Problems of Micro Entrepreneurs in Chittoor District

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1. Introduction

In the recent past, Micro, Small and Medium enterprises were assigned s pivotal role in the process of rural industrialization as an effective tool to subserve the national objective of growth with social justice. Development of micro manufacturing enterprises is hampered by a number of problems and constrains. Therefore, an attempt is made in this article to analyse the problems confronted by in the Chittoor district. The universe of the study is Chittoor district. Of the categories of manufacturing micro enterprises, as classified by the District Industry Centre, for a meaningful analysis of cross sectional data 20 units each is purposely brought into sample frame. Stratified random sample technique is conveniently adopted. The data has been analysed with the help of percentages and Chi-square test.

2. Finance

It is evident from the Table 1 that, 26.39 per cent of respondents have opined that they were subjected to lack of security to provide for obtaining loans / delay in the sanction of loan / high rate of interest. Lack of security/high rate of interest was the perception of 19.44 per cent of entrepreneurs. Non-availability of funds and high rate of interest were reasons cited by 18.06 per cent of respondents. A little over 15 per cent have cited lack of security/ high rate of interest/ delay in the disbursement of loan. Those who have opined that non-availability of funds and high rate of interest are the problems confronted by 6.94 per cent and 13.89 per cent respectively. In the case of agro, foods and allied, 33.33 per cent felt that the rate of interest was high followed by lack of security/high rate of interest (26.67 per cent), lack of security/high rate of interest/delay in the disbursement of loan (20 per cent), non – availability of funds (13.33 per cent) and lack of security/ high rate of interest / delay in the sanction of loan (6.67 per cent). None had referred to non- availability of funds / high rate of interest as a problem. Similarly, the proportion of respondents who have experienced problems varied across the remaining categories. For example, in the case of mechanical & metallurgical, the highest, 38.47 per cent have perceived non-availability of funds/high rate of interest as a problem. With regard to chemical, plastic and rubber, each 23.08 per cent had faced the problems of non-availability of

Table 1: Problems Faced by Respondents in Obtaining Finance

Type of problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Non-availability of funds	2 (13.33)	1 (7.69)	1 (7.68)	-	1 (6.67)	5 (6.94)
High rate of interest	5 (33.33)	-	-	1 (6.25)	4 (26.66)	10 (13.89)
Non-availability of funds/ high rate of interest	-	5 (38.47)	3 (23.08)	2 (12.50)	3 (20.00)	13 (18.06)
Lack of security/ high rate of interest	4 (26.67)	3 (23.08)	3 (23.08)	3 (18.75)	1 (6.67)	14 (19.44)
Lack of security/high rate of interest/delay in the sanction loan	1 (6.67)	2 (15.38)	3 (23.08)	8 (50.00)	5 (33.33)	19 (26.39)
Lack of security/high rate of interest/delay in disbursement of loan	3 (20.00)	2 (15.38)	3 (23.08)	2 (12.50)	1 (6.67)	11 (15.28)
Total	15 (100.00)	13 (100.00)	13 (100.00)	16 (100.00)	15 (100.00)	72 (100.00)

Notes : *Figures in brackets indicate the percentage to total*
Source : *Sample survey*.

funds/high rate of interest, lack of security/ high rate of interest and lack of security/high rate of interest/delay in the sanction of loan and lack of security/high rate of interest/delay in the disbursement of loan amount. As many as, 7.68 per cent have experienced non-availability of funds. None had stated that the rate of interest is high in mechanical and metallurgical and chemical, plastic and rubber categories. Fifty per cent of respondents in glass and ceramics and 33.33 per cent in paper have felt that the rate of interest is high and complained of delay in the sanction of loans. They were unable to offer security for sanction of loan.

Only 11 per cent of respondents were subjected to problems in raising working capital to meet their day-to-day expenses like payment of wage/salary, overhead expenses, payment for purchase of raw materials, payment of dues to creditors and so on (see Table 2). The remaining, 89 per cent are free from them.

Table 2: Number of Respondents Faced Difficulty in Obtaining Working Capital

Response	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Yes	1 (5.00)	3 (15.00)	1 (5.00)	5 (25.00)	1 (5.00)	11 (11.00)
No	19 (95.00)	17 (85.00)	19 (95.00)	15 (75.00)	19 (95.00)	89 (89.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)

Notes : *Figures in brackets indicate the percentage to total*
Source : *Sample survey.*

Across the categories, 25 per cent in glass and ceramics, 15 per cent in mechanical & metallurgical and 5 per cent in each of agro, food and allied, chemical, plastic and rubber and paper have encountered difficulty in obtaining necessary working capital. The rest have no botheration while obtaining working capital.

