

Problems and Prospects of Medium, Small and Micro industries in Bhandara District

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Abstract:

The study evaluates problems and prospects of MSMEs in Bhandara District. The objective of the study is to study the type of problems faced by MSMEs and scope of development of MSMEs in the area. Furthermore, study also evaluates status of support of government received by MSMEs in the District. In the present study Bhandara District of Vidarbha region of Maharashtra state, India was selected as study area. In the present research, data was collected by following survey methodology. For the present study total 175 MSMEs (25 MSMEs from each Taluka) are selected randomly for generation of data. We find that MSME sector in District faced problems such related to finance, labor as well as marketing and technical but financial problem is most prominent problem. In addition to this raising cost of labour shortage of skilled local labour Strikes by union or lock out are also some of the major problems faced. However, there is scope of expansion of micro, small and medium scale industry near future. There is strong possibility of generation of employment opportunities in micro, small and medium scale industries. Current government policies are favorable for development of MSMEs but most of the micro, small and medium scale industry do not receive support from government. It is suggested that Government should encourage MSMEs by providing financial and technological support.

Key Words: **Bhandara, MSMEs, Problems, Prospects**

Introduction:

Economic development is the primary objective of the majority of world nations. This truth is accepted almost without any controversy. The plans after the independence of the country was highlighted the industrialization as a key instrument for the sustainable growth.

In India in comparison with the overall industrial, sector the MSMEs registering higher growth consistently in recent years. MSME Sector exhibited a growth rate of 13% on an average, an impressive performance compared to most of the other sectors during the first four years of XI planning. According to the 4th Census of MSME Sector, this sector provided the employments to 59.7 million people spreader over 26.1 million enterprises. The major benefits of the sector are their employment potential at very low capital cost and it was estimated that in terms of value, MSME sector holds about 45% of the manufacturing output and around 40% of the total export of the country.

The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate the development of these enterprises as well as to enhance their competitiveness also. This also provides the first of its kind of legal framework for the recognition of the concept of “enterprise”, which combines both

manufacturing and service entities. Medium enterprises for the first time were defined in it. In addition, seeks to incorporate the three tiers of these enterprises, viz., and micro, small and medium.

The MSME are, however, deal with many challenges that render them ineffective and inefficient. Some MSMEs also complain about the cumbersome banking procedures and difficulties in accessing bank loans. Others also complained about the high interest rates charged by the banks. Most MSMEs also lack formal training in their business lines. Vulnerability to market fluctuations and high fold up rates. In addition, paramount among these problems is high information asymmetry arising from MSMEs lack of accounting records and inadequate financial statements, making it difficult for creditors and investors to access the credit worthiness of potential MSME proposals and advancement in technology. Moreover, that is why MSME in manufacturing sustainability problem is created, sick unit are created. Moreover, due to which there may be huge blockage of fund in the various fixed (capital) assets.

These problems persist in MSME Manufacturing sector including those MSMEs in Bhandara District. In the context of “Make in India” initiative by central government, it is worthwhile to see the role of DIC in development of MSMEs as well as resource constraints our MSMEs are facing for the decades. In the backdrop of above information, it is decided to evaluate problems and prospects of MSMEs in Bhandara District, Maharashtra. The objective of the study is to study the type of problems faced by MSMEs and scope of development of MSMEs in the area. Furthermore, study also evaluates status o support of government received by MSMEs in the District.

Review of Literature:

