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## A STUDY ON PROBLEMS FACED BY TINY SECTOR ENTREPRENEURS IN TAMILNADU

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### ARTICLE DETAILS

Research Paper

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### ABSTRACT

Having identified the causes for underutilizations of capacity in the previous section, it is proposed to analyse the problems currently faced by the sample entrepreneurs in order to evaluate the magnitude and intensity of the problems. For this, the entrepreneurs' self-assessment of the problems as done in the cause of reasons for underutilization of capacity are taken into consideration. The entrepreneurs were asked to sort out the problems faced by them relating to marketing, finance, raw material, labour, power, technical and management guidance. Further, if the problem was related to raw materials, then they were asked to clearly specify whether it was a problem of scarcity, high prices, low quality, transport or something related. The same technique has been adopted to analyse other problems as well.

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### I Major Problems Faced by Tiny Sector Entrepreneurs

Table 1 shows the major problems encountered by the sample tiny entrepreneurs at present in different tiny industries.

It is inferred from Table 1 that out of 250 sample units 151 (60.4 per cent) are facing marketing problems and the remaining 99 (39.6 per cent) units are not facing any marketing problem. Among the various tiny industry groups, marketing problems are experienced more (35.6 per cent) by units belonging to the by 139 (55.6 per cent) units and the remaining 111 (44.4 per cent) units are not facing any finance problem. Among the industries facing problems the textile and garments making

industry has more (34.04 per cent) number of units.

Problems related to raw materials are faced by 130 (52.0 per cent) units and the remaining 120 (48.0 per cent) units are not facing such problems. The textile and garments units are facing this type of problem more. As regards labour problems 70 (28.0 per cent) units are experiencing them and the remaining 180 (72.0 per cent) units are not facing such problems. Out of these 180 units 133 (53.2 per cent) units making textiles and garments do not gave labour problems.

**Table No. 1**

**Major Problems Encountered by Tiny Industries**

Sl. No.	Industry Group	Marketing		Finance		Raw Material		Labour		Power		Technical Managerial Guidance		Total
		FP	NFP	FP	NFP	FP	NFP	FP	NFP	FP	NFP	FP	NFP	
1	Agro and food product industries	22	3	14	11	19	6	14	11	17	8	3	22	25
		(8.2)	(1.2)	(5.6)	(4.4)	(7.6)	(2.4)	(5.6)	(4.4)	(6.8)	(3.2)	(1.2)	(8.8)	(10)
2	Textiles and garments industries	89	65	86	68	74	80	21	133	5	1	3	151	154
		(35.6)	(26.0)	(34.4)	(27.2)	(29.6)	(32.0)	(4.8)	(53.2)	(2)	4	(1.2)	(60.4)	(61.6)
										(59.6)				
3	Forest-based industries	11	15	14	12	17	9	12	14	15	1	11	15	26
		(4.1)	(6.0)	(5.6)	(4.8)	(6.8)	(3.6)	(4.8)	(5.6)	(6.0)	(4.1)	(4.4)	(6.0)	(10.4)

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4	Chemic al- based industries	9 (3. 6)	9 (3.6)	10 (4.1 0)	8 (3.2 )	9 (3.6)	9 (3.6)	9 (3.6)	9 (3.6)	10 (4.10 )	8 (3. 2)	3 (1.2)	15 (6.00 )	18 (7.2)
5	Miscellaneo us	20 (8. 00)	7 (2.8)	15 (6.0 )	12 (4.8 )	11 (4.4 )	16 (6.4)	14 (5.6)	13 (5.2)	8 (3.2)	15 (2) (7 .6 )	5 (2)	22 (8.8)	27 (10.8 )
	<b>Total</b>	<b>151 (60. 4)</b>	<b>99 (39. 6)</b>	<b>139 (55.6 )</b>	<b>111 (44.4 )</b>	<b>130 (52.0 )</b>	<b>120 (48.0)</b>	<b>70 (28.0 )</b>	<b>180 (72.0)</b>	<b>55 (22.0 )</b>	<b>195 (78 .0)</b>	<b>25 (10.0)</b>	<b>225 (90.0)</b>	<b>250 (100)</b>

Note: Figures in brackets are percentages.

