

Factors Leading to Problems of Micro Enterprises in Tamilnadu

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Abstract

The Indian MSMEs are finding it difficult to cope with the challenges of globalization, mainly because of poor access to financial services. MSME sector face problems such as low capital, competition, technology, delayed payments, lack of managerial skills, government regulations and policies, poor quality, immediate sickness, non-availability of skilled labour, infrastructure facility, poor marketing network, low entrepreneurial ability, traditional methods of operations, etc. This study attempts to identify and discuss the problems faced by micro enterprises in Tamilnadu State. The probability simple random sampling technique has been used to collect data from 303 micro-entrepreneurs using a well structured interview schedule. Most of the entrepreneurs feel that access to finance is the major problem. Factor analysis reveals that Govt. policy, competition and cost are the distinctive problems faced by the entrepreneurs. The study finds that religion, social class, involvement of family members, place, industry type, registration, proximity to industrial centers, employment, capital, working capital, market, sales and profit are the factors significantly influencing the nature of problems faced by micro enterprises.

Key words: *Micro enterprises, problems faced by micro enterprises, segmentation of micro enterprises, Influence of industry variables on problems of micro enterprise etc.*

JEL Classification L26, L60

Introduction

Micro, small and medium enterprises (MSMEs) are the engine growth of economic development in emerging economies like India. While 99% of total enterprises in European Union and 80% in USA are small enterprises, in India too, the share is high as 97%.

While 99% of total enterprises in European Union and 80% in USA are small enterprises, in India too, the share is high as 97%. MSME sector has been a highly vibrant and dynamic sector in India for the past three decades. MSMEs are generally characterized as being highly skill

oriented, low capital, local resource-based, and

local market-driven enterprises. This sector is critical because of its ability to generate employment, develop entrepreneurial skills and contribution to export earnings. It has been estimated to employ about 60 million peoples among 26 million enterprises throughout the country producing over 6000 products ranging from traditional agro-based products to high-tech items.

MSMEs contribute 8 per cent of the country's GDP. In terms of value, the sector accounts for about 45 per cent of the manufacturing outputs and 40 per cent of total exports of the country. However, MSMEs are finding it difficult to stand up to the challenges of globalization,

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mainly because of poor access to financial services. MSME sector face problems such as low capital, competition, technology, delayed payments, lack of managerial skills, government regulations and policies, poor quality, immediate sickness, non-availability of skilled labour, infrastructure facility, poor marketing network, low entrepreneurial ability, traditional methods of operations, etc.

Given the relative importance of MSMEs to the growth and development of Indian economy, it becomes very imperative for researcher, entrepreneurs, policy makers, NGOs, government authorities, etc to examine and document the dynamics that affect the business

life cycle of microenterprises and entrepreneurs, more importantly, its ability to gain the support of financial services. Hence, this study attempts to identify and discuss the problems faced by micro enterprises in their business pursuits.

Definition of MSME

Definition of an MSME varies according to geographical landscape, to say so means, it vary from country to country. Some countries define it based on employees size while others classify it based on the value of assets and/or the value of sales. The definition of MSME based on the Fourth All India MSME Survey 2006 is given below.

Enterprise Type	Manufacturing- Investment in P & M	Services- Investment in Equipments
Micro	Up to Rs. 25 Lacs	Up to Rs. 10 Lacs
Small	above Rs. 25 Lacs & up to Rs. 5 Crores	above Rs. 10 Lacs & up to Rs. 2 Crores
Medium	above Rs. 5 Crores & up to Rs. 10 Crores	above Rs. 2 Crores & up to Rs. 5 Crores

Review of literature

Several studies have been undertaken in India and overseas regarding problems, issues, challenges, and constraints faced by entrepreneurs in terms of marketing, operations, technology, management and entrepreneurship etc. However, very few studies have touched the area of finance and financial assistance offered to business enterprises. Some of the key findings of the available literature are presented below.

Prasad (2006) study recommended banks to play as a collection agent for MSMEs to collect dues from the buyers to minimize the chances of delay in payments, which has been a major problem for MSMEs. Also financing to MSMEs, such as lease finance, hire- purchase finance and propagation of incubation centers could be undertaken in order to bridge the financial gap. Banks are also not able to reach the prescribed target of lending to the priority sector (Ahmed, 2011).

Lack of access to finance and timely credit as well as escalating cost are the primary reasons for under- utilization of the manufacturing capabilities of SMEs Seshasayee (2006). Start-ups receive less formal finance compared

to established enterprises (Natarajan, 1987; Assibey, 2012). SMEs cannot attain or absorb new technologies without proper access to finance (Srinivas, 2005). Government should motivate not only new industries but also create mechanism for protecting existing units and more liberal working capital should be made available to small units (Ramesh, 1991).