Martin *et al.*, (2017) identified the consequences for employment growth, investment, output, productivity, and wages of dismantling India's SSI reservations. Gupta and Barua (2016) identified important enablers of technological innovation in the context of Indian MSMEs. Vibhuti and Barki (2016) observed that a country development is mainly depends on the two sectors, one is manufacturing and second one is service sector. According to Gupta *et al.*, (2016) the role of micro, small and medium enterprises (MSMEs) in a nation's economy has been widely highlighted in past studies, these MSMEs have been able to deal with global competition through proper quality management. Bhuyan (2016) analyzed the status MSMEs sector as per the data the estimated contribution of Micro, Small and Medium Enterprises (MSME) sector, including service segment, to the country's GDP during 2012-13 was 37.54 per cent; while the total employment in the sector is 805.24 Lakh. According to Babu *et al.*, (2016) the role played by the Micro, Small and Medium Enterprises (MSMEs) in the economic landscape of the country is worth appreciating. Singh *et al.*, (2016) highlighted the problems and possibilities of innovative behavior in Micro, Small and Medium Enterprises (MSMEs). Strength, Opportunity, Weakness and Threats (SWOT) Analysis is one of the techniques to carry out the structural analysis and to formulate the best strategy. Kaur and Viridi (2016) in their study focused on progress of MSMEs in northern India and the study was evaluated based on number of units assisted. According to Roy *et al.*, (2016) many SMEs have set up activities beyond their home markets, hence their role is more important in contributing to future growth.

Like the other researchers Syal (2015) also commented that, the micro small and medium enterprises (MSMEs) have accepted as the engine of economic growth and it promotes reasonable development. The strength of the labors of the MSME sector is quite higher than that of the large enterprises. According to

Rajesh *et al.*, (2015) micro, small and medium enterprises (MSMEs) all over the world have been recognized as silent drivers of a nation's economy. Their role in the economic and social development of a country is well established. The MSME sector is a breeding ground of entrepreneurship, often driven by individual creativity and innovation at grass root level and shows dynamism in terms of Micro, small and medium enterprises (MSMEs) have been accepted as an engine for economic growth and reasonable development. Jain and Sharma (2015) focused on the present status of Khadi and Village Industries and the challenges faced by the under developing state of India such as Chhattisgarh along with this they have also focused on the globalized world of free market economy and suggested some recommendation for the development and improvement of economy statue. According to Oppong *et al.*, (2014) SMEs are accepted worldwide as key factor for the growth and development. Singh (2014) observed direct relationship between economic developments of a country with the level of growth. The expansion of the industrial sector is well connected to the greater utilization of natural resources, production of goods and services, creation of employment opportunities and improvement of general standard of living. Mehta (2013) argued that MSMEs plays an essential role in the economic and social development of the country. It is also plays a key role in the development of the economy with its effective, efficient, flexible and innovative entrepreneurial spirit. MSMEs contribute about 45% in the industrial output, about 40% of exports, employing about 60 million people; create about 1.3 million jobs every year.

Lahiri (2012) minutely analyzed the aspects of MSMEs definition and explored their opportunities the constraints faced by them in the era of globalization. Annual Average Growth rate (AAGR) was used as the major statistical tool to compare the performances of MSMEs during pre and post-liberalization period with the help of four economic parameters namely No. of units, production, employment and export. Upadhyay *et al.*, (2011) in their study presented the results of a comprehensive compilation of literature and successive analysis of ERP implementation success factors in the view of Indian micro, small and medium-scale enterprises (MSMEs). Authors attempted to evaluate the factors, which were most critical in the ERP implementation process from the perspective of the Indian MSMEs. According to Khanka (2010), the small enterprises have become two important pillars of industrial economy of India. Because these small enterprises sector has now emerged as a vibrant sector in the Indian economy, and that was indicated by its contribution in employment, income and exports.

Methodology:

This study focuses on MSMEs with respect to its problems and prospects. The approach of the research is non-experimental, qualitative, exploratory-descriptive and contextual. In the present study Bhandara District of Vidarbha region of Maharashtra state, India was selected as study area. In the present research, data was collected by following survey methodology. For the present study total 175 MSMEs (25 MSMEs from each Taluka) are selected randomly for generation of data. In this study self-prepared questionnaire were used as a primary source of data collection. The data was analysed by using descriptive statistics especially non-parametric chi square test.

Results and Discussion:

Table 1 Problems faced by the industry regarding growth of business

Problems faced by the industry regarding growth of business	Frequency	Percentage
Finances	70	40.0
Labor	36	20.6
Marketing	24	13.7
Technical	57	32.6

Table 1 illustrates information pertaining to the problems faced by the industry regarding growth of business. It is evident from the information that 40.0% industries faced finance related problems, which was followed by industries facing labor related problems (20.6%). Furthermore, percentage of industries facing marketing and technical problems was 13.7% and 32.6% respectively.