FP – Facing Problem, NFP – Not Facing Problem

The problem of lack of power supply is encountered by 55 (22.0 per cent) units and the remaining 195 (78.0 per cent) units do not have this problem. Among the 55 units which experience this power supply problem, 17 units come under the agro and food based industry. Problems related to technical and managerial guidance are faced by only 25 (10.0 per cent) units and the remaining 225 (90.0 per cent) units do not have such problems. Among the 25 problems facing units, 11 units come under the forest based industry.

Marketing is one of the major stumbling blocks for tiny entrepreneurs. Tiny industries do not have any marketing organization. In consequence, their products compare unfavorably with the quality of the products of large scale industries. They suffer from comparative disadvantages visa-a-visa large scale units. In this study the tiny entrepreneurs were asked to mark the first two most

important marketing problems faced by them. The first two marketing problems as stated by the tiny entrepreneurs are shown in Table 2.

**Table No. 2**

**Problems of Marketing Encountered by Tiny Industries**

S. No	Problem	Number of Entrepreneurs Facing the problem of Marketing	
		Number One	Number Two
1.	Competition from Small Units	72	7
2.	Competition from Large Units	21	5
3.	Slackness in Demand	7	4
4.	Other Problems	51	3
5.	Number of Units not specifying the problem	-	132
	<b>Total</b>	<b>151</b>	<b>151</b>

- Include transport bottlenecks seasonal demand.

Out of 250 tiny entrepreneurs 151 (60.4 per cent) have marketing problems as shown in Table 2. Among the entrepreneurs who have marketing problems, 72 say that the competition from small units is the most important problem. For 21 entrepreneurs, competition from large scale units is the major problem. Other problems like transport bottlenecks and seasonal demand are the major problems of 51 entrepreneurs. Among the 151 entrepreneurs who have marketing problem, only 19 have reported the second major marketing problem. Out of these 19 entrepreneurs, 7 say that competition from small units is the second major marketing problem. For the remaining 12 competition from small large scale units is the second major problem.

The above analysis reveals that among the various marketing problems, competition from small and large scale units is considered to be the most important problem faced by tiny entrepreneurs.

## Finance

Finance, which has been aptly described as the “life – blood” of industry, is a pre-requisite for the mobilization of real resources to organize production and marketing. Table 3 highlights the problems of finance encountered by tiny industries.

From Table 3, it is found that 139 entrepreneurs specified their number one difficulty and 76 reported their number two difficulty in the area of finance. A majority of 54 entrepreneurs mentioned meager assistance from Government agencies as their number one difficulty and 33 entrepreneurs mentioned it is number two difficulty.

It is also observed that the second ranking number one difficulty mentioned by 41 entrepreneurs is shortage of working capital. 4 entrepreneurs have mentioned it as their number two difficulty. 28 entrepreneurs have stated credit sales and delayed settlement of account to be their number one difficulty and 16 entrepreneurs have mentioned them as number two difficulty. The problem of high rate of interest is the number one problem for 16 entrepreneurs and the same problem is reported by 9 entrepreneurs as number two problem. Moreover, it is also observed that shortage of fixed capital and procedural stagnation in Government agencies are not number one problem at all; instead, they have been mentioned as number two problem by 3 entrepreneurs and 11 entrepreneurs respectively. Thus, it is clear from the table that the problem of meager assistance from Government agencies and the shortage of working capital are the major problems of finance encountered at present by the tiny entrepreneurs.

**Table No. 3**

### Problems of Finance Encountered by Tine Industries

S. No	Problem	Number of Units for whom it is difficult	
		Number One	Number Two
1.	Shortage of Working Capital	41	4
2.	Shortage of Fixed Capital	-	3
3.	High rate of interest	16	-

4.	Procedural Stagnation in Government Agencies	-	11
5.	Meagre Assistance from Government Agencies	54	33
6.	Other Difficulties	28	16
7.	Number of Units not specifying the difficulty	-	63
	<b>Total</b>	<b>139</b>	<b>139</b>

Include repayment and high instatement

### Initial Capital

Initial capital is very essential for starting an industry. It is the fund at the disposal of the entrepreneurs for establishing the enterprise in the first instance. Table 6 analyses the major sources of initial capital for the entrepreneurs.