Unclear government policies, shortage of credit and finance, lengthy credit delivery process, increasing interest rate are some of the key concerns for micro-entrepreneurs (Saini, 1998; Vikram, 1999; Sujatha, 2002; Ramachandran, 2003; Neelam & Madan, 2012). Geographical location, maintenance of financial document, training opportunities and support and gender as important determinants to credit access (Aga, 2011). In a similar study, value of assets, business sector, operating profit, financial performance and size predicted the MSE's access to finance (Isaac, 2011). Education level, ownership type and acquisition type of owners are very essential for availing finance successfully (Geburu, 2009).

Increasing the availability and participation of formal and informal lenders in the creation of micro enterprises is a challenge (Heino, 2006).

Increasing credit deployment among industries while reduction among agro-based enterprises (Kanagasabai, 1999). FICCI (2006) found that there is some improvement over time in the availability of working capital finance from banks to the SSI units. Financial institutions, apart from finance to SMEs, should introduce financial services such as leasing, hire purchasing, factoring and venture capital for more sources of funds (Chawla, 2004).

Siringoringo et.al (2009) study among Indonesian SMEs found that problems such as competition, lengthy documentation process, product quality, export barriers from country destinations, low potential for high production, delay in delay of shipping and logistics, inadequate communication, lack of market knowledge, entry barriers related to international market, export procedures, inefficient production cost, unofficial fee in export documents processing, higher supply product in-time, and traditional transactional models.

Research Methodology

The study is descriptive in nature. Primary data is collected from micro entrepreneurs, who are engaged in manufacturing business activity using a well-structured interview schedule administered through personal interview. The

micro-enterprises located in the Vellore District of Tamilnadu represent the sample universe. The list collected from Vellore district industries centre (DIC) acts as the sample frame. The sample size is determined by using $n = ((\text{std. dev} * 1.96) / (\text{mean} * 0.05))^2$ which is 303. The simple random sampling with lottery method is used to select the sample respondents. The interview schedule is first tested for its relevance and content validity through a pilot study. The Cronbach's alpha value is 0.541 which indicates the reliability of the instrument.

Problems Faced By Micro Enterprises

There are many problems that micro enterprises face in its pursuit to grow and survive. It may be internal and external problems. These problems act as hindrance to the development of small scale industries which in turn act as hurdle for the development of the nation. The policy makers should understand the major problems faced by entrepreneurs and root cause for such problems and ways and means to eliminate such problems. The main focus of the study is to help the policy makers with respect to problems of micro entrepreneurs. There are many problems faced by the micro entrepreneurs. Based on the response from micro entrepreneur most important problems are listed out.

Table1: Problems faced by micro enterprises

No	Problems	Mean	Rank
1	Access to finance	4.67	I
2	Finding customers	4.40	III
3	Availability of skilled labour	4.49	II
4	Cost of premises	4.39	IV
5	Cost of production	4.18	VI
6	Competition	4.26	V
7	Lack of advice/support	3.65	VII
8	Govt. Regulations	3.32	VIII

Micro- entrepreneurs are asked to rate the level of agreement to eight statements on a five-point likert scale where 1= least important and 5= Most important. Based on the mean value, it is found that access to finance (4.67) is the major problem of micro industries. Scarcity of

skilled labour (4.49), finding customers (4.40) cost of premises (4.39), competition (4.26) and high production cost (4.18) are other important problems faced by micro enterprises. Among the problems faced by micro-entrepreneurs, government policy/regulation, lack of advice

and support are the least considerate problems of micro-enterprises.

Factor Identification of problems faced by micro enterprises

Though there are eight problems listed out in the study, all the eight problems may not be distinctive problems. Some of the problems may be related. The entrepreneurs may have

similar perception about some problems. Such problems may be clubbed together. For this purpose factor analysis is used. The main purpose of factor analysis is to reduce variables into minimum number of factors based on relationship among the statements. Before taking the factor score into consideration, it is important to examine the KMO and Bartlett's Test for sample adequacy to find whether the number of sample is sufficient or not.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.593
Bartlett's Test of Sphericity	Chi-Square	276.934
	Df	28
	Sig.	.000

Table 2 shows that the KMO value is 0.593 which is greater than 0.5 which is the acceptable score. The Bartlett's Test of Sphericity is 276.934 which

is significant at .000 thereby confirming that the data is satisfactory enough to perform factor analysis.

Table 3: Variance Explained by problems faced by micro enterprises

Component	Eigen Value	% of Variance Explained	Cumulative %
1	2.085	19.550	19.550
2	1.394	19.450	39.000
3	1.036	17.428	56.427

Table 3 presents the factor extraction with eigen value and the percentage of variance explained by these factors. Factor analysis extracted three factors from eight statements with a satisfactory eigen value score of greater than 1. The three factors extracted explain for about 56 percent of

total variance, which can sufficiently explain all eight statements. Hence it can be concluded that eight major problems faced by micro enterprises can be reduced into three factors. For future analysis only three factors are considered.