It can be observed **Table 3** that, all the respondents have encountered the problem while availing cash credit. In other words, they have not faced any problem with regard to factoring, discounting / re-discounting of bills and overdraft.

Table 3: Kind of Difficulty Faced by Respondents in Financing Working Capital

Problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Cash credit	1 (100.00)	3 (100.00)	1 (100.00)	5 (100.00)	1 (100.00)	11 (100.00)
Overdraft	-	-	-	-	-	
Discounting / re-discounting	-	-	-	-	-	-
Factoring	-	-	-	-	-	
Total	1 (100.00)	3 (100.00)	1 (100.00)	5 (100.00)	1 (100.00)	11 (100.00)

Notes : Figures in brackets indicate the percentage to total.
Source : Sample survey.

3. Labour

A look at the **Table 4** shows that, of the total respondents, the highest, 22.45 per cent, have faced the problem of labour absenteeism / high wage / negligence followed by absenteeism (21.43 per cent), absenteeism/unionism/negligence (19.38 per cent), each of 13.3 per cent absenteeism / high wage/ demand for bonus, absenteeism /low morale / negligence and the least, 10.20 per cent, absenteeism / unionism. In the case of agro, food and allied, 26.32 per cent of respondents each have faced absenteeism, absenteeism / high wage /demand for bonus and each of 15.79 per cent, absenteeism / unionism, absenteeism/high wage /negligence and absenteeism /unionism/ negligence. None of the respondents have faced the problems of absenteeism/ low morale /negligence. With regard to mechanical and metallurgical,

the highest, 30 per cent have faced absenteeism/ high wage/ negligence, 20 per cent each absenteeism/high wage/demand for bonus, absenteeism / unionism, 10 per cent absenteeism/ low morale/negligence and the least, 5 per cent absenteeism / unionism/negligence. With regard to glass and ceramics, the highest 40 per cent were subjected to absenteeism/ unionism / negligence, 25 per cent absenteeism/low morale/ negligence, 20 per cent absenteeism/high wage/negligence and 5 per cent absenteeism/ unionism. None of the entrepreneurs have faced the problem of absenteeism/high wage/demand for bonus. In the case of chemical, plastic and rubber, 25 per cent each were subjected to absenteeism / low morale/ negligence, absenteeism/high wage/ negligence, absenteeism/ unionism/ negligence, 20 per cent

Table 4: Problems Faced by Micro Entrepreneurs in Managing Hired Labour

Name of problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Absenteeism	5 (26.32)	3 (15.00)	4 (20.00)	2 (10.00)	7 (36.84)	21 (21.43)
Absenteeism/ high wage/ demand for bonus	5 (26.32)	4 (20.00)	-	-	4 (21.05)	13 (13.27)
Absenteeism/ unionism	3 (15.79)	4 (20.00)	1 (5.00)	1 (5.00)	1 (5.26)	10 (10.20)
Absenteeism/low morale / negligence	-	2 (10.00)	5 (25.00)	5 (25.00)	1 (5.26)	13 (13.27)
Absenteeism/high wage /negligence	3 (15.79)	6 (30.00)	5 (25.00)	4 (20.00)	4 (21.05)	22 (22.45)
Absenteeism/ unionism / negligence	3 (15.79)	1 (5.00)	5 (25.00)	8 (40.00)	2 (10.54)	19 (19.38)
Total	19 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	19 (100.00)	98 (100.00)

Notes: *Figures in brackets indicate the percentage to total.*
Source: *Sample survey.*

absenteeism and 5 per cent absenteeism / unionism. In respect of paper, the highest, 36.84 per cent, have faced the problem of absenteeism followed by absenteeism / high wage, /demand for bonus, absenteeism/ high wage/ negligence (21.05 per cent each), absenteeism/ unionism/ negligence (10.54 per cent) and absenteeism / low morale/ negligence and absenteeism/ unionism (5.26 per cent each).

4. Raw materials

A glance at the Table 5 reveals that, of the total respondents, the highest 40 per cent have faced high fluctuations in the prices of raw materials followed by high prices/ irregular supply (20 per cent),

fluctuations in prices/poor quality (19 per cent), high prices/poor quality (11 per cent) and irregular supply/poor quality (10 per cent).