**Table No. 4**

### Major Sources of Initial Capital

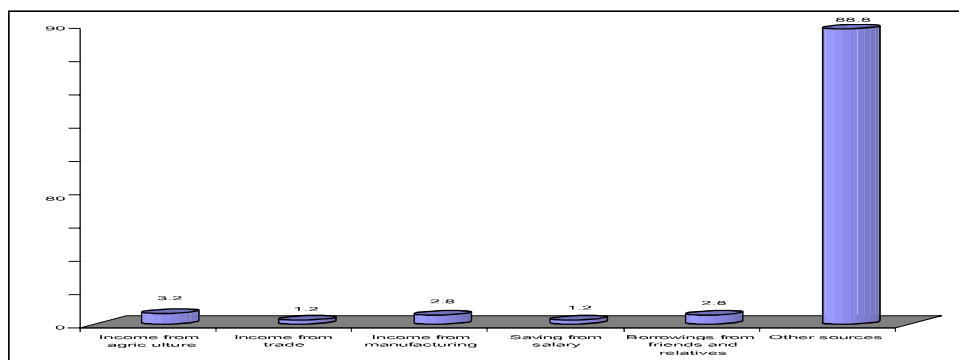
Sl. No	Major Source	Number of Units	Percentage
1.	Income from agriculture	8	3.20
2.	Income from trade	3	1.20
3.	Income from manufacturing	7	2.80
4.	Saving from salary	3	1.20
5.	Borrowings from friends and relatives	7	2.80
6.	Other sources	222	88.80
	<b>Total</b>	<b>250</b>	<b>100.00</b>

Include borrowings from wife, sale proceeds of agricultural land.

Table 4 shows that 88.80 per cent of the respondents entered the industry by using their income from other sources, such as borrowings from wife and sale proceeds of agricultural land. It is also evident that the use of the five specific sources is very meager (11.20 per cent). Thus, it is inferred that a majority of the respondents have entered the industries using the borrowings from wife or the sale proceeds of agricultural land.

Chart – 1

**Major Sources of Initial Capital**



**Findings & Suggestion**

State Government assistance must be so devised as to synchronize the assistance with social returns in an efficient, cost effective manner that will simultaneously promote moral imperatives.

The State Directorate of Industries while providing assistance to the small and tiny sector industries could maintain a separate set of registers for reference by and exclusive assistance for the tiny sector industries. At present the tiny sector industries are clubbed with the small scale sector for the purpose of policy decisions and assistance.

The State Government should enroll all the tiny industries separately through the District Industries Centre and offer assistance packages after assessing the exact needs of the tiny sector industries. The District Industries Centre should encourage the tiny entrepreneurs to form an association for tiny industrial units and facilitate the members of the association to meet at regular

intervals to share their experiences and the problems encountered by them. This forum will help the tiny entrepreneurs to lobby effectively with the Government, to negotiate with the District Industries Centre to implement necessary assistance schemes and to represent their genuine problems.

At regular intervals the District Industries Centre Could organize district level workshops to enlighten the tiny entrepreneurs about recent developments in technology and to infuse professionalism among the entrepreneurs.

Just like the Handicrafts Marketing and Service Extension Centre which help the promotion of Handicrafts, the State Government could set up a Tiny Industries Marketing and Service Extension Centre or create a separate section in the Small Industries Service Institute to assist exclusively the tiny entrepreneurs in training, development and marketing.

### **Conclusion**

The small and tiny sector is considered as an ideal nursery for the rapid growth and development of entrepreneurship. The need of the hour is the growth of entrepreneurship in the country to accelerate the process of economic growth. From the point of view of long-term perspective, however, the capacity of tiny manufacturers to become economically viable, technically progressive and efficient and to develop competitive strength shall be the only justification for their continuance. In the present study an attempt has been made to assess the entrepreneurial traits, growth of entrepreneurship and the problems faced by the tiny entrepreneurs in Tamil Nadu.

The present study will help the planners and the decision makers who are involved in the development of tiny entrepreneurs to review the existing policies and to make suitable suggestions to amend the provisions of the Act which governs the tiny sector industries. Based on the experience of the researcher the following important issues have been identified for an in depth study.

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