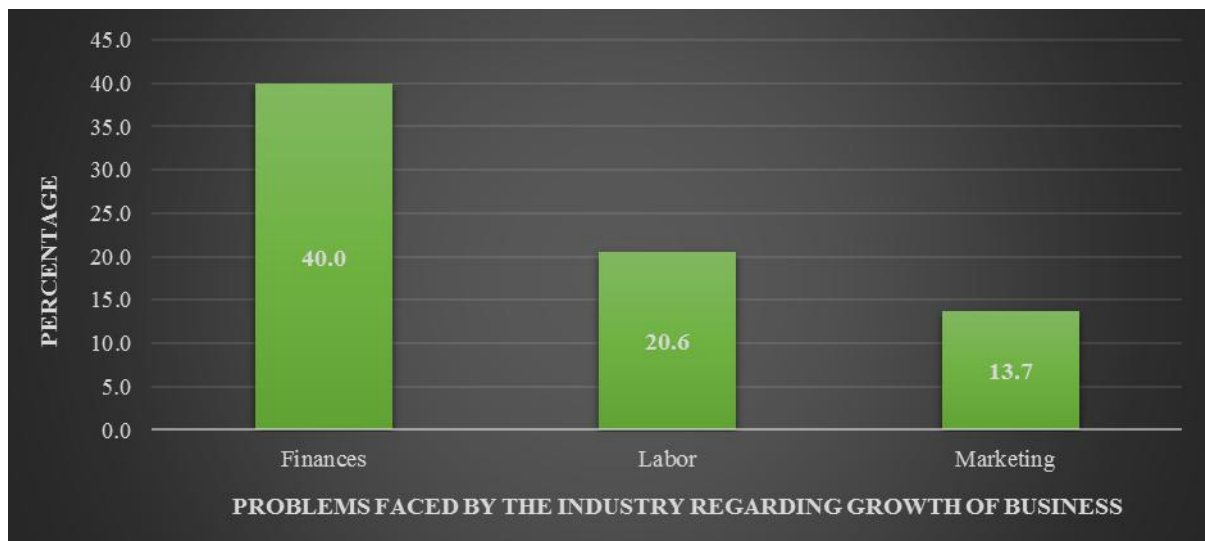


Fig. 1: Problems faced by the industry regarding growth of business

Table 2 Raising labour cost is the problem

Raising labour cost is the problem	Frequency	Percentage
Strongly Agree	46	26.3
Agree	105	60.0
Neutral	12	6.9
Strongly Disagree	12	6.9
Total	175	100
Chi sq	df	Sig.
66.743	3	<0.001

Table 2 illustrates opinion of authorities about the statement that raising labour cost is the problem. It is evident from the information that 60.0% authorities agreed to the statement, whereas 26.3% authorities are strongly agreed to the statement. Furthermore, percentage of authorities strongly disagreed and neutral to the statement was 6.9% each. The chi square statistics shows that at df 3 and significant level <0.001 the chi square value is 66.743, which is significant at 95% confidence interval, which means that there is significant

difference in opinion of authorities with respect to statement, thus, high percentage of authorities agreed to the statement that raising labour cost is the problem.