Table 4: Rotated Component Matrix

	Component		
	1	2	3
Govt. Regulations	.742		
Lack of advice/support	.728		
Availability of skilled labour	.604		
Competition		.647	
Finding customers		.624	
Access to finance		.541	
Cost of premises			.847
Cost of production			.677

Table 4 shows the factor loadings extracted under each factors. First factor is named as 'Govt. regulation and support' which consists of 3 three sub-factors. Second factor is named as 'Competition' which consists of three sub-factors and the third factor is named as 'Cost' which consists of two sub-factors. Though there are eight problems are included in the initial stage of analysis now it can concluded that there are only distinctive problems are there for micro entrepreneurs they are problems relating to Govt. policy and support, completion and cost.

Segmentation of Micro Enterprises

All the entrepreneurs may not have all the problems. Some may have competition as the problem and some may have Govt. regulations as the problems. So there is necessity to segment the entrepreneurs based on the problems they face. Based on the three factors the micro enterprises can be segmented. K-means cluster analysis is used to categorize micro-enterprises into three clusters based on the problems of micro-enterprises.

Table 5: Final Cluster Centers and ANOVA

	Cluster			F	Sig.
	1	2	3		
Govt. regulation	3.63 (II)	4.08 (I)	3.15 (III)	158.867	.000
Competition	4.27 (II)	4.59 (I)	4.14 (III)	37.609	.000
Cost	3.41 (III)	4.43 (II)	4.61 (I)	234.577	.000
Average	3.77	4.37	3.97		
No. of cases	54	189	60		
Percentage	18	62	20		

Table 5 contains the mean value scores of three factors related to problems faced by micro enterprises and the ranks are specified in the bracket. Table 5 shows that around 18 percent of enterprises belong to cluster 1 category, 62 percent are in cluster 2 and 20 percent belong to cluster 3. This reveals that majority of micro-enterprises are included in cluster 2. Observation of F value reveals that high production and premises cost has the highest F value followed by Government regulation and support. This indicates that the premises and production cost is the most significant factor related to problems faced by micro-enterprises. Nevertheless it is important to note that all three factors are found to be significant at 0.000. This means that cost factor, government regulation and competition all significantly contribute to the segmentation of enterprises into three clusters.

Competition

The first cluster is named as Competition with reference to the sub-factors it contained. Generally, micro-enterprises face stiff competition

from large players in the market environment. These enterprises are smaller, low capital based, producing simple products, lack of technology and traditional methods of production, poor marketing skills and no scope for product improvement which explains its natural ability to face the competition by bigger players who are competent on most of these parameters.

High Problematic

The second cluster is named as high problematic referring to both internal and external factors that affect micro-enterprises. The enterprises included in this cluster feel that they have all three problems such as competition, Cost and Govt. regulation.

Cost

The third cluster is named as the cost which contains sub-factors referring to cost related to equipments and production which can be attributed to the enterprise's low market share and low production capacity that tends to increase the cost of production per unit.

Reliability of Segmentation

Reliability of the cluster classification and its stability across the samples is verified using discriminant analysis. The three factors (Govt.

regulation and support, Competition and Cost) are taken as independent variables and the cluster classification is taken as grouping variables (dependent variables) to find out the reliability of cluster classifications.

Table 6: Eigen values and Wilks' Lambda

Function	Eigen value	Canonical Correlation	Wilks' Lambda	Chi-square	Df	Sig.
1	1.694	.793	.170	530.532	6	.000
2	1.189	.737	.457	234.221	2	.000

From the table 6 it is found that the two functions are having satisfactory Eigen value of more than one, while the largest Eigen value corresponds to the maximum spread of the groups' means. From the three clusters, two discriminant functions are formed. This shows that there is a good difference among the clusters on the factors.

The canonical correlation helps to measure the association between the functions and factors, and found that function one and two has high canonical correlation. Wilks' lambda for the first function is 0.170 and for function two it is 0.457 which indicates that the group means are different from the function 1 and function 2.

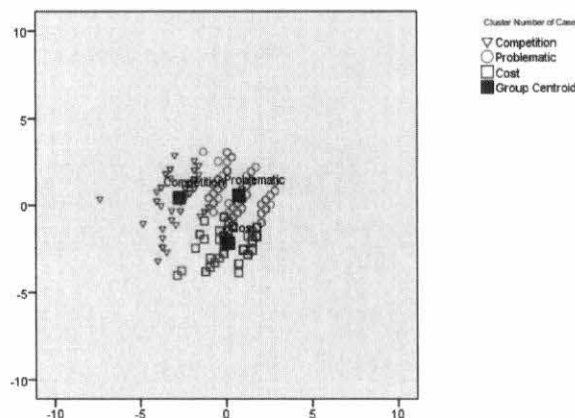
Table 7: Structure Matrix

	Function	
	1	2
Cost	.902*	-.395
Govt. regulation and support	.324	.861*
Competition	.225	.372*

Table 7 presents the structure matrices and reveals that two functions can be formed from the three clusters. These two domain functions can be used separately, to describe

the characteristics of population. The two domain functions are $Z1 = 0.902* \text{ Cost}$, $Z2 = 0.861 * \text{ Govt. regulations and support} + 0.372 \text{ Competition}$.