Table 5: Problems Faced by Respondents in Procurement of Raw Materials

Problem	Agro, food & allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
High fluctuations in prices	6 (30.00)	13 (65.00)	7 (35.00)	5 (25.00)	9 (45.00)	40 (40.00)
High prices and irregular supply	6 (30.00)	1 (5.00)	2 (10.00)	7 (35.00)	4 (20.00)	20 (20.00)
High prices and Poor quality	3 (15.00)	1 (5.00)	1 (5.00)	5 (25.00)	1 (5.00)	11 (11.00)
Fluctuations in prices and poor quality	5 (25.00)	2 (10.00)	7 (35.00)	2 (10.00)	3 (15.00)	19 (19.00)
Irregular supply and poor quality	-	3 (15.00)	3 (15.00)	1 (5.00)	3 (15.00)	10 (10.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
χ^2						30.79^{NS}

Notes : *Figures in brackets indicate the percentage to total.*
NS : *Not significant.*
Source : *Sample survey.*

In the case of agro, food and allied, 30 per cent each have opined that there were high fluctuations in prices, irregular supply / high prices, 25 per cent fluctuations in prices/poor quality and 15 per cent high prices / poor quality . None of the respondents have felt that the supply was irregular/poor quality. In respect of mechanical and metallurgical category, the highest, 65 per cent felt high fluctuations in prices followed by 15 per cent irregular supply and poor quality, 10 per cent fluctuations in prices and poor quality and 5 per cent each high prices and irregular supply and high prices and poor quality. With regard to chemical, plastic and rubber, 35 per cent each have perceived that there were high fluctuations in prices, fluctuations in prices/poor quality, 15 per cent irregular supply/poor quality, 10 per cent high prices/irregular supply and 5 per cent high prices/poor quality. In respect of glass and ceramics, those who have opined that high prices/ irregular supply constituted 35 per cent followed by

25 per cent each who felt that high fluctuations in prices and high prices/ poor quality were the problems. Nearly 10 per cent cited fluctuations in prices/poor quality and 5 per cent, irregular supply and poor quality. With regard to paper, 45 per cent were of the opinion that high fluctuations in prices were the problem, 20 per cent high prices / irregular supply, 15 per cent each fluctuations in prices / poor quality, irregular supply and poor quality and 5 per cent, high prices / poor quality. The calculated value of $\chi 2$ was 30.79, which is less than the critical value. Hence, it can be inferred that there is no significant difference in the problems in procuring raw materials between the respondents across the 5 groups. Hence, the null hypothesis is accepted.

5. Underutilisation of capacity

A perusal of the Table 6 shows that, all the units in agro, food and allied category were subjected to inadequate power supply. In other words, they have not

Table 6: Reasons for Underutilisation of Capacity in Sample Micro Enterprises

Reason	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Inadequate supply of Power	5 (100.00)	11 (84.62)	2 (33.33)	6 (40.00)	1 (10.00)	25 (51.02)
Shortage of labour	-	2 (15.38)	2 (33.33)	6 (40.00)	6 (60.00)	16 (32.65)
Technical	-	-	2 (33.33)	3 (20.00)	3 (30.00)	8 (16.33)
Total	5 (100.00)	13 (100.00)	6 (100.00)	15 (100.00)	10 (100.00)	49 (100.00)
χ^2						19.88*

Notes : *Figures in brackets indicate the percentage to total.*
* : *Indicates significant at 5 per cent level.*
Source : *Sample survey*.

faced any difficulty in relation to availability of labour and technical aspects. With regard to mechanical and metallurgical, 84.62 per cent opined that they have faced the problem of insufficient supply of power and the rest, 15.38 per cent, shortage of labour. They have not faced any technical problem. In respect of chemical and plastic and rubber, each of the one third of units have reported inadequate supply of power, shortage of labour and technical problems. In the case of glass and ceramics, 40 per cent each have stated inadequate power supply and shortage of labour are the major causes and 20 per cent cited technical snags in operations. In the case of paper, the highest 60 per cent have stated shortage of labour followed by technical issues (30 per cent) and insufficient supply of power (10 per cent). If all the enterprises were considered as a whole, 51.2 per cent, 32.65 per cent and 16.33 per cent cited inadequate power supply, shortage of labour and technical problems as causes of underutilization of capacity sequentially. There is a significant difference in the reasons for underutilization of capacity between the industrial groups. Therefore, the null hypothesis is rejected and alternate hypothesis is accepted.

6. Marketing

It can be observed from the Table 7 that, of the respondents, the highest 38 per cent have opined that heavy competition/irregular demand are marketing problems followed by competition (30 per cent), fast change of consumer taste (19 per cent) and irregular demand (13 per cent). Out of the respondents in agro, food and allied, 40 per cent have stated that competition is fierce, 30 per cent faced severe competition/irregular demand, 20 per cent encountered change in consumer tastes and 10 per cent, irregular demand. In the case of mechanical and metallurgical, these have formed 15 per cent, 30 per cent, 25 per cent and 30 per cent respectively. With regard