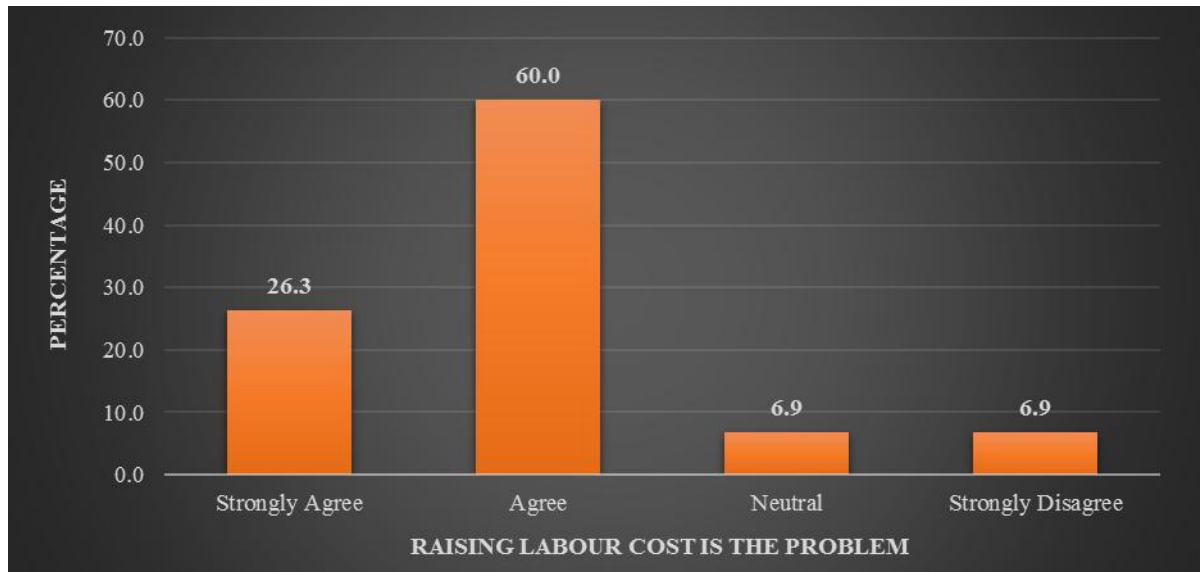


Fig. 4.2: Raising labour cost is the problem

Table 3: Shortage of skilled local labour is problem

Shortage of skilled local labour is problem	Frequency	Percentage
Strongly Agree	58	33.1
Agree	72	41.1
Neutral	33	18.9
Strongly Disagree	12	6.9
Total	175	100
Chi sq	df	Sig.
30.400	3	<0.001

Table 3 illustrates opinion of authorities about the statement that shortage of skilled local labour is problem. It is evident from the information that 41.1% authorities agreed to the statement, whereas 33.1% authorities are strongly agreed to the statement. Furthermore, percentage of authorities strongly disagreed and neutral to the statement was 6.9% and 18.9% respectively. The chi square statistics shows that at df 3 and significant level <0.001 the chi square value is 30.400, which is significant at 95% confidence interval, which means that there is significant difference in opinion of authorities, hence, high percentage of authorities agreed to the statement that shortage of skilled local labour is the problem.