Fig. 1: Group centroids for problems of micro enterprises



The group centroids diagram shows that all the three clusters are significantly different clusters having different group centroids and different mean values. The cluster members are aligned

separately from other group members. This shows that there is no error of discriminant classification. This indicates that there exists a good variation among the three discriminant groups.

Table 8: Extent Of Correct Classification

	Reason for Problems of entrepreneurs	Predicted Group Membership			Total
		Competition	Problematic	Cost	
Count	Competition	54	0	0	54
	Problematic	4	185	0	189
	Cost	0	2	58	60
%	Competition	100.0	.0	.0	100.0
	Problematic	2.1	97.9	.0	100.0
	Cost	.0	3.3	96.7	100.0

98.0% of original grouped cases correctly classified.

Table 8 presents the extent of success of the classification on the basis of reasons. The number and percentage of cases classified correctly and wrongly classified are displayed in the table. Here, 100 percent of business competition segments are correctly classified. In the Problematic segment 185 cases accounting for 97.9 percent are correctly classified and only 4 cases are included into competition segment. For the cost, it is 96.7 percent correctly classified. Therefore, it can be inferred that the segmentation of

entrepreneurs based on problems is correct by more than 98 percent.

Relationship between demographic variables and problems of enterprises

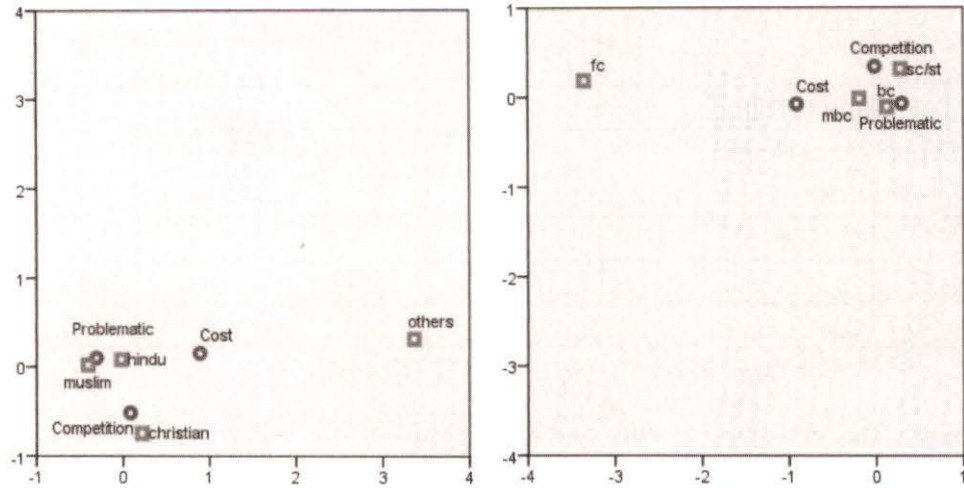
There are ten demographic variables included in the study. The relationship between demographic variables and problems of micro enterprises has been analysed using chi-square analysis. The cluster is taken as one variable and particular demographic variable is taken as another variable.

Table 9: Relationship between demographic variables and problems of enterprises

No	Variable	Chi-Square value	Govt. regulation	Competition	Cost
1	Age	10.499 (.105)	3.545 (.015)*	1.125 (.339)	1.027 (.381)
2	Gender	.980 (.613)	-1.021 (.308)#	-.381 (.703)#	.926 (.355)#
3	Religion	15.235 (.019)*	4.094 (.007)*	2.147(.094)	.635 (.593)
4	Social class	14.660 (.023)*	2.491(.060)	1.051(.370)	.904 (.439)
5	Family size	7.652 (.105)	4.747 (.009)*	1.236 (.292)	3.338 (.037)*
6	Education	14.911 (.135)	2.034 (.074)	.841 (.521)	1.112 (.354)
7	First time entrepreneur	1.104 (.576)	1.611 (.108)#	-.157 (.876)#	1.183 (.239)#
8	Family business	.535 (.765)	-1.849 (.066)#	-.469 (.639)#	-.944 (.347)#
9	Year of experience	4.312 (.635)	.144 (.934)	.084 (.969)	1.497 (.215)
10	Family members involved	19.635 (.012)*	.630 (.641)	1.544 (.189)	3.792 (.005)*

indicates Independent sample t test and parentheses indicates the significant p value. The chi-square value along with their level of significance (in the bracket) is shown in the table 9. If the level of significance is less than 0.05 which means there is an association between two variables. The chi-square test found that religion, social class and involvement of family members in business show significant association for problems of entrepreneurs.