Table 7: Problems Encountered by Respondents in Marketing of Goods

Problem	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Competition	8 (40.00)	3 (15.00)	7 (35.00)	5 (25.00)	7 (35.00)	30 (30.00)
Change of consumer taste	4 (20.00)	5 (25.00)	4 (20.00)	2 (10.00)	4 (20.00)	19 (19.00)

Irregular demand	2 (10.00)	6 (30.00)	2 (10.00)	2 (10.00)	1 (5.00)	13 (13.00)
Competition and irregular demand	6 (30.00)	6 (30.00)	7 (35.00)	11 (55.00)	8 (40.00)	38 (38.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
χ^2						12.04^{NS}

Notes : *Figures in brackets indicate the percentage to total.*
NS : *Not significant.*
Source : *Sample survey.*

to chemical, plastic and rubber, 35 per cent each have perceived that there is a severe competition/irregular demand and severe competition, 20 per cent change of taste among customers and 10 per cent, irregular demand. In the case of glass and ceramics, it may be noted that 55 per cent have stated that there is a cut throat competition/irregular demand, 25 per cent competition and 10 per cent each irregular demand and change of taste of customers. In respect of paper, 40 per cent have perceived that there is severe competition/irregular demand followed by competition (35 per cent), change of customer taste (20 per cent) and irregular demand (5 per cent). There is no significant difference in the problems of marketing faced by different groups of respondents. Hence, the null hypothesis is accepted and alternate hypothesis is rejected.

A look at the Table 8 indicates that, in the case of mechanical and metallurgical, 65 per cent have felt that there was a lack of space for storage of goods, 20 per cent cited high cost of supervision and 15 per cent lack of space /spoilage and wastage. There are no respondents who have reported the other two categories of

Table 8 Problems Faced by Respondents in Storage of Goods

Problems	Agro, food& allied	Mechanical & metallurgical	Chemical, plastic & rubber	Glass & ceramics	Paper	Total
Cost of high supervision	4 (20.00)	4 (20.00)	4 (20.00)	6 (30.00)	3 (15.00)	21 (21.00)
Lack of space	5 (25.00)	13 (65.00)	10 (50.00)	3 (15.00)	8 (40.00)	39 (39.00)

Spoilage and wastage	7 (35.00)	-	4 (20.00)	5 (25.00)	2 (10.00)	18 (18.00)
High cost of supervision and lack of space	1 (5.00)	-	2 (10.00)	4 (20.00)	4 (20.00)	11 (11.00)
Lack of space and spoilage and wastage	3 (15.00)	3 (15.00)	-	2 (10.00)	3 (15.00)	11 (11.00)
Total	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	20 (100.00)	100 (100.00)
χ^2						26.21**

Notes : *Figures in brackets indicate the percentage to total.*
** *: Indicates significant at 1 per cent level.*
Source : *Sample survey.*

problems. With regard to agro, food and allied, 35 per cent have perceived that there was spoilage and wastage of goods, 25 per cent lack of space, 20 per cent high cost of supervision, 15 per cent lack of space /spoilage and wastage and 5 per cent high cost of supervision/lack of space. In respect of chemical, plastic and rubber, 50 per cent have stated lack of space to store the goods in good condition followed by high cost of supervision, spoilage and wastage (20 per cent each) and lack of space/ high cost of supervision (10 per cent). In the remaining two groups, the respondents have expressed all kinds of problems. The highest 30 per cent in glass and ceramics 40 per cent in paper have felt high cost of supervision and lack of space respectively. When all the respondents are taken together, 39 per cent have expressed lack of space followed by high cost of supervision (21 per cent), spoilage and wastage (18 per cent) and high cost of supervision/lack of space, spoilage and wastage / lack of space (11 per cent each). There is a significant difference in storage problems between micro entrepreneurs. Hence, the null hypothesis is rejected and alternate one accepted.

6. Conclusion

The respondents have faced multitude of problems in raising funds from the market. Nearly 90 per cent of units have not faced any problem what so ever concerning obtaining of working funds. This problem is more in glass and ceramics as compared to the remaining industrial categories. Cash credit is the only problem faced by respondents in financing working capital. The respondents have faced

multiple problems with regard to hired labour in terms of absenteeism, demand for high wage and bonus, unionism and negligence. The respondents had to face multiple problems in procuring raw materials. Of these problems, high fluctuations in prices ranks first while irregular supply and poor quality last. Majority of respondents have faced problems with regard to disruption, discontinuation and inadequate supply of power. It is more pronounced in summer as compared to winter. Further, power cuts are more acute in the enterprises located in rural areas relative to urban locations. This is so because the power is available less than 8 hours a day in rural areas while throughout the day with a break 2 – 3 hours in urban areas. Among the problems faced in the marketing of goods, fierce competition/irregular demand came first. Of the problems faced in the storage of goods, lack of space ranks first.

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