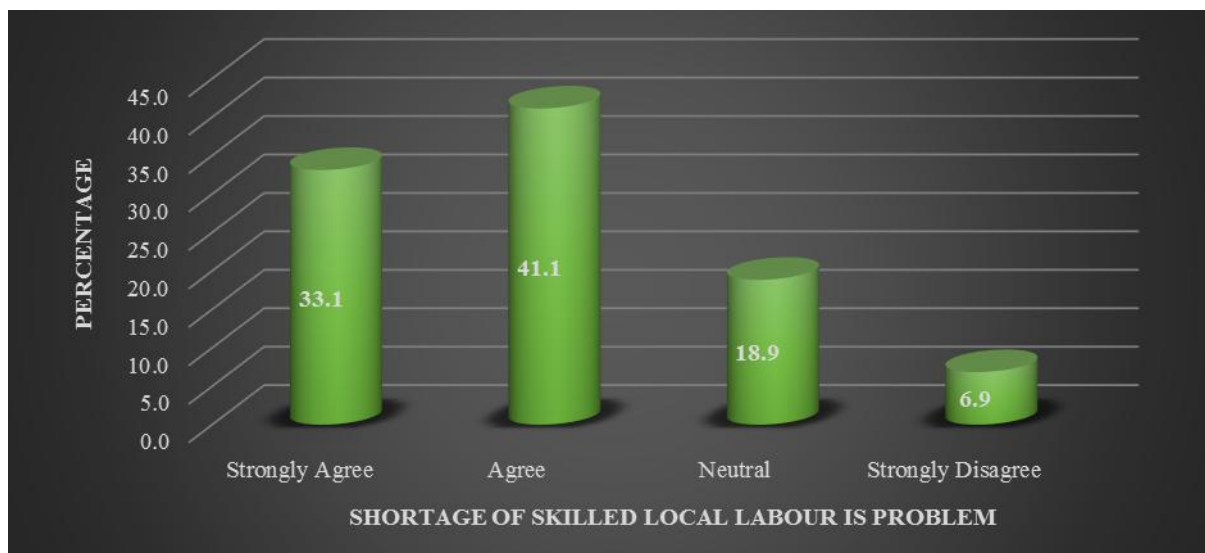


Fig. 3: Shortage of skilled local labour is problem

Table 4: Strikes by union or lock out affects production regularly

Strikes by union or lock out affects production regularly	Frequency	Percentage
Strongly Agree	12	6.9
Agree	72	41.1
Neutral	48	27.4
Disagree	22	12.6
Strongly Disagree	21	12.0
Total	175	100
Chi sq	df	Sig.
29.514	4	<0.001

Table 4 illustrates opinion of authorities about the statement that strikes by union or lock out affects production regularly. It is evident from the information that 41.1% authorities agreed to the statement, whereas 6.9% authorities are strongly agreed to the statement. Furthermore, percentage of authorities strongly disagreed and disagreed to the statement was 12.0% and 12.6% respectively, however, 27.4% authorities are neutral with the statement. The chi square statistics shows that at df 4 and significant level <0.001 the chi square value is 29.514, which is significant at 95% confidence interval, which means that there is significant difference in opinion of authorities regarding statement, hence, high percentage of authorities agreed to the statement that strikes by union or lock out affects production regularly.

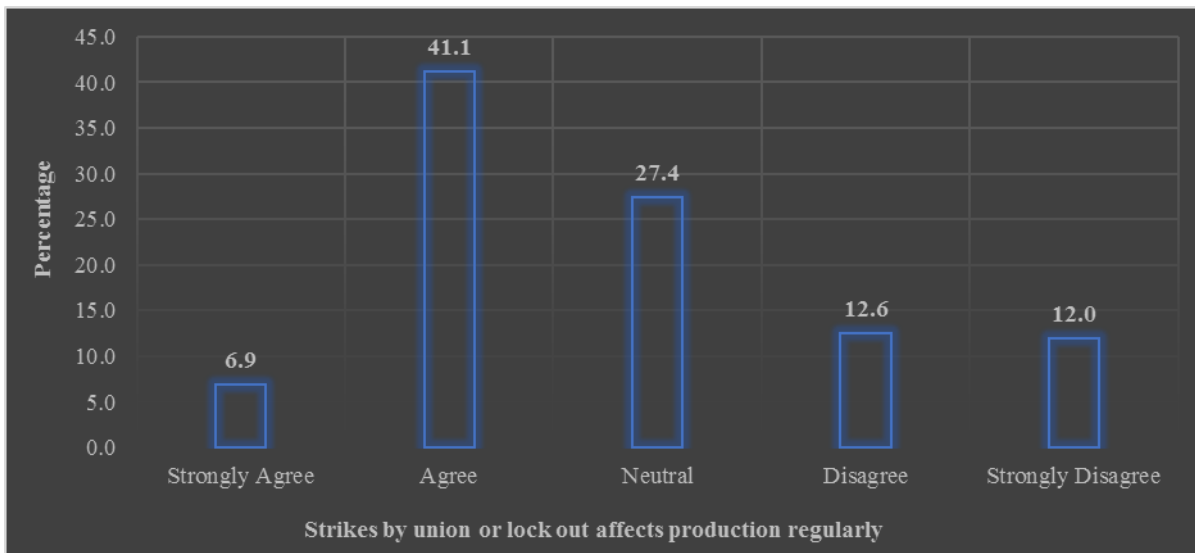


Fig. 5: Strikes by union or lock out affects production regularly

Table 6: Scope of sales of goods or services provided

Scope of sales of goods or services provided	Frequency	Percentage
Local	139	79.4
Sate	24	13.7
National	24	13.7
International	12	6.9

Table 5 illustrates information pertaining to the scope of sales of goods or services provided by industries. It is evident from the information that 79.4% industries provide goods and services on local level, whereas 13.7% industries each provide goods and services on state and national level Furthermore, percentage of industries providing goods and services on international level was 6.9%.