Figure 2: Correspondence analysis for religion, social class and problems of micro industries



The correspondence diagram shows that entrepreneurs from Hindu and Muslim religion face more problems in the study area. Hence, these enterprises are in close association with more problematic cluster. Enterprises run by Christian entrepreneurs face problems with regard to competitions. So it can be concluded that problems faced vary with religion of entrepreneurs.

Association between social class of entrepreneurs and problems faced by micro enterprises is also shown in the diagram. Entrepreneurs from backward and most backward classes are closely associated with the problematic cluster. Entrepreneurs from the scheduled class face problems with regard to competition in the market.

Analysis of variance test is then used to test the relationship between demographic variables and the problems of micro enterprises. Among the ten demographic variables, age, religion and family size are having significant relationship with problems faced by micro enterprises at 5 percent level of significance.

Relationship between industry variables and problems of micro enterprises

There are eight industry variables included in the study. The relationship between industry variables and problems of micro enterprises are analysed using chi-square analysis. The cluster is taken as one variable and industry variables are taken as another variable.

Table 10: Relationship between industry variables and problems of micro enterprises

No	Variable	Chi-Square value	Govt. regulation	Competition	Cost
1	Place	90.367 (.000)*	7.583 (.000)*	2.027(.019)*	1.462 (.131)
2	Type of industry	71.432 (.000)*	1.846 (.020)*	1.365 (.148)	2.338 (.002)*
3	Registration	6.992 (.030)*	2.813 (.005)#*	.523 (.602)#	2.697 (.011)#*
4	More than one business	4.245 (.374)	2.130 (.034)#*	1.587 (.114)#	2.746 (.007)#*
5	Ownership of premises	2.291 (.682)	2.334 (.089)	.411 (.663)	.262 (.769)
6	Factory near to	12.106 (.017)*	3.690 (.026)*	6.084 (.003)*	.228 (.796)
7	Employment	25.842 (.004)*	3.836 (.002)*	.586 (.710)	1.495 (.191)
8	Type of ownership	3.203 (.524)	1.892 (.153)	.137 (.872)	1.705 (.183)

indicates Independent sample t test and parentheses indicates the significant p value. The chi-square analysis reveals that variables such as place, industry type, registration, nearness of factory and employment are significantly associated with the problems of micro enterprises at 5 percent significance. This indicates that the industry variables contribute to the problems faced by micro enterprises.

Analysis of Variance explains the significant relationship between industry variables (place, industry type, and registration, nearness of factory, more than one business and type of employment) and problems of micro industries. Except for one variable which is ownership of

business premises, all the other industry related variables are significantly associated with the problems of micro industries. Independent sample t-test confirmed significant relationship between more than one business and registration with the problems faced by micro enterprises.

Table 11: Duncan table for employment and nearness of factory

Employment	Govt. regulation (Mean Values)	Nearness of Factory	Govt. regulation (Mean Values)	Nearness of Factory	Competition (Mean Values)
1-5	3.74 (I)	Both	3.72 (I)	Market	4.37 (I)
21-30	3.93 (II)	Market	3.82 (II)	Both	4.45 (I)
11-20	3.96 (II)	Raw material	3.94 (II)	Raw material	4.58 (II)
6-10	3.99 (II)				
31-50	4.10 (II)				
More than 50	4.33 (II)				

The table 11 clearly reveals that except for those enterprises with five or less workers all other enterprises fall under second group. This means that more the worker size of enterprises, more the problems they face compared to very small enterprises. The Duncan table presents that enterprises located near to market and both (raw material and market) are having more problems relating to government policy and competition. Hence, these two items are fall under second group.

Relationship between capital structure variables and problems of micro enterprises

Seven variables are identified as capital variables in this study. The relationship between capital variables and problems of micro enterprises are analysed using chi-square analysis. The cluster is taken as one variable and the capital structure variable is taken as another variable.

