99 (critical values for experimental error rates-Tukey simultaneous comparison of t-values) showed that when compared with the prospects of potentials to improve the

export of goods the accessibility to the world market is more for MSME in Thiruvananthapuram district. Similarly, a comparison was done between accessibility to the world market and space for innovative entrepreneurs, the experiment-wise error rate is 6.63, which is greater than 2.99. It shows that when compared with the prospect of space for innovative entrepreneurs, accessibility to the world market is more for MSMEs. The comparison between accessibility to the world market with the contribution to employment generation, connectivity to the international trade route, and prospect support for customized needs and expectations also shows that there was no difference between accessibility to the world market with support for customized needs and expectations.

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