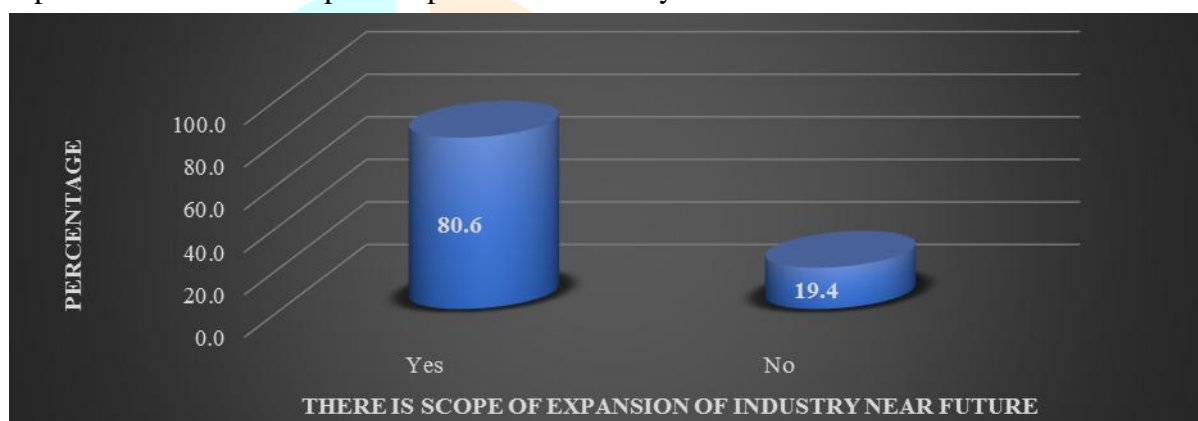


Fig. 6: Scope of sales of goods or services provided in authorities

Table 7: There is scope of expansion of industry near future

There is scope of expansion of industry near future	Frequency	Percentage
Yes	141	80.6
No	34	19.4
Total	175	100
Chi sq	df	Sig.
15.303	1	<0.001

Table 7 illustrates opinion of authorities about scope of expansion of industry near future. It is evident from the information that according to 80.6% authorities there is scope of expansion of industry near future. Furthermore, 19.4% authorities reported that there is no scope of expansion of industry near future. The chi square statistics shows that at df 1 and significant level <0.001 the chi square value is 15.303, which is significant at 95% confidence interval, which means that there is significant difference in opinion of authorities regarding scope of expansion of industry near future. Thus, high percentage of authorities reported that there is scope of expansion of industry near future.

**Fig. 7: There is scope of expansion of industry near future****Table 8: There is possibility of generation of employment opportunities in the industry**

There is possibility of generation of employment opportunities in the industry	Frequency	Percentage
Yes	105	60.0
No	46	26.3
Can't Say	24	13.7
Total	175	100
Chi sq	df	Sig.
29.914	2	<0.001

Table 8 illustrates opinion of authorities regarding possibility of generation of employment opportunities in industries. It is evident from the information that according to 60.0% authorities there is possibility of generation of employment opportunities in the industry whereas according to 26.3% authorities there is no possibility of generation of employment opportunities in the industry. Furthermore, 13.7% authorities are uncertain regarding possibility of generation of employment opportunities in industries. The chi square statistics shows that at df 2 and significant level <0.001 the chi square value is 29.914, which is significant at 95% confidence interval, which means that there is significant difference in opinion of authorities regarding possibility of generation of employment opportunities in industries. Hence, high

percentage of authorities agreed that there is possibility of generation of employment opportunities in the industry.