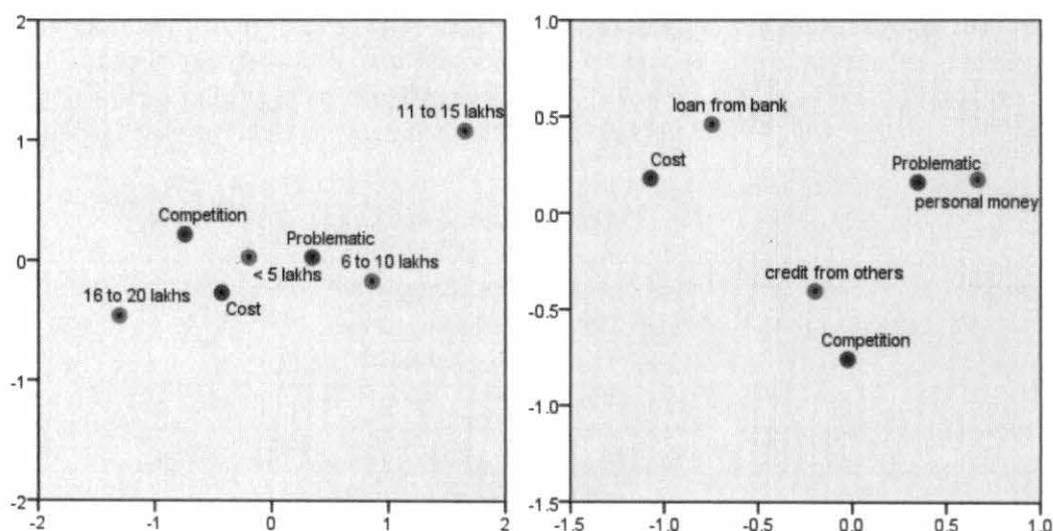
Table 12: Relationship between capital variables and problems of micro enterprises

No	Variable	Chi-Square value	Govt. regulation	Competition	Cost
1	Capital/ investment	13.555 (.035)*	3.051 (.029)*	.276 (.843)	1.557 (.200)
2	Sources of capital	6.282 (.179)	6.932 (.001)*	.322 (.725)	.069 (.933)
3	% of own money	7.525 (.275)	3.681 (.012)*	.570 (.635)	.901 (.441)
4	% of formal money	4.340 (.631)	.980 (.402)	.644 (.587)	.394 (.757)
5	% of non-formal money	8.492 (.204)	.9052 (.000) *	.477 (.698)	.741 (.528)
6	Working capital	32.687 (.000)*	22.844 (.000)*	7.847 (.000)*	2.796 (.063)
7	Capital contribution	9.031 (.060)	1.146 (.319)	3.857 (.022)*	1.290 (.277)

Table 12 Chi-square analysis indicates capital/ investment and working capital are associated with issues faced by micro industries at 5 percent

level significance. All other variables have significant value more than 0.05 which means there is no association.

Figure 3: Correspondence analysis for capital, working capital and problems of micro industries



The correspondence diagram shows that enterprises having capital up to five lakhs struggle with cost problems. Because of their low capital that limits their volume of production, they suffer from higher production cost and low margin. For enterprises with a capital of 6-10 lakhs fall under the more problematic due to many reasons such as competition in the market.

The correspondence analysis for working capital shows that enterprises raise funds from banks face cost related problems and enterprises

use personal money as working capital which faces many problems. For enterprises that source money from non-formal finance face competition related problems.

The Analysis of variance result shows that capital structure variable such as investment, source of capital, own money, formal money, non formal money and working capital are significantly related with problems of micro enterprises. It means that capital and strong liquidity position are the primary factor for the kind of problems faced by the micro-enterprises.

Table 13: Duncan table for capital, % of own money and % of non-formal finance

capital	Govt. regulation (Mean Values)	% of own money	Govt. regulation (Mean Values)	% of non-formal finance	Competition (Mean Values)
16 to 20 lacs	3.33 (I)	51%-75%	3.74 (I)	25%-50%	3.58 (I)
< 5 lacs	3.79 (I)	25%-50%	3.78 (I)	up to 25%	3.85 (I)
6 to 10 lacs	3.94 (II)	above 75%	3.89 (I)	51%-75%	4.17 (I)
11 to 15 lacs	4.25 (II)	up to 25%	4.26 (II)	above 75%	5.00 (II)

The Duncan analysis reveals that enterprises having capital 16-20 lacs and less than 5 lacs are having less problem compared companies having capital 6 to 10 and 11 to 15 lacs. With regard to contribution of own money to capital, the companies having less own share are facing more

problems relating to regulation and support by government. Hence, these items are falling under second group with mean value of 4.26. Enterprises sourcing more than 75% of capital from non-formal source are having more challenges with respect to competition of the goods.

Table 14: Duncan table for capital source, working capital and capital tie up

Sources of capital	Govt. regulation (Mean Values)	Working capital	Govt. regulation (Mean Values)	Capital tie-up	Competition (Mean Values)
Formal source	3.68 (I)	Loan from bank	3.54 (I)	Buyer	4.10 (I)
Own money	3.82 (I)	Credit from others	3.77 (II)	Supplier	4.35 (II)
Non-formal sources	4.42 (II)	Personal money	4.04 (III)	No	4.46 (II)

Duncan analysis shows that enterprises that source from non formal finance for capital are having high level of problems compared to enterprise that use entrepreneurs own money. Based on money used for working capital the enterprises are classified into three groups. Working capitals raised by enterprises through banks are having less risk. The Duncan analysis for capital tie up shows that enterprises which are receiving financial assistance from supplier and no capital tie-up are having more problems

on competition.

Relationship between market variables and problems of micro enterprises

There are three market variables included in the study. The relationship between industry variables and problems of entrepreneurs are analysed using chi-square analysis. The cluster is taken as one variable and industry variables are taken as another variable.

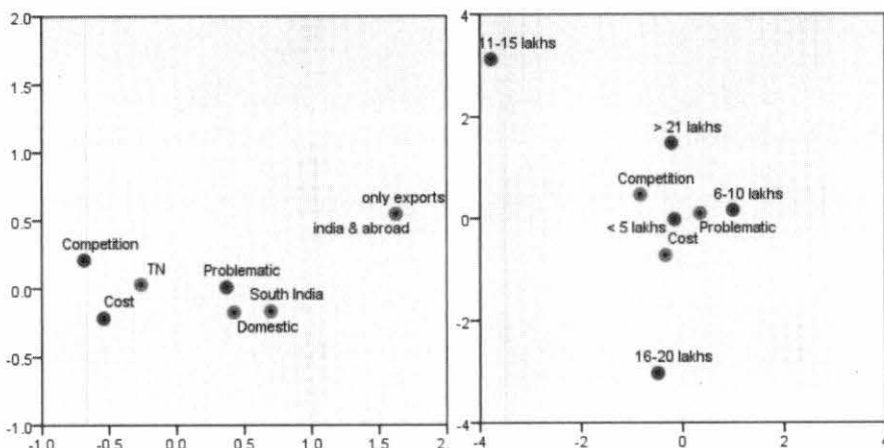
Table 15: Relationship between market variables and Problems of Micro Entrepreneurs

No	Variable	Chi-Square value	Govt. regulation	Competition	Cost
1	Area of market	15.671 (.047)*	4.497 (.002)*	.565 (.688)	1.363 (.247)
2	Annual sales	14.472 (.025)*	2.660 (.048)*	.943 (.420)	2.117 (.098)
3	Annual profit	21.553 (.006)*	1.454 (.216)	.875 (.479)	2.585 (.037)*

Table 15 shows the results of chi-square and Analysis of variance. Chi-square analysis shows that all the three marketing variables

are having significant association with the problems of micro enterprises at 5 percent level significance.

Figure 4: Correspondence analysis for area of marketing, profits and problems of micro industries



The correspondence diagram shows that locally marketing enterprises are having problems relating to cost and competition. This means less demand for products and more competition in the market. Enterprises which are marketing their goods in south India and at national level are facing Govt. regulation, competition and cost as problems. The correspondence analysis also explains the association between annual profit and problem of micro enterprises. Enterprises which are having very low annual margins are facing all kind of problems due to low profit.

Factor influencing the Problems to the micro enterprises

From the earlier analysis it is clear that religion, social class, family member in business, place, industry type, registration, nearness to factory, employment, capital, working capital, market,

sales and profit are having significant association with problems faced by the micro enterprises. Now there is need to order of influence of those variables. For this purpose canonical correlation is used. Canonical correlation is the examination of the relationship between two sets of variables. One set is the independent variables. The second consists of the criteria or the dependent variables. The first set contains three variables which are extracted from factor analysis such as Government regulations, Competitions and Cost. The second set contains thirteen significant chi-squared variables such as religion, social class, capital, working capital, sales, profit, employment, ownership, market, industry and place etc. In order to know the set relationship between members' economic variables and micro-enterprises economic variables, the Canonical Correlation is used.