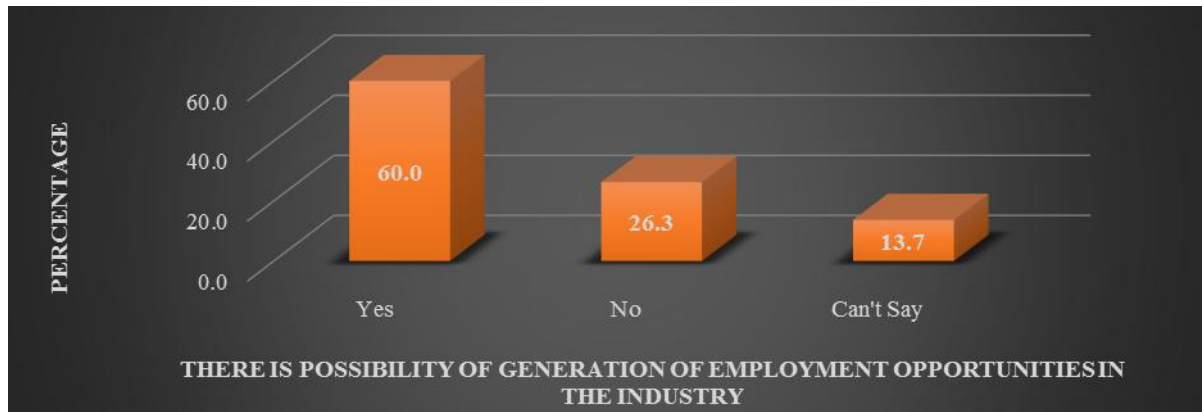


Fig. 8: There is possibility of generation of employment opportunities in the industry

Table 9: Receiving Support from Government

Receiving Support from Government	Frequency	Percentage
Yes	81	46.3
No	82	46.9
Can't Say	12	6.9
Total	175	100
Chi sq	df	Sig.
94.097	2	<0.0001

Table 9 illustrates information pertaining to receiving support from government by industries. It is evident from the information that 46.9% industries do not receive support from government whereas 46.3% industries receive support from government. Furthermore, 6.9% were not sure about receiving support from government. The chi square statistics shows that at df 2 and significant level <0.0001 the chi square value is 94.097, which is significant at 95% confidence interval, which means that there is significant difference among industries regarding support received from government. Thus, high percentage of industry do not receive support from government.



Fig. 9: Receiving Support from Government by industries

Conclusion:

The MSME sector has habitually been termed the 'engine of growth' for budding economies. There have been major policy changes over the last few years, at the national and state level aimed at consolidating and developing this sector. There are some factors, which have interfered the growth of the MSMEs sector, and some of these are poor infrastructure and insufficient market linkages. Along with this lack of ample and appropriate access to finance has continued to be the biggest challenge.

The national and the state governments are giving the supports to the MSMEs but it is not adequate to solve their problems. However, for the sector to fully utilize its potential, it is necessary to the entrepreneurs along with the government support take essential steps for further development. It is quite evident that, nurturing this sector is important for the economic well-being of the nation.

Though there are limitations like above, the growth of MSMEs over the period in India is creditable, but still there is a lot of scope for the upliftment of MSMEs sector. With respect to this, it is an urgent need that state as well as central government to keep watches to respond appropriately for further improvement of MSMEs sector.

It is concluded from the study that micro, small and medium scale industries faced problems related to finance, labor as well as marketing and technical but financial problem is most prominent problem among MSMEs in Bhandara District. Raising cost of labour is another most important problem faced by MSMEs in District. Shortage of skilled local labour is the problem for most of the micro, small and medium scale industries. Strikes by union or lock out in most of micro, small and medium scale industries affects production regularly.

However, it is also evident that there is scope of expansion of micro, small and medium scale industry near future. There is strong possibility of generation of employment opportunities in micro, small and medium scale industries. Furthermore, current government policies are favorable for development of micro, small and medium scale industries in Bhandara District but most of the micro, small and medium scale industry do not receive support from government.

It is suggested that Government should encourage MSMEs in the region, by providing financial, technical and infrastructural support. Local administration should encourage MSME entrepreneurs to establish their production unit in MIDC areas.

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