Table 16: Canonical correlation of problems faced by micro enterprises

Linear combinations for canonical correlations				Number of obs = 303		
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
u1						
govtregula~n	-1.284668	.25548	-5.03	0.000	-1.787415	-.781922
competition	-.8322398	.3058832	-2.72	0.007	-1.434172	-.2303076
cost	-.8737792	.2356964	-3.71	0.000	-1.337594	-.4099639
v1						
religion	.5541405	.1870285	2.96	0.003	.1860964	.9221845
socialclass	.1446524	.1846337	0.78	0.434	-.2186791	.5079839
fmembersin~s	.410074	.1598579	2.57	0.011	.0954976	.7246503
place	-.0109684	.0302005	-0.36	0.717	-.0703985	.0484618
industrytype	-.0594948	.0274614	-2.17	0.031	-.1135347	-.0054549
firmregist~n	.5820874	.3257236	1.79	0.075	-.0588878	1.223063
nearnessof~y	.3465576	.1882663	1.84	0.067	-.0239222	.7170375
employment	-.2487171	.2283099	-1.09	0.277	-.6979969	.2005626
capital	.6187128	.390646	1.58	0.114	-.15002	1.387446
workingcap~l	.593951	.1531928	3.88	0.000	.2924905	.8954115
areaofmarket	-.1169629	.2077973	-0.56	0.574	-.5258769	.2919511
sales	-1.039703	.5159674	-2.02	0.045	-2.05505	-.0243566
profit	.5335784	.2883775	1.85	0.065	-.0339054	1.101062
u2						
govtregula~n	1.578439	.3564613	4.43	0.000	.8769771	2.279902
competition	-1.531285	.4267868	-3.59	0.000	-2.371138	-.6914327
cost	-.976294	.328858	-2.97	0.003	-1.623437	-.3291507
v2						
religion	.0270466	.2609535	0.10	0.918	-.4864709	.5405641
socialclass	-.505255	.2576122	-1.96	0.051	-1.012197	.0016872
fmembersin~s	.726564	.2230434	3.26	0.001	.2876479	1.16548
place	.0407973	.0421376	0.97	0.334	-.0421233	.1237178
industrytype	-.0439233	.0383158	-1.15	0.253	-.1193231	.0314764
firmregist~n	.4537507	.4544694	1.00	0.319	-.4405771	1.348078
nearnessof~y	-.1210403	.2626806	-0.46	0.645	-.6379564	.3958757
employment	.4934596	.3185519	1.55	0.122	-.1334028	1.120322
capital	-.0433247	.5450531	-0.08	0.937	-1.115907	1.029258
workingcap~l	-.0054227	.2137439	-0.03	0.980	-.4260387	.4151933
areaofmarket	.4212874	.2899315	1.45	0.147	-.1492543	.9918291
sales	-1.245823	.7199092	-1.73	0.085	-2.662496	.1708507
profit	.2145988	.4023619	0.53	0.594	-.5771892	1.006387
u3						
govtregula~n	.2013677	.5596986	0.36	0.719	-.9000353	1.302771
competition	-1.719883	.6701204	-2.57	0.011	-3.038579	-.4011861
cost	1.357604	.5163573	2.63	0.009	.3414904	2.373718
v3						
religion	.8502	.4097369	2.07	0.039	.0438992	1.656501
socialclass	-.3343675	.4044905	-0.83	0.409	-1.130344	.4616091
fmembersin~s	-.3306753	.3502122	-0.94	0.346	-1.019841	.35849
place	.0772556	.0661625	1.17	0.244	-.0529424	.2074535
industrytype	.0372304	.0601617	0.62	0.536	-.0811587	.1556196
firmregist~n	-.5662648	.7135864	-0.79	0.428	-1.970496	.8379663
nearnessof~y	.4100917	.4124486	0.99	0.321	-.4015454	1.221729
employment	-.1228695	.5001751	-0.25	0.806	-1.107139	.8614002
capital	.5920021	.8558165	0.69	0.490	-1.092117	2.276121
workingcap~l	.220655	.3356106	0.66	0.511	-.4397764	.8810864
areaofmarket	.4072041	.4552366	0.89	0.372	-.4886334	1.303042
sales	-.3067258	1.130367	-0.27	0.786	-2.531119	1.917668
profit	.2268686	.6317695	0.36	0.720	-1.016359	1.470096

(Standard errors estimated conditionally)

Canonical correlations:
0.4201 0.3149 0.2067

Tests of significance of all canonical correlations

	Statistic	df1	df2	F	Prob>F	
Wilks' lambda	.710138	39	850.616	2.6727	0.0000	a
Pillai's trace	.318398	39	867	2.6396	0.0000	a
Lawley-Hotelling trace	.369046	39	857	2.7032	0.0000	a
Roy's largest root	.214309	13	289	4.7642	0.0000	u

e = exact, a = approximate, u = upper bound on F

Canonical correlation reveals that the enterprises differ in Govt. regulation as the reason for business problems because of their difference in religion, members from family, industry type, working capital and sales. It means sales, working capital and industry type are the primary factors which differentiate the entrepreneurs on the type problems faced by them. The unit two of canonical correlation explains that enterprises have difference of opinion on Competition as the problems of micro enterprises because of difference in number of family members involved in business. The third unit of canonical correlation explains that enterprises have difference opinion on Cost as the problems of micro enterprises because of difference in religion of entrepreneurs. The canonical correlations explains among the three major problems faced by micro enterprises, Govt. regulation and support is having higher coefficient value of 0.4201 and followed by Competition of 0.2193. The probability values for test of significance for all canonical correlation values indicate that all co-efficient are highly significant.

Conclusion

The micro enterprises are facing many problems such as low capital, competition, technology, delayed payments, lack of managerial skills, govt. regulations and policies, poor quality, immediate sickness, non-availability of skilled labour, infrastructure facility, lack of marketing network, low entrepreneurial ability, traditional method, etc. The study finds that access to finance is most important problem faced by the entrepreneurs. Govt. policy, competition and cost are the three distinctive problem faced by the entrepreneurs. The problem faced by the entrepreneurs vary according to religion, social class, family member in business, place, industry type, registration, nearness to factory, employment, capital, working capital used by the entrepreneurs. The nature of problem is having impact on market, sales and profit of micro enterprises. The entrepreneurs belonging to different religion have difference of opinion in Govt. regulation. The problem relating to competition is significantly influencing sales and profit.

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